

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Hamilton County Tennessee

for year ended June 30, 2017





Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee

for the year ended June 30, 2017

prepared by the Finance Division

Albert C. Kiser, Administrator of Finance

Lee H. Brouner, Assistant Administrator of Finance

TABLE OF CONTENTS

2017 Comprehensive Annual Financial Report - Hamilton County, Tennessee

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

Balance Sheet – Governmental Funds	A - 4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A - 5
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A - 6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A - 7
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	A - 8

Proprietary Fund Financial Statements

Statement of Net Position – Proprietary Fund	A - 9
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	A - 10
Statement of Cash Flows – Proprietary Fund	A - 11

Fiduciary Fund Financial Statements

Statement of Fiduciary Net Position – Fiduciary Funds	A - 12
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	A - 13

Component Unit Financial Statements

Statement of Net Position – Component Units	A - 14
Statement of Activities – Component Units	A - 15

Notes to Basic Financial Statements

A - 17

Required Supplementary Information (unaudited)

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

TABLE OF CONTENTS

2017 Comprehensive Annual Financial Report - Hamilton County, Tennessee

FINANCIAL SECTION — continued

Required Supplementary Information (unaudited) - continued

Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios - Other Postemployment Benefits	B - 13
Schedule of Contributions and Schedule of Investment Returns - Other Postemployment Benefits	B - 14
Notes to Schedules of Required Supplementary Information	B - 15

Other Supplementary Information

Budgetary Comparison Schedules

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

Combining Financial Schedules

Governmental Funds

Combining Balance Sheet – Nonmajor Governmental Funds	C - 9
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	C - 10
Combining Balance Sheet – Constitutional Officers Nonmajor Governmental Funds	C - 11
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Constitutional Officers Nonmajor Governmental Funds	C - 13

Fiduciary Funds

Combining Statement of Changes in Assets and Liabilities – Constitutional Officers Agency Funds	C - 15
--	--------

Discretely Presented Component Unit – Hamilton County Department of Education

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

Financial Schedules

Schedule of Property Taxes Receivable	E - 1
Schedule of Certificates of Deposit by Fund	E - 2
Schedule of Investments by Fund	E - 3
Schedule of Bonds, Notes Payable, and Other Debt	E - 6
Debt Service Requirements to Maturity	E - 11

STATISTICAL SECTION (unaudited)

Schedule I – Net Position by Component	F - 1
Schedule II – Changes in Net Position	F - 3
Schedule III – Fund Balances, Governmental Funds	F - 5
Schedule IV – Changes in Fund Balance, Governmental Funds	F - 7
Schedule V – Assessed Value and Estimated Actual Value of Taxable Property	F - 9

TABLE OF CONTENTS

2017 Comprehensive Annual Financial Report - Hamilton County, Tennessee

STATISTICAL SECTION (unaudited) — continued

Schedule VI – Direct and Overlapping Property Tax Rates	F - 11
Schedule VII – Principal Property Taxpayers	F - 13
Schedule VIII – Property Tax Levies and Collections	F - 15
Schedule IX – Ratios of Outstanding Debt by Type	F - 16
Schedule X – Ratios of General Bonded Debt Outstanding	F - 17
Schedule XI – Direct and Overlapping Governmental Activities Debt	F - 18
Schedule XII – Demographic and Economic Statistics	F - 19
Schedule XIII – Principal Employers	F - 20
Schedule XIV – Full-time Equivalent County Government Employees by Function/Program	F - 21
Schedule XV – Operating Indicators by Function/Program	F - 22
Schedule XVI – Capital Asset Statistics by Function/Program	F - 23
Schedule XVII – Salaries and Surety Bonds of Principal Officers	F - 25

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal and State Awards	G - 1
Notes to Schedule of Expenditures of Federal and State Awards	G - 6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	G - 7
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Circular A-133	G - 9
Schedule of Findings and Questioned Costs	G - 11
Schedule of Prior Audit Findings	G - 13
Management's Corrective Action Plan	G - 14





HAMILTON COUNTY, TENNESSEE

OFFICE OF THE COUNTY MAYOR
JIM M. COPPINGER

December 29, 2017

To the County Board of Commissioners
And Citizens of Hamilton County

As Hamilton County's Mayor our transparent and fiscally conservative government philosophy continues. Our financial team has once again successfully maintained our AAA bond rating with three top rating agencies: Standard and Poor's, Moody's and Fitch. Due to our outstanding bond rating, we can continue to borrow money at lower interest rates which we plan to do over the next year for a number of noteworthy projects which will have a significant impact to our taxpayers.



We have already begun the selection of architects for some major school projects totaling \$125 million. Those projects include a new East Hamilton Middle School, a replacement building for Harrison Elementary School, a new facility for the Chattanooga School for the Liberal Arts as CSLA moves into the Tyner Middle School, and Tyner High School will be remodeled to accommodate Tyner Middle and High School students. Howard Middle School will also be renovated and Howard High will now have its long needed stadium and track.

We are in the process now of a site selection for a \$45 million sewage treatment plant that will benefit the northeastern part of the County and prepare the community for the anticipated 10,000 additional new homes that are projected to be built by the year 2022. Hamilton County has seen a population growth of 17,000 people since 2010 and we see no reason why that number will not continue to increase.

Additionally, we will finally address our jail issues by building additions to our Silverdale Detention Facility instead of spending up to \$130 million for a new jail.

I firmly believe the government's money is the people's money and we are extremely careful in spending your tax dollars. This belief has allowed us to commit \$248 million to school construction projects during my mayoral tenure. During this same period since January 2011, we have increased local school funding levels by \$33.7 million because I truly believe education and economic development go hand in hand.

We have continued our daily economic development efforts that have brought in tens of millions of dollars to Hamilton County. At the same time we have continued the services you have come to expect that make Hamilton County one of the best places in the United States to live, work, play and retire.

We take great pride in our economic development efforts over the past six years. Since January 2011, we have created 14,628 jobs and brought over \$2.2 billion in investments into Hamilton County as 98 companies have expanded and 47 new businesses have located in Hamilton County. There is no doubt in my mind that people across the globe continue to look at Hamilton County as one of the best places to create or invest in a business.

Companies such as M&M Industries, Chattanooga Seating Systems, Erlanger Health System, HomeServe USA, Astec and others have all expanded over the last year. Small businesses continue to be the backbone of our success; ninety-three percent of our businesses employ less than 50 people.

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

- continued from page one

The Business Development Center (BDC) continues to be one of Hamilton County's great business success stories. Working with the Chamber of Commerce who operate the BDC for us, we create an environment where entrepreneurs can build their businesses so that they can grow and bloom into successful companies. There are currently 64 diverse companies in the BDC, employing 301 people, 38% are technology-based companies. Furthermore, 46% of the companies in the BDC are minority or women-owned. This number speaks volumes about the diversity of Hamilton County. Five hundred and fifty-eight companies have graduated from the BDC and entered the mainstream business world. Most of those companies continue to be in business five years after leaving the Business Development Center.

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

We are continuing our commitment to our local volunteer fire departments. We have selected DHW as the design architect for a new fire hall for Walden's Ridge Emergency Services. That project is currently in the design stage with the expectation that the design will be approved and a bid for construction will be issued in early 2018.

Our conservative fiscal approach has allowed us to continue to present balanced budgets throughout my tenure as mayor. This year we chose to return the millage to its previous level following the County's every four year reassessment. The increase in funding allowed us to fund some of the projects we mentioned earlier, such as money for our school system, the new sewage treatment plant and to address the jail overcrowding issues without spending \$130 million on a new jail facility. We strongly believe it is important to have a low property tax for future residential and commercial investment. We are proud that there was no increase in the property tax rate for ten years prior to this year. We will always work to promote growth to create revenue.

Our initiatives to improve the quality of life for all of our citizens continue. The Read 20 program is a public-private partnership designed for early childhood learning to have young children reading at a third grade level. This public-private partnership has delivered 947,932 books, worth over \$11.3 million to young readers. Our Hamilton County Discount Prescription Card Program has been used over 449,000 times and saved our citizens \$13.4 million since it began in February 2007.

The Hamilton County Parks and Recreation Department continues to host about 150,000 visitors annually at our Enterprise South Nature Park. The park has also become a popular place for meetings and events with over 50 gatherings during the past year. The Chester Frost Park campgrounds hosted over 100,000 campers from 23 states during the last 12 months as well as hosting 53 fishing tournaments. Our Riverpark remains as popular as ever and once again this summer hosted the annual Heroes Run. The Riverpark has also initiated a new partnership with Rock Creek Outfitters, renting bicycles, paddleboards and kayaks to outdoor enthusiasts.

Since I took office in January of 2011, I have been committed to work every day to make Hamilton County a better place for you to work, live, play and even retire. Our work to create opportunity for every citizen to succeed and prosper continues. My pledge to you over the past six years has been to make Hamilton County the goal for other communities to emulate. My promise to you is that we will continue to enhance public education, create jobs and new businesses while expanding existing Hamilton County businesses.

Sincerely,



Jim M. Coppinger
County Mayor



**CHATTANOOGA
HEROES RUN**
— July 15, 2017 —

erlanger children's
LIFE FORCE
C t/c

CHATTANOOGA
MARINE

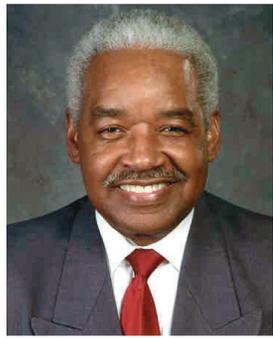
IRVING
BOULDER



BOARD OF COMMISSIONERS - As of June 30, 2017



Chester Bankston
District 9
Chairman



Gregory Beck
District 5
Chairman, Pro Tempore



Tim Boyd
District 8
Commissioner



Randy Fairbanks
District 1
Commissioner



James A. (Jim) Fields
District 2
Commissioner



Joe Graham
District 6
Commissioner



Warren Mackey
District 4
Commissioner



Greg Martin
District 3
Commissioner



Sabrena Smedley
District 7
Commissioner





HAMILTON COUNTY, TENNESSEE

ALBERT C. KISER

Administrator of Finance

December 29, 2017

TO THE CITIZENS, COUNTY MAYOR AND COUNTY BOARD OF COMMISSIONERS

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Hamilton County, Tennessee, for the fiscal year ended June 30, 2017. 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, Mauldin & Jenkins, LLC, has audited the County's financial statements in accordance with this requirement. The

independent firm is responsible to the County Board of Commissioners and is under contract with the State Comptroller of the Treasury. The independent auditor concluded, based upon the audit, that the County's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP and thus rendered an unmodified opinion. The report of independent auditors is presented in the financial section of this report.

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

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

PROFILE OF HAMILTON COUNTY, TENNESSEE

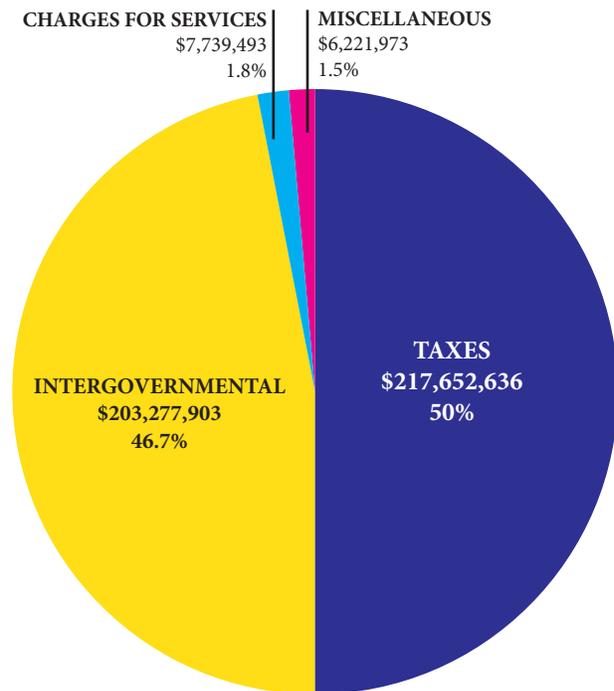
Hamilton County is located in the southeast region of the State of Tennessee, with the City of Chattanooga as its largest city. It is approximately 120 miles southwest of Knoxville, Tennessee; 360 miles east of Memphis, Tennessee; 120 miles southeast of Nashville, Tennessee, which is the State capital;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

The County was incorporated on October 25, 1819, by the 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 Assessor of Property, Circuit Court Clerk, County Clerk, Criminal Court Clerk, Juvenile Court Clerk, Register of Deeds, Sheriff and Trustee. The District Attorney General, District Public Defender and all Hamilton County judges are elected at-large for eight-year terms. The County's nine-member Board of Commissioners is elected by district to four-year terms. The Department of Education, a component unit, is managed by a nine-member board that is elected by district to four-year terms that are staggered so that no more than five are elected in any election year.

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

Even though the Hamilton County Department of Education (HCDE) is a separate legal entity from Hamilton County government, it constitutes a major portion of the funding requirements for the County. The HCDE has 6,339 employees and serves a total student population of 43,314. The total HCDE operating budget for fiscal year 2017 was \$434.9 million. Hamilton County provided funding for 50.0%, or \$217.7 million of this operating budget through property taxes, sales taxes, and use of fund balance. State and federal appropriations and grants provided \$203.3 million; charges for services provided \$7.7 million; and investments and miscellaneous items provided \$6.2 million.

HAMILTON COUNTY DEPARTMENT OF EDUCATION REVENUE BUDGET BY SOURCE FOR FISCAL YEAR ENDING JUNE 30, 2017



The Board of Commissioners adopted the fiscal year 2017 annual budget for the County in June 2016. A formal budget is employed as a management control device. The budget is prepared on a basis consistent with GAAP, except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

Constitutional officers, departments and agencies requesting funding by the Board of Commissioners must submit their budget requests during January of each year. The County Mayor reviews and edits these requests, and publicly submits a budget to the Board of Commissioners for approval prior to June 30. After the budget is formally adopted, any changes within a division that do not require additional resources must be approved by the County Mayor; the Commission must approve all other changes. Budget to actual comparisons are presented in this CAFR for each individual fund for which an annual budget has been adopted. Hamilton County follows the laws of Tennessee regarding the control, adoption



and amendment of the budget during each fiscal year. Hamilton County's budget practices not only comply with all state statutes but are more stringent due to our formal budget policy.

LOCAL ECONOMIC OUTLOOK

The economy for Hamilton County remains steady, strong and healthy. According to the Tennessee Department of Labor, the unemployment rate for Hamilton County as of June 30, 2017 was 4.1%, as compared to the state's rate of 4.2 % and the national rate of 4.5%. With the County's continued emphasis on economic development, there are plenty of opportunities for employment growth on the horizon. Continued development of the riverfront, downtown, and promotion of the Enterprise South Industrial Park are all positive marks for the local economy.

ENTERPRISE SOUTH INDUSTRIAL PARK

Enterprise South Industrial Park continues to be developed and used in recruiting new and expanded businesses to Hamilton County. The Park's two largest employers are both relatively new to the Hamilton County area: Volkswagen Group of America and Amazon.com, Inc. Volkswagen arrived in Hamilton County in 2008 and originally invested \$1 billion to build its manufacturing plant. Volkswagen has just completed a \$1 billion expansion to produce a new seven-passenger SUV, the Volkswagen Atlas. Volkswagen hired 900 additional employees for this expansion and currently employs over 3,500. The number of employees working at ancillary suppliers and associated businesses supporting Volkswagen has increased significantly as a result of this expansion.

Amazon.com opened a major distribution and fulfillment center at Enterprise South in 2010 at a cost of \$91 million. The center currently employs 2,781 people.

Enterprise South Industrial Park currently is home to 19 companies and more than 8,000 jobs in Hamilton County. Gestamp North America's current expansion will increase employment by 175 and increase the size of the building to just over 600,000 square feet. Additionally, Gestamp is constructing a new 180,000 square foot facility that will employ an additional 200. Gestamp plans to double this new facility within three years.

TAG Manufacturing currently employees 325 in a 200,000 square foot building plus an adjacent office building. TAG's future includes plans to expand their

presence in the Enterprise South Industrial Park to accommodate new business.

THE RIVERWALK

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

FUND BALANCE

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

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

	General Fund	Special Revenue Funds	Debt Service Fund
2008	\$77,102	\$8,638	\$240
2009	84,070	7,626	227
2010	87,920	6,936	298
2011	95,967	6,024	237
2012	104,431	5,363	387
2013	111,169	6,034	358
2014	111,433	4,566	923
2015	91,394	3,536	1,330
2016	92,395	4,119	1,849
2017	94,179	4,451	2,163



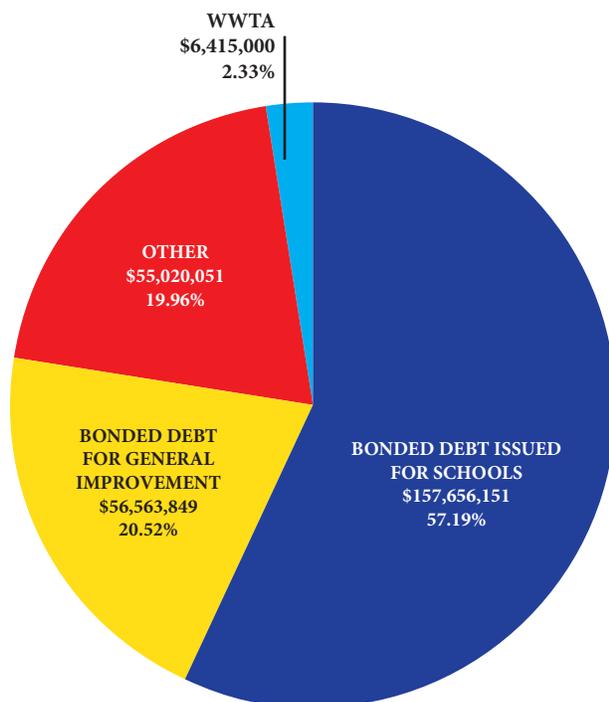
LONG-TERM FINANCIAL PLANNING

As a result of sound financial management practices, Hamilton County continued in fiscal year 2017 to provide the same high level of services to its citizens without a tax increase. Long-term financial planning includes both operations and capital needs. The Mayor and Commission work closely together in a timely and thorough budgeting process to map out an operational plan for each upcoming year.

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

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

HAMILTON COUNTY TOTAL DEBT AS OF JUNE 30, 2017 \$275,655,051



Ratio of General Bonded Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2008	\$188,260,000	0.78%	\$570
2009	200,110,000	0.71%	601
2010	206,960,000	0.73%	614
2011	185,550,000	0.65%	551
2012	223,705,000	0.78%	656
2013	263,545,000	0.91%	763
2014	238,300,000	0.81%	683
2015	272,965,000	0.92%	777
2016	245,030,000	0.81%	692
2017	220,635,000	0.70%	771

RELEVANT FINANCIAL POLICIES

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

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

MAJOR INITIATIVES

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

In September 2017, The Hamilton County Board of Commissioners approved a 26.76 cent property tax increase. The majority of the revenues from the tax increase will be used to fund debt service requirements for major capital improvements at the Hamilton County Department of Education, as well as to fund major renovations and additional capacity for County



correctional facilities. The additional revenues will help to fund a portion of the debt service on a planned regional sewage treatment facility plant based in the northeastern section of the County that will be operated by one of the County's component units, the Water and Wastewater Treatment Authority (WWTa).

PLANNED GROWTH STRATEGIES

Hamilton County Government has established a team consisting of elected officials, business leaders, civic and community organizations and involved citizens to create and implement a strategic plan to manage the expected population growth of our area resulting from recent economic developments. This regional plan will ensure balanced growth, promote economic development, and protect and enhance the quality of life for all. Specific areas addressed include housing, transportation, land use, environmental, energy, green space and infrastructure.

ECONOMIC DEVELOPMENT

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

Enterprise South Industrial Park – Enterprise South is currently home to multiple companies and more than 8,000 jobs in Hamilton County. Coupled with Volkswagen's expansion, supplier Gestamp's plant and factory addition and TAG Manufacturing's planned second facility, the growth in jobs has strengthened Chattanooga's economy. Work has begun on a \$35 million Tennessee Department of Transportation (TDOT) regional headquarters at the 6,000 acre Tyner site. The TDOT facility will hold a regional garage, maintenance equipment and a new salt and brine location for anticipated bad winter weather. Currently, TDOT's traffic management center is at the industrial park and it will house field inspection personnel for construction and bridge inspection. Approximately 150 personnel will work at the complex.

Job Growth outside of Enterprise South - While a significant amount of the County's growth was sparked by the Volkswagen expansions and associated supplier companies, other notable projects include:

- Yanfeng Automotive Interiors invested \$55 million and created 325 new jobs in its plant in the Bonnyshire Industrial Park.
- Miller Industries announced a \$13

million expansion that will create 59 new jobs.

- FedEx completed a new ground delivery operation at I-75 and Volkswagen Drive. That project represents a \$30 million investment.
- West Star Aviation built an aircraft maintenance and repair facility on-site at the Chattanooga Metropolitan Airport. West Star invested \$22.5 million and hired approximately 250 workers.

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

PUBLIC EDUCATION IMPROVEMENT

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

The County also assists the school system through the issuance of debt and general obligation bonds to build, renovate and expand the school facilities. Since the turn of the century, the County has built 21 new schools and expended over \$415 million toward modernizing and upgrading the County school buildings and grounds. In November 2017, the County approved plans for capital projects totaling \$125.3 million for school facilities. This additional funding will provide significant capital improvements for the school system, including: a new Harrison Elementary School, a new East Hamilton Middle School, major renovations at Tyner High School to merge Tyner High and Tyner Middle; major additions and renovation at Tyner Middle to accommodate relocation of the CSLA magnet school; major additions to Snow Hill Elementary School; major renovations at the Howard Middle School; major HVAC replacement at the CCA School; a new stadium and track at Howard Middle

School; a new elevator at Normal Park Museum Magnet School; a new multi-purpose room at Lookout Valley Elementary School; and various improvements to athletic facilities throughout the school system.

QUALITY OF LIFE ISSUES

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

- **Enterprise South Nature Park** – The Park is located on 2,800 wooded acres adjacent to the Enterprise South Industrial Park. It offers miles of walking paths, bicycle paths and off-road biking trails. The County expects to open the first public equestrian trails at the park in Spring 2018.
- **Step ONE** – This county-wide initiative addresses the problem of obesity in our community by promoting physical fitness, nutrition, and healthy lifestyles. This effort is guided by the County Mayor and the Hamilton County Regional Health Council.
- **IRIS Project** – Increasing the Rate of Infant Survival (IRIS) works to initiate new, creative and innovative programs that have a positive impact on Infant Mortality Rates, which are thought to be one of the best predictors of a community's overall health status.
- **Chester Frost Park** – Located on 198 acres on the shores of Lake Chickamauga, Chester Frost Park has long been a favorite destination for those who enjoy camping, fishing, swimming and other outdoor activities. Chester Frost Park hosts numerous fishing tournaments and the annual County Fair. County leaders are exploring a number of opportunities to increase the economic and social potential of the park.





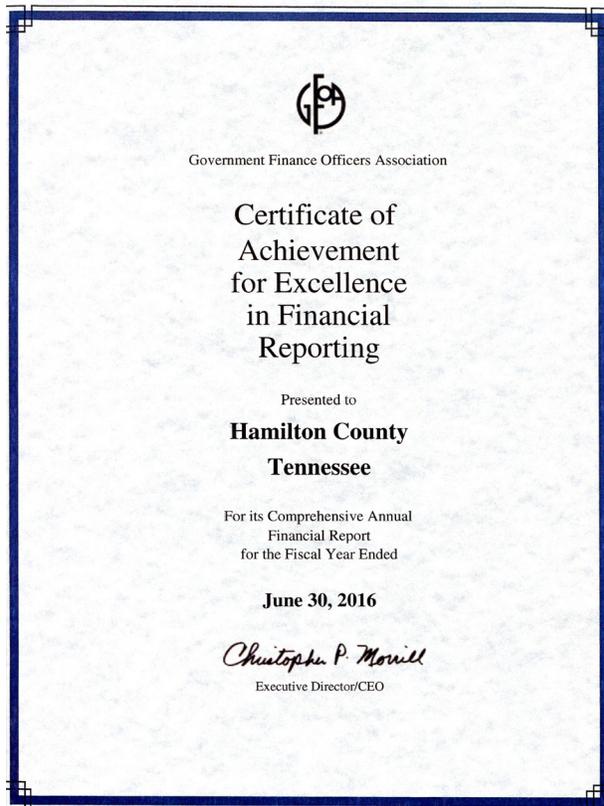
AWARDS AND ACKNOWLEDGEMENTS

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Hamilton County, Tennessee for its Comprehensive Annual Financial Report for the year ended June 30, 2016. Hamilton County has received this award for 36 consecutive years.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

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



GFOA also presented a Distinguished Budget Presentation Award to the County for its Comprehensive Annual Budget Report (CABR) for the fiscal year ended June 2017. This is the 15th consecutive year Hamilton County received this award for the CABR. In order to be awarded a Distinguished Budget Presentation Award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Budget Report, which must conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements. Like the Certificate of Achievement for Financial Reporting, this award is valid for a period of one year only. We believe our CABR for the fiscal year ending June 2018 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.



Albert C. Kiser
Administrator of Finance



Lee H. Brouner
Assistant Administrator of Finance

ACKNOWLEDGMENTS

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

Respectfully submitted,

A handwritten signature in black ink that reads 'Albert Kiser'.

Albert C. Kiser, CPA, CGFM
Administrator of Finance

**HAMILTON COUNTY
GENERAL GOVERNMENT OFFICIALS**

(as of June 30, 2017)

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

Board of Commissioners

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

Legislative

Patricia Moore, *Legislative Administrator*

Constitutional Officers

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

Division & Department Heads

AUDITING

Jenneth Randall, *County Auditor*

FINANCE

Albert C. Kiser, *Administrator*
Lee H. Brouner, *Assistant Administrator of Finance*
Gail Roppo, *Director of Procurement & Fleet Management*
Bart McKinney, *Director of Information Technology*

GENERAL SERVICES

Donald L. Norris, *Administrator*
Tony Reavley, *Director of Emergency Management/Homeland Security*
Chris Jackson, *Director of Corrections*
Tom Lamb, *Director of Recreation*
Ken Wilkerson, *Director of Emergency Medical Services*

HEALTH SERVICES

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

HUMAN RESOURCES

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

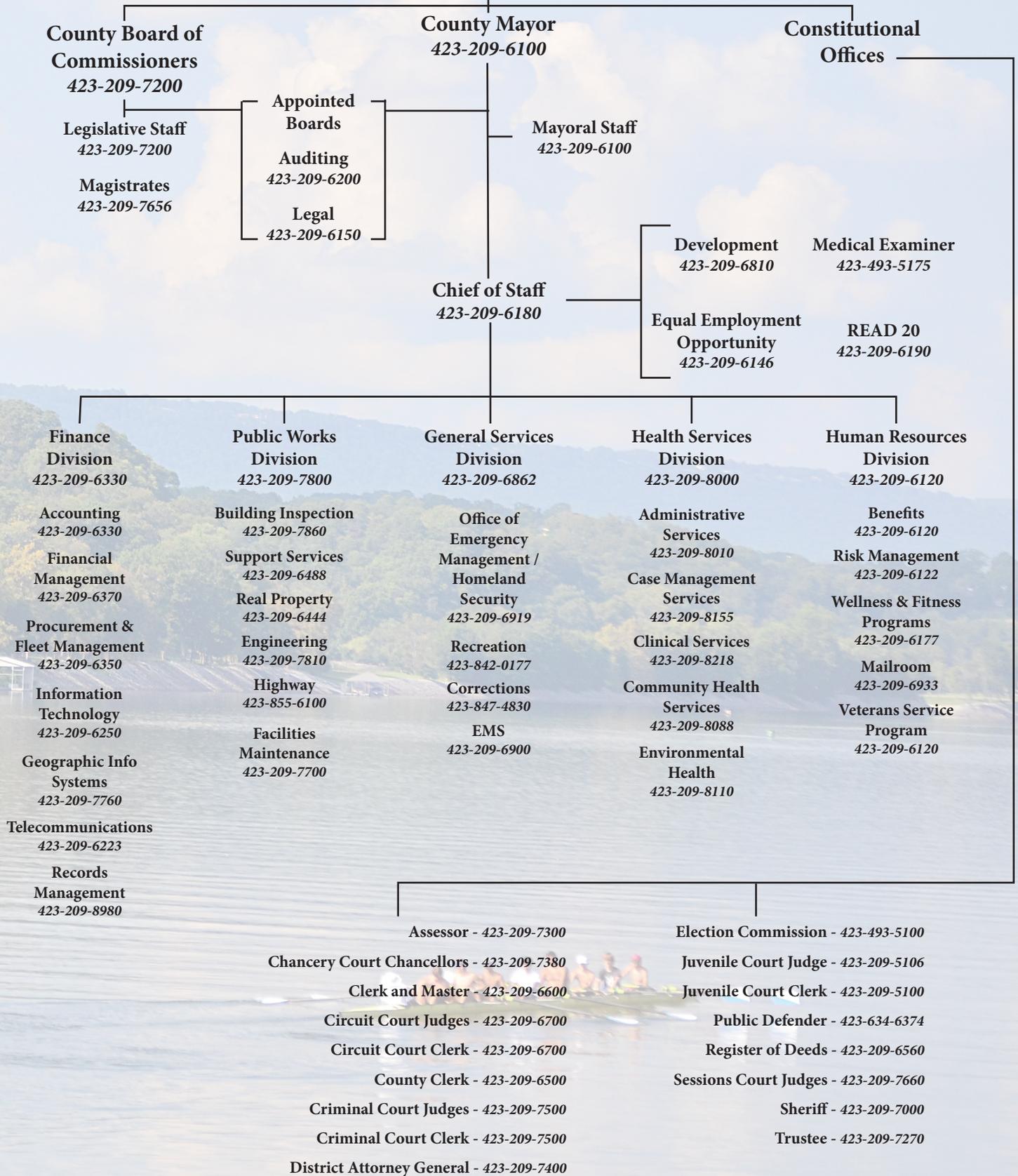
LEGAL

Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS

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

CITIZENS





RP-170
9034



CAUTION
EMERGENCY
STOP

CAUTION
EMERGENCY
STOP



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Hamilton County, Tennessee** (the "County"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represents 3 percent, 3 percent, and 3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

Auditor's Responsibility (continued)

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note K, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as of July 1, 2016. This standard significantly changed the disclosure for the County's OPEB Plan. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages IV through XX) and schedules of required supplementary information – (on pages B-1 through B-15) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of Hamilton County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Chattanooga, Tennessee
December 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. It is designed to:

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

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

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- The government-wide assets and deferred outflows of resources of Hamilton County at the close of fiscal year 2017 were \$650 million.
- Government-wide revenues totaled \$233.3 million, a decrease of \$7.6 million (3.1%) from the prior year.
- Government-wide expenses were \$244.8 million, an increase of \$11.2 million (4.8%) from the prior year.
- Total bonded debt at June 30, 2017 for the County was \$220.6 million, of which \$157.7 million (71.5%) was assigned to the Hamilton County Department of Education for capital additions and improvements.
- The County drew \$40 million in December 2015 and \$15 million in June 2017 from its revolving credit agreement to provide funding for certain school construction and general government projects. These draws are planned to be repaid in Spring 2018 from the issuance of long-term bonded debt.

Fund Financial Statements

- Revenues for governmental funds decreased \$7.8 million, or 3.2% from last year.
- Expenditures for governmental funds decreased \$37.5 million, or 12.5% from last year.
- Capital project expenditures were \$28.5 million with \$19.2 million spent for school construction projects.
- Operating transfers from the General Fund decreased by \$4.9 million (12.6%) from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements consist of three main components:

- (1) Government-wide financial statements,
- (2) Fund financial statements, and
- (3) Notes to the basic financial statements.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

The County's net position at the end of fiscal year 2017 of \$146.0 million decreased \$11.5 million (7.3%) from the balance at the prior year end.

The Statement of Activities presents information showing how the government's net position changed during fiscal year 2017. Program revenues, which directly offset costs of specific functions, are allocated to those functions, resulting in the net expenses for governmental activities. General revenues, such as taxes, fines and interest earnings, offset the remaining costs resulting in the annual increase or decrease in net position. This statement is intended to summarize the net cost of various governmental services that are supported by general revenues.

Governmental activities include general government, public safety, highways and streets, health, social services, and culture and recreation. Hamilton County has no business-type activities.

The government-wide financial statements include the following legally separate component units: the Hamilton County Department of Education, the Water & Wastewater Treatment Authority, Hamilton County "911" Emergency Communication, and Hamilton County Railroad Authority.

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 is useful in evaluating a government's near-term financing requirements.

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

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

The County adopts an annual budget for the General

and Debt Service funds and certain Special Revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance. The basic governmental fund financial statements can be found on pages A-4 to A-8 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-9 to A-11 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statements can be found on pages A-12 and A-13 of this report.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages A-17 to A-67 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-9 to D-11; the various financial and statistical tables can be found on pages E-1 to F-25.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION HAMILTON COUNTY, TENNESSEE

	Governmental Activities	
	2017	2016
ASSETS		
Current and Other Assets	\$ 333,891,896	\$ 332,181,404
Capital Assets	280,474,434	308,643,243
TOTAL ASSETS	614,366,330	640,824,647
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pensions	31,622,897	29,923,483
Deferred loss on refunding	4,049,048	4,683,625
	<u>35,671,945</u>	<u>34,607,108</u>
LIABILITIES		
Long-term Liabilities	343,237,913	339,887,190
Other Liabilities	22,507,794	37,705,854
TOTAL LIABILITIES	365,745,707	377,593,044
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue	134,156,934	114,572,416
Deferred inflows from pensions	4,144,536	25,759,591
	<u>138,301,470</u>	<u>140,332,007</u>
NET POSITION		
Net Investment in Capital Assets	221,544,634	243,547,592
Restricted	4,252,078	-
Unrestricted	<u>(79,805,614)</u>	<u>(86,040,888)</u>
TOTAL NET POSITION	<u>\$ 145,991,098</u>	<u>\$ 157,506,704</u>

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$146.0 million at the close of the fiscal year ended June 30, 2017.

Net position is comprised of three elements:

- (1) Net investment in capital assets (e.g., land, buildings, infrastructure and equipment);
- (2) Restricted net position held for restrictions as prescribed by law; and
- (3) Unrestricted net position. The long-term liabilities of \$343.2 million include \$157.7 million of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in negative unrestricted net position.

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

	Governmental Activities	
	2017	2016
REVENUES		
Program Revenues		
Charges for Services	\$ 44,059,076	\$ 44,944,954
Operating Grants and Contributions	27,259,713	28,271,264
Capital Grants and Contributions	1,629,141	14,573,339
Total Program Revenues	<u>72,947,930</u>	<u>87,789,557</u>
General Revenues		
Property Taxes	139,114,401	133,609,320
Other Taxes	20,015,526	18,784,131
Other	1,236,718	683,047
Total General Revenues	<u>160,366,645</u>	<u>153,076,498</u>
TOTAL REVENUES	<u>233,314,575</u>	<u>240,866,055</u>
EXPENSES		
General Government	57,560,303	66,599,969
Public Safety	85,069,409	84,940,578
Highways and Streets	10,469,195	11,666,094
Health	21,162,827	21,983,102
Social Services	6,223,637	6,914,723
Culture and Recreation	8,751,277	8,898,519
Education	47,868,365	24,300,782
Interest on Long-Term Debt	7,725,168	8,264,495
TOTAL EXPENSES	<u>244,830,181</u>	<u>233,568,262</u>
CHANGE IN NET POSITION	<u>\$ (11,515,606)</u>	<u>\$ 7,297,793</u>
Beginning Net Position	<u>157,506,704</u>	<u>150,208,911</u>
Ending Net Position	<u>\$ 145,991,098</u>	<u>\$ 157,506,704</u>

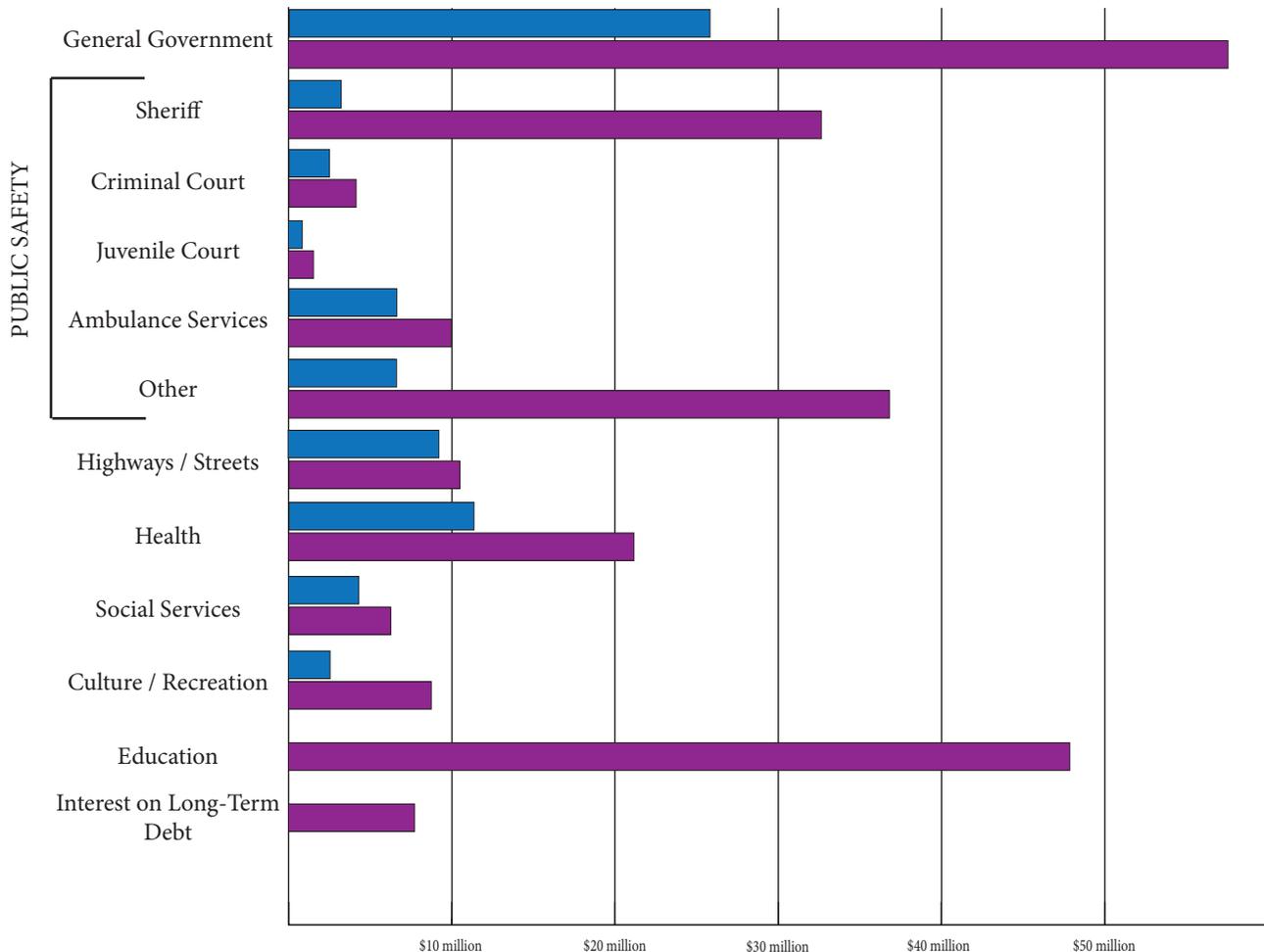
The County's net position decreased by \$11.5 million during the current fiscal year. Total expenses for FY 2017 increased by \$11.3 million in large part due to additional expenditures for education and public safety.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - *continued*

EXPENSES AND PROGRAM REVENUES

for fiscal year ending June 30, 2017

	PROGRAM REVENUES	EXPENSES
General Government	\$ 25,766,795	\$ 57,560,303
Public Safety		
Sheriff	3,201,080	32,646,937
Criminal Court	2,484,895	4,114,771
Juvenile Court	843,507	1,526,597
Ambulance Services	6,608,211	9,960,981
Other	6,615,470	36,820,123
Highways and Streets	9,238,686	10,469,195
Health	11,337,335	21,162,827
Social Services	4,306,940	6,223,637
Culture and Recreation	2,545,011	8,751,277
Education	-	47,868,365
Interest on long-term debt	-	7,725,168
TOTAL	\$ 72,947,930	\$ 244,830,181

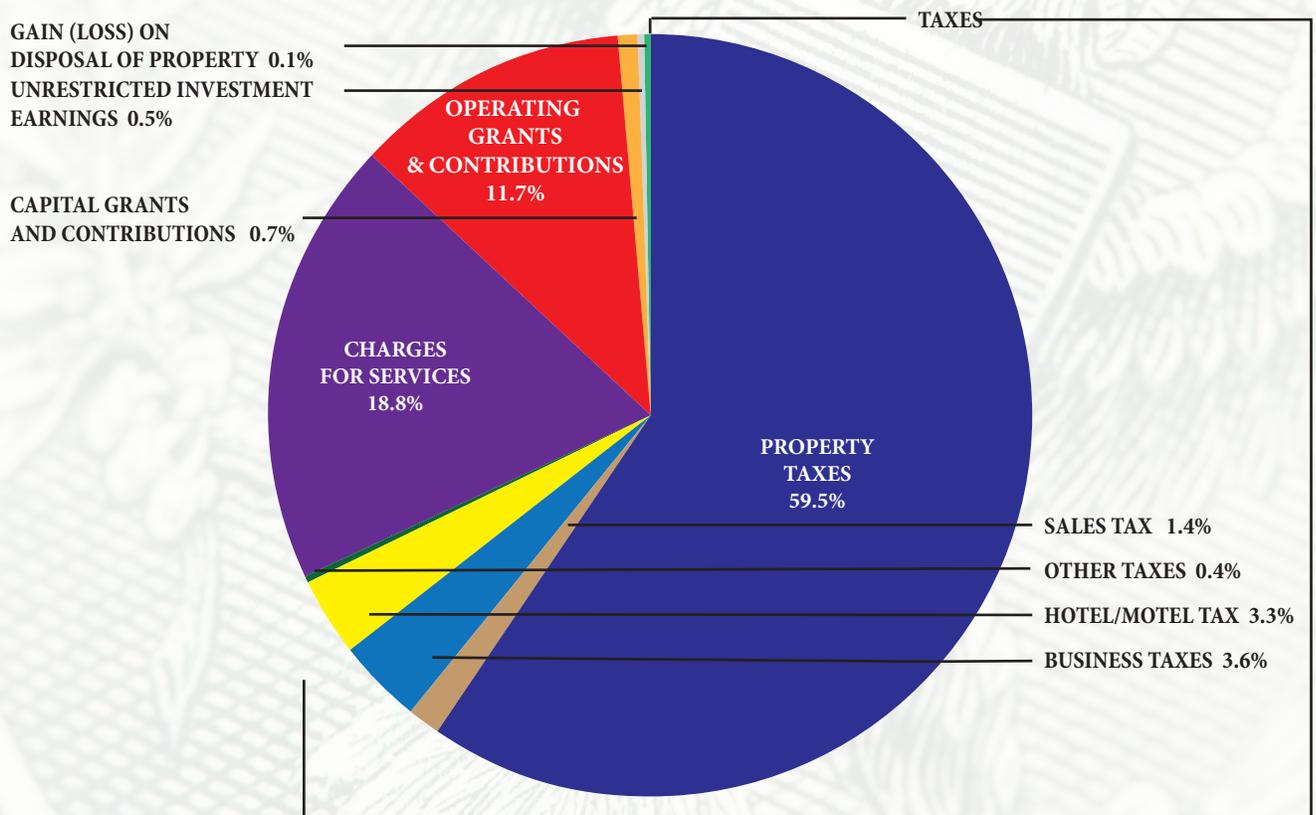


REVENUES BY SOURCE

for fiscal year ending June 30, 2017

	2017	PERCENTAGE	2016	PERCENTAGE
Taxes				
Property Taxes	\$ 139,114,401	59.5%	\$ 133,609,320	55.4%
Sales Tax	3,213,807	1.4%	3,221,704	1.3%
Business Taxes	8,327,648	3.6%	7,227,282	3.0%
Hotel/Motel Taxes	7,638,833	3.3%	7,304,030	3.0%
Other Taxes	835,238	0.4%	1,031,115	0.4%
Charges for Services	44,059,076	18.8%	44,944,954	18.7%
Operating Grants and Contributions	27,259,713	11.7%	28,271,264	11.8%
Capital Grants and Contributions	1,629,141	0.7%	14,573,339	6.0%
Gain/(loss) on joint venture	-	0.0%	(9,262)	0.0%
Unrestricted Investment Earnings	1,073,293	0.5%	899,950	0.4%
Gain/(loss) on disposal of property	163,425	0.1%	(207,641)	0.0%
TOTAL	\$ 233,314,575	100%	\$ 240,866,055	100%

Property tax revenues grew \$5.5 million over 2016. The growth was the result of continued efforts to promote economic development in the County to grow the tax base and generate additional tax revenue without an increase in the County's property tax rate.





MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2017, the County's governmental funds reported combined ending fund balances of \$132.1 million, a decrease of \$12.5 million. This decrease in fund balance can be isolated to the Capital Projects Fund, which decreased \$14.9 million from the FY 2016 balance.

The fund balance of the governmental funds consists of a restricted portion of \$4.3 million, an assigned portion of \$38.1 million, and an unassigned portion of \$88.6 million. The remainder of fund balance is not available for new spending and is split into committed and nonspendable. Committed is \$230,000 to liquidate contracts and purchase orders. Nonspendable is \$1.0 million for inventories and prepaid items.

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

The General Fund is the chief operating fund of the County. The total fund balance at June 30, 2017, was \$94.2 million, consisting of a nonspendable portion of \$1.0 million; assigned fund balance of \$4.6 million; and an unassigned fund balance of \$88.6 million. As a measure of the General Fund's liquidity, it may be

useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 41.4% of the total General Fund expenditures and transfers out, while total fund balance represents 44.1% of that same amount.

The unassigned fund balance of the County's General Fund increased by \$2.2 million during the current fiscal year. The major reason for that increase is attributed to an increase in revenue of \$4.5 million. The increase in revenue was largely from an increase in tax revenue due to economic development in the County. General Fund expenses increased \$9.8 million primarily due to increased expenses for public safety and increased expenditures for the Sheriff.

The Debt Service fund has a total fund balance of \$2.2 million, an increase of \$0.3 million. Funds are transferred from the General Fund to the Debt Service fund as needed.

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

The fund balance of the Capital Projects Fund decreased by \$14.9 million from the balance at June 30, 2016, and closed the current year with a balance of \$31.3 million. This decrease was the direct result of the completion of several significant capital projects in 2017, including completion of the Middle Valley Elementary School (\$4.6 million); major additions/renovations at Sale Creek Middle/High School (\$6.4 million), Wolftever Elementary (\$5.5 million) and Nolan Elementary (\$2.4 million); completion of three construction projects for



MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS - *continued*

volunteer fire departments (Dallas Bay Volunteer Fire Department, Sale Creek Volunteer Fire Department and the Tri-Community Volunteer Fire Department totaling \$1.4 million); and completion of the latest phase of the Riverwalk (\$1.9 million).

PROPRIETARY FUNDS

The County’s Proprietary fund is used to account for the County’s self-insurance programs. The County is self-insured for health, unemployment compensation, on-the-job injury claims, property, automobile and liability claims and losses due to liabilities arising under the laws of the state and federal governments. The cost for these programs is funded through premiums paid by the departments and agencies of Hamilton County Government. Unrestricted net position for the Proprietary Fund at the end of the fiscal year amounted to \$28.2 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County Commission approved and adopted its 2017 annual operating budget in June 2016. The original General Fund operating budget was balanced without a use of fund balance.

The County Commission approved a total of \$4.4 million in amendments to General Fund operating expenditures during fiscal year 2017 and total amendments of \$2.6 million to the General Fund revenue budget. The amendments to the General Fund revenue and expenditure budgets were primarily for:

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

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

Actual revenues were less than budgeted revenues by \$6.1 million (3.0%). This variance is largely due to a shortfall of intergovernmental revenues of \$3.7 million and a shortfall of charges for services of \$4.0 million.

Total expenditures were less than budgeted expenditures by \$9.0 million (4.8%). A large part of this favorable variance resulted from conservative spending by the General Government, Health Department, Public Safety, and Highways and Streets. A detailed Budgetary Comparison Schedule for the General Fund is presented on pages C-1 through C-5 of this report.



o call

GIG

City

FASTEST

INTERNET

lives here



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2017, amounts to \$280.5 million (net of accumulated depreciation of \$276.6 million). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangibles and construction in progress. The County transferred \$49.5 million in assets to the Department of Education. For the year, the County's investment in capital assets decreased by \$28.2 million or 9.1%. Additional information on the County's capital assets can be found in the Notes to the Basic Financial Statements – Note I.

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

- School construction and renovations - \$19.3 million
- TN Riverpark Downtown Segment Phase I & II - \$1.9 million
- Sale Creek Volunteer Fire Department - \$366,000
- Tri-Community Volunteer Fire Department - \$391,000
- Dallas Bay Volunteer Fire Department - \$621,000
- Purchase of 58 new vehicles - \$1.7 million
- EMS Station #3, Discovery Drive - \$270,000
- Walden's Ridge Volunteer Fire Department - \$455,000
- ESNP Equestrian Trails - \$84,000

CAPITAL ASSET ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2017

NET OF DEPRECIATION

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 72,767,385	\$ 1,019,316	\$ (81,612)	\$ 73,705,089
Construction in progress	65,237,375	26,204,270	(82,237,131)	9,204,514
Buildings	142,016,560	12,846,725	(18,097)	154,845,188
Improvements other than buildings	26,523,476	16,203,098	(25,760)	42,700,814
Machinery and equipment	45,382,733	2,561,811	(3,282,974)	44,661,570
Infrastructure	216,562,531	8,662,679	(6,667)	225,218,543
Intangibles	6,951,771	118,096	(320,886)	6,748,981
Depreciation	(266,798,588)	(13,255,383)	3,443,706	(276,610,265)
	<u>\$ 308,643,243</u>	<u>\$ 54,360,612</u>	<u>\$ (82,529,421)</u>	<u>\$ 280,474,434</u>



DALLAS BAY

VOLUNTEER FIRE AND RESCUE
DEPARTMENT

STATION #2



MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

LONG-TERM DEBT

At the end of fiscal year 2017, the County had general obligation bonds outstanding of \$220.6 million, and notes payable and other debt of \$55.0 million. Of the bonded debt, \$157.7 million was issued for Hamilton County Department of Education capital improvements program.

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

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

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

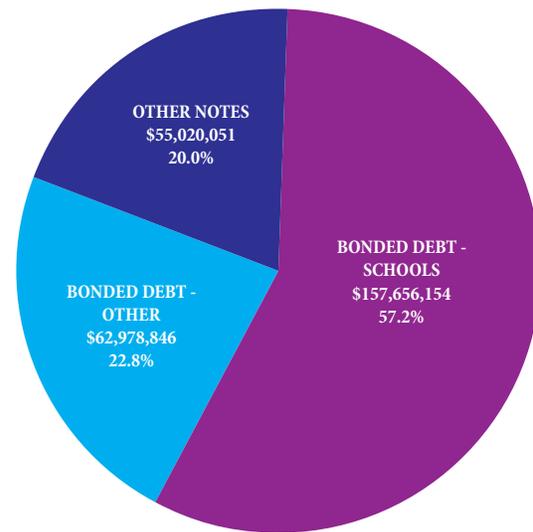
ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND PROPERTY TAX RATES

The County Commission adopted the original operating budget for FY 2018 on June 21, 2017. The original budget resolution for FY 2018 did not incorporate an increase in the County’s millage rate and stated that the property tax levy would be set at a later date following the completion of the County’s four-year cyclical reappraisal process.

The County Assessor completed the four-year cyclical reappraisal in September 2017, which determined a lower certified property tax rate of \$2.4976. In conjunction with State law, the County Commission adopted the certified tax rate of \$2.4976 in September

General Long-Term Debt

General Obligation Bonds Outstanding	\$ 220,635,000	80.0%
Other Notes	55,020,051	20.0%
	<u>275,655,051</u>	
Less: Unreserved Debt Service Fund Balance	(2,162,860)	
Net General Long-Term Debt	<u>\$ 273,492,191</u>	



2017. Following this action, the County Commission then adopted a resolution to increase the tax levy back to \$2.7652, the tax millage rate in effect prior to the reappraisal and amended the original operating budget for fiscal year 2018 by adding \$33.5 million to revenues and expenditures.

The following discussion focuses on the County’s budget for fiscal year 2018 after consideration of the September 2017 tax increase and the related budget amendment:

- Prior to the fiscal year 2018 amended budget, Hamilton County had not increased its property tax millage rate since fiscal year 2008. Prior to the property tax increase, the County budgeted an increase in property tax revenues for fiscal year 2018 of 2.5%. The September 2017 property tax increase added an additional \$25.5 million to the property tax revenue budget. As a result, total tax revenues for FY 2018 are budgeted to increase \$37.3 million (10.2%) over the prior year.
- Intergovernmental revenues account for 31.6% of the County’s total revenue. The

intergovernmental revenues consist primarily of funding received from the State of Tennessee and from the Federal government. Eighty-eight percent of the intergovernmental revenues are received by the Department of Education with the remainder going to the General Fund. Intergovernmental revenues are projected to grow 1.6% in fiscal year 2018.

- Transfers-in from other funds primarily includes excess fees paid to the General Fund from various constitutional offices, appropriation from the General Fund to the Debt Service Fund to cover scheduled principal and interest payments due, and a one-time transfer of \$8 million from the General Fund to the Debt Service Fund resulting from the September 2017 property tax increase. The net increase in revenues from transfers-in of \$3.7 million (7.1%) over the FY 2017 budget was primarily due to the above-mentioned transfer of \$8 million netted against a decrease in the appropriation from the General Fund to the Debt Service Fund for scheduled debt service payments and a decrease in reimbursement of General Fund capital expenses by the Capital Projects Fund.
- The General Government (all departments other than the HCDE) granted employees an across-the-board pay raise of 1.5% (with a minimum raise of \$750 for employees earning less than \$50,000), and HCDE employees received a step increase, raises of 3.0%, and a \$250 bonus. Total expenses for salaries increased over the prior year by \$8.3 million (2.6%).
- Total costs budgeted for employee benefits increased from the FY 2017 budget by \$1.4 million (1.0%).
- Total costs budgeted for Purchased Services increased by \$3.1 million (8.6%) over the prior year budget. The increase was primarily due to rising costs to house inmates in the County's Silverdale Correctional facility, which increased \$2.7 million (19%).
- Expenditures for Debt Service principal and

interest payments decreased \$430,000 (1.2%) from the prior year. The County issues debt as needed to finance its capital projects. In addition, the County has a revolving line of credit through which it is authorized to borrow funds on a short-term basis (tax anticipation notes with a term of two years) to assist with its capital needs. The County is scheduled to repay \$24.6 million of debt principal in FY 2018.

- The Hamilton County Department of Education (HCDE), a discretely presented component unit of Hamilton County, adopted a fiscal year 2018 budget of \$426.8 million (60.0% of the total budget for Hamilton County).
- HCDE's combined budget growth is \$9.1 million (2.2%) over fiscal year 2017. A major portion of the HCDE revenue is obtained from the State of Tennessee Basic Education Program (BEP). The State uses a standardized BEP formula to calculate funding for K-12 public schools in Tennessee. BEP funding is budgeted to increase by \$5.1 million (3.5%) and is calculated by the State based on multiple parameters, including student enrollment. In fiscal year 2018, the school district is projecting an increase in student enrollment of approximately 300 students.
- Increases in the expenditure budget of HCDE were attributable primarily to school-based personnel. These included a 3.0% salary increase and a \$250 bonus. Salary step increases are calculated annually based on years of service in accordance with the contract with the educational association. Instructional positions were added this year due to the projected growth in student enrollment, increased support for students with limited English proficiency, and additional intensive support for literacy programs. With over 80% of School District funds being spent on personnel, the District closely aligns its staffing levels with the State's Basic Education Program and class size mandates.



REQUESTS FOR INFORMATION

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the Finance Administrator, McDaniel Building, 455 North Highland Park Avenue, Chattanooga, TN 37404.

Additional financial information can be found on our web site www.hamiltontn.gov

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 POSITION
HAMILTON COUNTY, TENNESSEE
June 30, 2017

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 47,914,472	\$ 50,560,775
Investments	108,405,194	107,758,671
Receivables, net of allowance for uncollectibles	160,490,664	165,352,279
Receivables, restricted	-	444,178
Due from component units	2,199,129	-
Due from primary government	-	125,000
Inventories	1,354,007	1,167,389
Restricted cash	-	7,424,328
Prepaid items	226,081	990,309
Advance to component units, net of allowance for uncollectibles	6,861,737	-
Net pension asset	1,597,678	1,423,630
Net OPEB asset	983,889	-
Investment in joint venture	3,859,045	-
Land and other nondepreciable assets	82,909,603	29,625,918
Other capital assets, net of accumulated depreciation	<u>197,564,831</u>	<u>461,373,301</u>
Total assets	<u>614,366,330</u>	<u>826,245,778</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension investment return	14,989,412	31,568,782
Pension contributions subsequent to measurement date	15,825,394	15,450,033
Pension experience differences	808,091	1,236,657
Deferred changes in proportion to the net pension liability	-	3,835,250
Deferred loss on refunding	<u>4,049,048</u>	<u>-</u>
Total deferred outflows of resources	<u>35,671,945</u>	<u>52,090,722</u>
LIABILITIES		
Accounts payable and accrued expenses	22,382,794	35,796,443
Due to primary government	-	2,199,129
Due to component units	125,000	-
Long-term liabilities:		
Due within one year	82,778,813	9,221,798
Due in more than one year	232,058,948	54,832,058
Net pension liability	28,400,152	27,996,973
Advance from primary government	<u>-</u>	<u>12,935,051</u>
Total liabilities	<u>365,745,707</u>	<u>142,981,452</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on bond refunding	-	173,158
Deferred property tax revenue	134,156,934	127,141,753
Pension experience differences	4,144,536	34,304,245
Deferred changes in proportion to the net pension liability	<u>-</u>	<u>1,463,924</u>
Total deferred inflows of resources	<u>138,301,470</u>	<u>163,083,080</u>
NET POSITION		
Net investment in capital assets	221,544,634	465,314,909
Restricted for:		
General government	2,027,381	-
Public safety	1,333,101	-
Social services	891,596	-
Centralized cafeteria	-	4,346,907
Net pension asset	-	820,446
WUTA PSLP program	-	8,351,858
Unrestricted	<u>(79,805,614)</u>	<u>93,437,848</u>
Total net position	<u>\$ 145,991,098</u>	<u>\$ 572,271,968</u>

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

STATEMENT OF ACTIVITIES

HAMILTON COUNTY, TENNESSEE

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Government activities:			
General government	\$ 57,560,303	\$ 20,689,500	\$ 3,448,154
Public safety:			
Sheriff	32,646,937	668,901	2,532,179
Criminal Court	4,114,771	2,484,895	-
Juvenile Court	1,526,597	472,625	370,882
Ambulance Services	9,960,981	6,565,594	42,617
Other	36,820,123	2,584,732	4,030,738
Highways and streets	10,469,195	3,153,073	6,085,613
Health	21,162,827	2,264,843	9,072,492
Social services	6,223,637	4,306,940	-
Culture and recreation	8,751,277	867,973	1,677,038
Education	47,868,365	-	-
Interest on long-term debt	7,725,168	-	-
TOTAL PRIMARY GOVERNMENT	\$ 244,830,181	\$ 44,059,076	\$ 27,259,713
COMPONENT UNITS			
Department of Education	\$ 413,457,397	\$ 8,262,872	\$ 50,617,317
"911" Emergency communications	12,240,216	-	5,615,329
Water and wastewater treatment authority	15,980,046	20,558,968	-
Railroad authority	152,423	139,073	-
TOTAL COMPONENT UNITS	\$ 441,830,082	\$ 28,960,913	\$ 56,232,646
General revenues:			
Property taxes			
Sales taxes			
Business taxes			
Hotel/Motel taxes			
Other taxes			
Unrestricted investment earnings			
Grants and contributions not restricted to specific programs			
Gain on disposal of property			
Total general revenues			
Change in net position			
Net position, beginning			
Net position, ending			

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

	Net (Expenses) Revenues and Changes in Net Position	
	Capital Grants and Contributions	Primary Government Governmental Activities
\$ 1,629,141	\$ (31,793,508)	
-	(29,445,857)	
-	(1,629,876)	
-	(683,090)	
-	(3,352,770)	
-	(30,204,653)	
-	(1,230,509)	
-	(9,825,492)	
-	(1,916,697)	
-	(6,206,266)	
-	(47,868,365)	
-	(7,725,168)	
<u>\$ 1,629,141</u>	<u>(171,882,251)</u>	
\$ 47,367,753		\$ (307,209,455)
7,209,509		584,622
2,811,593		7,390,515
-		(13,350)
<u>\$ 57,388,855</u>		<u>(299,247,668)</u>
	139,114,401	136,425,388
	3,213,807	70,882,907
	8,327,648	-
	7,638,833	-
	835,238	-
	1,073,293	1,141,134
	-	157,701,661
	<u>163,425</u>	<u>-</u>
	<u>160,366,645</u>	<u>366,151,090</u>
	(11,515,606)	66,903,422
	<u>157,506,704</u>	<u>505,368,546</u>
	<u>\$ 145,991,098</u>	<u>\$ 572,271,968</u>

**BALANCE SHEET
GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 15,324,949	\$ 323,116	\$ 22,876,592	\$ 4,927,407	\$ 43,452,064
Investments	71,304,427	1,783,699	11,409,130	935,579	85,432,835
Receivables, net of allowance for uncollectible	157,032,171	56,045	1,734,136	1,652,807	160,475,159
Due from other funds	5,000,453	-	-	57,980	5,058,433
Due from component units	2,199,129	-	-	-	2,199,129
Inventories	920,440	-	-	-	920,440
Prepaid items	104,809	-	-	750	105,559
Total assets	<u>\$ 251,886,378</u>	<u>\$ 2,162,860</u>	<u>\$ 36,019,858</u>	<u>\$ 7,574,523</u>	<u>\$ 297,643,619</u>
LIABILITIES					
Accounts payable	\$ 4,447,576	\$ -	\$ 660,080	\$ -	\$ 5,107,656
Accrued items and other	8,767,440	-	-	1,937,429	10,704,869
Intergovernmental payables	687,017	-	89,661	-	776,678
Due to other funds	3,248,887	-	3,802,377	1,186,260	8,237,524
Due to component units	-	-	125,000	-	125,000
Total liabilities	<u>17,150,920</u>	<u>-</u>	<u>4,677,118</u>	<u>3,123,689</u>	<u>24,951,727</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	134,156,934	-	-	-	134,156,934
Unavailable property taxes	5,566,976	-	-	-	5,566,976
Other unavailable revenues	832,517	-	-	-	832,517
Total deferred inflows of resources	<u>140,556,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,556,427</u>
FUND BALANCES					
Nonspendable for inventories	920,440	-	-	750	921,190
Nonspendable for prepaid items	104,809	-	-	-	104,809
Restricted for general government	-	-	-	2,027,381	2,027,381
Restricted for public safety	10,488	-	-	1,322,613	1,333,101
Restricted for social services	-	-	-	891,596	891,596
Committed for public safety	21,524	-	-	208,494	230,018
Assigned for general government	3,057,139	-	-	-	3,057,139
Assigned for public safety	1,081,002	-	-	-	1,081,002
Assigned for debt service	-	2,162,860	-	-	2,162,860
Assigned for highways and streets	220,916	-	-	-	220,916
Assigned for health	152,893	-	-	-	152,893
Assigned for culture and recreation	52,071	-	-	-	52,071
Assigned for capital projects	-	-	31,342,740	-	31,342,740
Unassigned	88,557,749	-	-	-	88,557,749
Total fund balances	<u>94,179,031</u>	<u>2,162,860</u>	<u>31,342,740</u>	<u>4,450,834</u>	<u>132,135,465</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 251,886,378</u>	<u>\$ 2,162,860</u>	<u>\$ 36,019,858</u>	<u>\$ 7,574,523</u>	<u>\$ 297,643,619</u>

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

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

HAMILTON COUNTY, TENNESSEE

June 30, 2017

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

Fund balances - total governmental funds	\$ 132,135,465
--	----------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	280,474,434
---	-------------

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.	6,399,493
---	-----------

Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	28,240,489
--	------------

The County OPEB trust fund has been funded in excess of annual required contributions, creating a net OPEB asset. This asset is not a currently available financial resource and is not reported in the funds.	983,889
--	---------

Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable.	6,861,737
---	-----------

The County entered into a joint venture with the City of Chattanooga and the Carter Street Corporation for the development and management of the Convention and Visitor's Trade Center. This asset is not a currently available financial resource and is not reported in the funds.	3,859,045
--	-----------

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

General obligation bonds	\$ 220,635,000	
Original issue premiums	23,664,248	
Notes payable & other debt	55,020,051	
Deferred loss on refunding	(4,049,048)	
Net pension asset	(1,597,678)	
Net pension liability	28,400,152	
Deferred outflows from pension contributions	(15,825,394)	
Deferred outflows from differences in pension investment earnings	(14,989,412)	
Deferred outflows from pensions experience	(808,091)	
Deferred inflows from pensions experience	4,144,536	
Landfill post closure costs	150,000	
Compensated absences	15,368,462	
Accrued interest payable	2,850,628	
		<u>(312,963,454)</u>

Net position of governmental activities	\$ <u>145,991,098</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, 2017**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 153,184,855	\$ -	\$ -	\$ 7,653,027	\$ 160,837,882
Licenses and permits	850,809	-	-	-	850,809
Intergovernmental	25,851,180	694,837	1,211,891	96,946	27,854,854
Charges for services	12,869,872	629,479	226,126	22,164,120	35,889,597
Fines, forfeitures and penalties	1,885,990	-	-	93,811	1,979,801
Investment earnings	654,533	18,715	180,295	46,608	900,151
Miscellaneous	4,749,595	54,579	417,250	420,181	5,641,605
Total revenues	<u>200,046,834</u>	<u>1,397,610</u>	<u>2,035,562</u>	<u>30,474,693</u>	<u>233,954,699</u>
EXPENDITURES					
Current:					
General government	42,799,736	-	-	12,257,764	55,057,500
Public safety:					
Sheriff	34,400,724	-	-	231,984	34,632,708
Criminal Court	1,499,105	-	-	2,742,443	4,241,548
Juvenile Court	1,578,937	-	-	-	1,578,937
Ambulance Services	10,282,834	-	-	-	10,282,834
Other	39,341,578	-	-	20,273	39,361,851
Highways and streets	11,832,004	-	-	-	11,832,004
Health	23,126,860	-	-	-	23,126,860
Social services	3,234,267	-	-	3,588,150	6,822,417
Culture and recreation	8,080,138	-	-	-	8,080,138
Debt service:					
Principal	-	24,501,928	-	-	24,501,928
Interest and fiscal charges	-	10,548,716	-	-	10,548,716
Capital outlay:					
General government	3,382,087	-	9,302,387	-	12,684,474
Education	-	-	19,175,930	-	19,175,930
Total expenditures	<u>179,558,270</u>	<u>35,050,644</u>	<u>28,478,317</u>	<u>18,840,614</u>	<u>261,927,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,488,564</u>	<u>(33,653,034)</u>	<u>(26,442,755)</u>	<u>11,634,079</u>	<u>(27,973,146)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	15,396,766	33,966,502	-	250,000	49,613,268
Transfers out	(34,216,502)	-	(3,802,239)	(11,594,527)	(49,613,268)
Sale of capital assets	114,916	-	304,711	41,975	461,602
Issuance of line of credit	-	-	15,000,000	-	15,000,000
Total other financing sources (uses)	<u>(18,704,820)</u>	<u>33,966,502</u>	<u>11,502,472</u>	<u>(11,302,552)</u>	<u>15,461,602</u>
Net change in fund balances	<u>1,783,744</u>	<u>313,468</u>	<u>(14,940,283)</u>	<u>331,527</u>	<u>(12,511,544)</u>
Fund balances, beginning	<u>92,395,287</u>	<u>1,849,392</u>	<u>46,283,023</u>	<u>4,119,307</u>	<u>144,647,009</u>
Fund balances, ending	<u>\$ 94,179,031</u>	<u>\$ 2,162,860</u>	<u>\$ 31,342,740</u>	<u>\$ 4,450,834</u>	<u>\$ 132,135,465</u>

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

**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, 2017

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	\$ (12,511,544)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position.	35,126,363
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(13,255,383)
The issuance of long-term debt provides current financial resources to governmental funds.	(15,000,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	24,501,928
Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences decreased by this amount during the year.	101,497
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Payments received from component units for advances	(215,767)
Landfill post closure costs	10,000
Amortization of deferred charges on refunding	(634,577)
Amortization of bond issuance premium	3,095,387
Change in accrued interest payable	372,523
The net revenues of internal service funds are reported with governmental activities.	9,987,686
The net effect of various transactions involving capital assets is to decrease net position.	(559,764)
The net effect of capital asset transactions involving the Hamilton County Department of Education is to decrease net position.	(49,480,025)
The net effect of the change in the net OPEB obligation is included in the governmental activities in the statement of activities.	393,673
The net effect of the change in the net pension liability is included in the governmental activities in the statement of activities.	7,313,321
Certain governmental revenues will not be collected for several months after the fiscal year and are reported as deferred inflows in the governmental funds.	(875,438)
The net effect of the change in the Carter Street joint venture is included in the governmental activities in the statement of activities.	<u>114,514</u>
Change in net position of governmental activities	<u><u>\$ (11,515,606)</u></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, 2017

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 152,280,994	\$ 152,280,994	\$ 153,184,855	\$ 903,861
Licenses and permits	889,100	889,100	850,809	(38,291)
Intergovernmental revenues	27,376,523	29,572,751	25,851,180	(3,721,571)
Charges for services	16,456,662	16,844,822	12,869,872	(3,974,950)
Fines, forfeitures and penalties	1,959,300	1,959,300	1,885,990	(73,310)
Investment earnings	591,500	591,500	654,533	63,033
Miscellaneous	<u>3,973,404</u>	<u>4,034,940</u>	<u>4,749,595</u>	<u>714,655</u>
Total revenues	<u>203,527,483</u>	<u>206,173,407</u>	<u>200,046,834</u>	<u>(6,126,573)</u>
EXPENDITURES				
Current:				
General government	44,953,791	46,143,840	42,713,816	3,430,024
Public safety	87,391,859	89,432,283	88,086,803	1,345,480
Highways and streets	12,669,783	12,653,244	12,016,723	636,521
Health	24,937,010	25,287,869	23,150,720	2,137,149
Social services	2,333,570	2,333,570	2,258,388	75,182
Culture and recreation	8,554,768	8,578,618	8,128,359	450,259
Capital outlay	<u>3,995,273</u>	<u>4,854,005</u>	<u>3,879,374</u>	<u>974,631</u>
Total expenditures	<u>184,836,054</u>	<u>189,283,429</u>	<u>180,234,183</u>	<u>9,049,246</u>
Excess of revenues over expenditures	<u>18,691,429</u>	<u>16,889,978</u>	<u>19,812,651</u>	<u>2,922,673</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	15,235,073	15,235,073	15,396,766	161,693
Transfers out	(33,966,502)	(33,966,502)	(34,216,502)	(250,000)
Sale of capital assets	<u>40,000</u>	<u>40,000</u>	<u>114,916</u>	<u>74,916</u>
Total other financing sources (uses)	<u>(18,691,429)</u>	<u>(18,691,429)</u>	<u>(18,704,820)</u>	<u>(13,391)</u>
Net change in fund balance	-	(1,801,451)	1,107,831	2,909,282
Fund balance allocation	<u>-</u>	<u>1,801,451</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ -</u>	1,107,831	<u>\$ 2,909,282</u>
Add encumbrances at end of year			1,508,105	
Less encumbrances at beginning of year			<u>(832,192)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			1,783,744	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>92,395,287</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 94,179,031</u>	

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

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	Governmental Activities - Internal Service Fund
	<u> </u>
ASSETS	
Current Assets:	
Cash	\$ 4,462,408
Investments	22,972,359
Accounts receivable	15,505
Due from other funds	3,190,907
Inventory	433,567
Prepaid items	<u>120,522</u>
Total current assets	<u>31,195,268</u>
Total assets	<u>31,195,268</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	24,703
Accrued claims	2,527,163
Due to other funds	<u>11,816</u>
Total current liabilities	<u>2,563,682</u>
Noncurrent Liabilities:	
Accrued claims	<u>391,097</u>
Total liabilities	<u>2,954,779</u>
NET POSITION	
Unrestricted	<u><u>\$ 28,240,489</u></u>

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

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Governmental Activities - Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 43,554,279
Other	<u>839,606</u>
Total operating revenues	<u>44,393,885</u>
OPERATING EXPENSES	
Unemployment compensation	36,041
Claims and premiums	27,497,768
Pharmacy	5,241,027
Clinic	1,102,776
Administration	<u>701,729</u>
Total operating expenses	<u>34,579,341</u>
Operating income	9,814,544
NONOPERATING REVENUES	
Investment earnings	<u>173,142</u>
Change in net position	9,987,686
Net position, beginning	<u>18,252,803</u>
Net position, ending	<u>\$ 28,240,489</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, 2017**

	Governmental Activities - Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	\$ 32,811,918
Cash received from unemployment compensation	613,089
Cash received from pharmacy	10,083,365
Cash paid for claims and premiums	(27,337,753)
Cash paid for administration	(701,729)
Cash paid for clinic	(1,098,360)
Cash paid for pharmacy	<u>(5,312,294)</u>
Net cash provided by operating activities	<u>9,058,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(22,972,359)
Proceeds from sale of investments	12,380,074
Interest on investments	<u>173,142</u>
Net cash provided by (used in) investing activities	<u>(10,419,143)</u>
Net change in cash and cash equivalents	(1,360,907)
Beginning cash and cash equivalents	<u>5,823,315</u>
Ending cash and cash equivalents	<u><u>\$ 4,462,408</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	<u>\$ 9,814,544</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Change in accounts receivable	(12,678)
Change in due from other funds	(943,379)
Change in inventory	(32,506)
Change in prepaid items	(41,323)
Change in accounts payable	4,412
Change in due to other funds	11,707
Change in other liabilities	(368)
Change in accrued claims	<u>257,827</u>
Total adjustments	<u>(756,308)</u>
Net cash provided by operating activities	<u><u>\$ 9,058,236</u></u>

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

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	OPEB Trust Fund	Pension Trust Funds	Constitutional Officers Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 2,501	\$ 63,552	\$ 11,711,785
Certificates of deposit	-	-	7,721,142
Investments	-	-	60,033
Investments, at fair value			
Mutual Funds	12,786,254	1,568,487	-
Domestic Corporate Bonds	2,406,586	404,454	-
Foreign Bonds / Notes	246,964	20,002	-
Domestic Equity Securities	2,895,761	166,092	-
Foreign Equity Securities	1,474,659	103,898	-
US Government Securities	1,068,539	140,954	-
Municipal Bonds	<u>906,287</u>	<u>163,232</u>	<u>-</u>
Total investments	<u>21,785,050</u>	<u>2,567,119</u>	<u>-</u>
Receivables			
Interest	45,481	7,210	-
Accounts	<u>-</u>	<u>-</u>	<u>230,360</u>
Total receivables	<u>45,481</u>	<u>7,210</u>	<u>230,360</u>
Total assets	<u>21,833,032</u>	<u>2,637,881</u>	<u>19,723,320</u>
LIABILITIES			
Accrued items and other	-	-	13,805,563
Intergovernmental payables	<u>-</u>	<u>-</u>	<u>5,917,757</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>19,723,320</u>
NET POSITION			
Assets held in trust for benefits	<u>\$ 21,833,032</u>	<u>\$ 2,637,881</u>	<u>\$ -</u>

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

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	OPEB Trust Fund	Pension Trust Funds
	<u> </u>	<u> </u>
ADDITIONS		
Contributions		
Employer	\$ 3,704,380	\$ -
Other	<u> -</u>	<u> 3,588</u>
Total contributions	<u> 3,704,380</u>	<u> 3,588</u>
Investment earnings		
Net change in fair value of investments	1,744,464	132,342
Interest	<u> 519,407</u>	<u> 64,183</u>
Net investment income	<u> 2,263,871</u>	<u> 196,525</u>
Total additions	<u> 5,968,251</u>	<u> 200,113</u>
DEDUCTIONS		
Benefits	2,104,380	123,633
Administrative expense	<u> 93,252</u>	<u> 16,587</u>
Total deductions	<u> 2,197,632</u>	<u> 140,220</u>
Change in net position	3,770,619	59,893
Net position, beginning	<u> 18,062,413</u>	<u> 2,577,988</u>
Net position, ending	<u> \$ 21,833,032</u>	<u> \$ 2,637,881</u>

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



**STATEMENT OF NET POSITION
COMPONENT UNITS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
ASSETS					
Cash and cash equivalents	\$ 33,466,953	\$ 2,487,450	\$ 14,573,762	\$ 32,610	\$ 50,560,775
Investments	98,024,065	9,734,606	-	-	107,758,671
Receivables, net of allowance for uncollectible	162,286,764	194,924	2,870,591	-	165,352,279
Receivables, restricted	-	-	444,178	-	444,178
Due from primary government	125,000	-	-	-	125,000
Net pension asset	603,184	820,446	-	-	1,423,630
Inventories	1,167,389	-	-	-	1,167,389
Restricted cash	-	-	7,424,328	-	7,424,328
Prepaid items	505,658	-	484,651	-	990,309
Land and other nondepreciable assets	20,219,791	74,910	9,331,217	-	29,625,918
Capital assets, net of accumulated depreciation	<u>362,248,845</u>	<u>8,303,672</u>	<u>90,820,784</u>	<u>-</u>	<u>461,373,301</u>
Total assets	<u>678,647,649</u>	<u>21,616,008</u>	<u>125,949,511</u>	<u>32,610</u>	<u>826,245,778</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension investment return	31,357,759	211,023	-	-	31,568,782
Pension contributions subsequent to measurement date	15,089,054	360,979	-	-	15,450,033
Pension experience differences	1,236,657	-	-	-	1,236,657
Deferred changes in proportion to the net pension liability	<u>3,835,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,835,250</u>
Total deferred outflows of resources	<u>51,518,720</u>	<u>572,002</u>	<u>-</u>	<u>-</u>	<u>52,090,722</u>
LIABILITIES					
Accounts payable and other current liabilities	31,592,582	789,838	3,413,873	150	35,796,443
Due to primary government	190,036	1,752,392	256,701	-	2,199,129
Noncurrent liabilities:					
Due within one year	8,237,484	-	984,314	-	9,221,798
Due in more than one year	43,220,220	-	11,611,838	-	54,832,058
Net pension liability	27,996,973	-	-	-	27,996,973
Advance from primary government	<u>20,051</u>	<u>-</u>	<u>12,915,000</u>	<u>-</u>	<u>12,935,051</u>
Total liabilities	<u>111,257,346</u>	<u>2,542,230</u>	<u>29,181,726</u>	<u>150</u>	<u>142,981,452</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred gain on bond refunding	-	-	173,158	-	173,158
Deferred property tax revenue	127,141,753	-	-	-	127,141,753
Pension experience differences	33,964,604	339,641	-	-	34,304,245
Deferred changes in proportion to the net pension liability	<u>1,463,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,463,924</u>
Total deferred inflows of resources	<u>162,570,281</u>	<u>339,641</u>	<u>173,158</u>	<u>-</u>	<u>163,083,080</u>
NET POSITION					
Net investment in capital assets	382,468,636	8,378,582	74,467,691	-	465,314,909
Restricted for:					
Centralized cafeteria	4,346,907	-	-	-	4,346,907
Net pension asset	-	820,446	-	-	820,446
WWTA PSLP program	-	-	8,351,858	-	8,351,858
Unrestricted	<u>69,523,199</u>	<u>10,107,111</u>	<u>13,775,078</u>	<u>32,460</u>	<u>93,437,848</u>
Total net position	<u>\$ 456,338,742</u>	<u>\$ 19,306,139</u>	<u>\$ 96,594,627</u>	<u>\$ 32,460</u>	<u>\$ 572,271,968</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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
HAMILTON COUNTY DEPARTMENT OF EDUCATION				
Regular instruction	\$ 213,806,277	\$ 480,999	\$ 7,645,932	\$ 24,476,254
Exceptional instruction	41,183,333	745,915	6,575,262	4,716,353
Vocational instruction	8,761,831	-	498,809	1,002,754
Support services:				
Pupil services	15,726,957	-	2,295,398	1,799,059
Instructional staff	23,574,033	-	10,005,617	2,712,788
Board of education	6,241,904	-	-	715,273
Administration	26,337,521	-	-	3,009,083
Business and fiscal services	2,479,608	-	-	300,612
Human resources	1,286,636	-	-	147,492
Plant operation and maintenance	32,047,566	-	-	3,667,408
Pupil transportation	14,927,334	-	192,083	1,711,695
Central and other	2,321,842	-	-	270,091
Operation of noninstructional services:				
Community services	3,659,477	3,375,568	3,707,543	418,061
Early childhood education	2,893,984	-	2,969,535	334,844
Child Nutrition	18,209,094	3,660,390	16,727,138	2,085,986
TOTAL DEPARTMENT OF EDUCATION	<u>413,457,397</u>	<u>8,262,872</u>	<u>50,617,317</u>	<u>47,367,753</u>
"911" EMERGENCY COMMUNICATIONS				
Emergency communications operations	12,240,216	-	5,615,329	7,209,509
WATER & WASTEWATER TREATMENT AUTHORITY				
Water and wastewater treatment operations	15,980,046	20,558,968	-	2,811,593
RAILROAD AUTHORITY				
Railroad authority operations	152,423	139,073	-	-
TOTAL COMPONENT UNITS	<u>\$ 441,830,082</u>	<u>\$ 28,960,913</u>	<u>\$ 56,232,646</u>	<u>\$ 57,388,855</u>

General revenues:
Property taxes
Sales taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings

Total general revenues
Change in net position
Net position, beginning
Net position, ending

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

Net (Expenses) Revenues and
Changes in Net Position

Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
\$ (181,203,092)				\$ (181,203,092)
(29,145,803)				(29,145,803)
(7,260,268)				(7,260,268)
(11,632,500)				(11,632,500)
(10,855,628)				(10,855,628)
(5,526,631)				(5,526,631)
(23,328,438)				(23,328,438)
(2,178,996)				(2,178,996)
(1,139,144)				(1,139,144)
(28,380,158)				(28,380,158)
(13,023,556)				(13,023,556)
(2,051,751)				(2,051,751)
3,841,695				3,841,695
410,395				410,395
<u>4,264,420</u>				<u>4,264,420</u>
<u>(307,209,455)</u>				
	\$ 584,622			584,622
		\$ 7,390,515		7,390,515
			\$ (13,350)	<u>(13,350)</u>
				<u>(299,247,668)</u>
136,425,388	-	-	-	136,425,388
70,882,907	-	-	-	70,882,907
157,701,661	-	-	-	157,701,661
<u>978,594</u>	<u>107,470</u>	<u>55,070</u>	<u>-</u>	<u>1,141,134</u>
<u>365,988,550</u>	<u>107,470</u>	<u>55,070</u>	<u>-</u>	<u>366,151,090</u>
58,779,095	692,092	7,445,585	(13,350)	66,903,422
<u>397,559,647</u>	<u>18,614,047</u>	<u>89,149,042</u>	<u>45,810</u>	<u>505,368,546</u>
<u>\$ 456,338,742</u>	<u>\$ 19,306,139</u>	<u>\$ 96,594,627</u>	<u>\$ 32,460</u>	<u>\$ 572,271,968</u>



NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE

June 30, 2017

	<u>Page</u>
Note A - Summary of Significant Accounting Policies	A - 17
Note B - Stewardship, Compliance and Accountability	A - 26
Note C - Cash, Cash Equivalents and Investments	A - 26
Note D - Receivables	A - 30
Note E - Solid Waste Disposal Post Closure Care Costs	A - 30
Note F - Commitments and Contingencies	A - 31
Note G - Conduit Debt Obligation	A - 31
Note H - Constitutional Officers	A - 31
Note I - Capital Assets	A - 32
Note J - Employee Retirement Systems	A - 33
Note K - Other Postemployment Benefits (OPEB)	A - 55
Note L - Long-Term Liabilities	A - 60
Note M - Defeased Debt	A - 63
Note N - Interfund Receivables and Payables	A - 63
Note O - Interfund Transfers	A - 63
Note P - Joint Venture	A - 64
Note Q - Risk Management	A - 65
Note R - Tax Abatements	A - 65

NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE

JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(1) REPORTING ENTITY

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

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

Discretely Presented Component Units

Hamilton County Department of Education – The Hamilton County Department of Education (HCDE) provides public education for grades kindergarten through twelve. The nine-member board is comprised of elected members who appoint the superintendent. The Hamilton County Commission levies taxes for the operations of the school system and issues debt for all significant capital projects, thus making the Hamilton County Department of Education fiscally dependent on the primary government. The financial activities also include the operations of a centralized cafeteria system, school activity funds, capital projects, and an internal service fund. Additional information may be obtained from: Hamilton County Department of Education, 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, 3404 Amnicola Highway, Chattanooga, TN 37406.

Hamilton County Water & Wastewater Treatment Authority – The Water & Wastewater Treatment Authority (WWTa) was organized under the Water & Wastewater Treatment Authority Act of the State of Tennessee. The Authority began operations on July 1, 1994, for the purpose of providing wastewater treatment service to residents of unincorporated areas of Hamilton County, Tennessee. The 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. Complete financial statements may be obtained from: Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.

Hamilton County Railroad Authority – The Railroad Authority (the Authority) was organized under the Railroad Authority Act of the State of Tennessee. The Authority was established on February 20, 2002 for the purpose of improving rail service in Hamilton County. The five-member Board consists of the County Mayor, City of Chattanooga Mayor, one member elected by the Board of County Commissioners, one member elected by the Chattanooga City Council, and the President and CEO of Chattanooga Area Chamber of Commerce. The Authority’s Board has final decision-making authority for the entity. The Board of Commissioners must approve any bonds or indebtedness of the Authority. Additional information may be obtained from: Hamilton County Railroad Authority, 117 East Seventh Street, Chattanooga, TN 37402.

(2) JOINT VENTURES

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

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

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

North West Utility District – This utility district is different from the other utility districts of Hamilton County because of the size of the area that it covers. Tennessee Code Annotated, Section 7-82-307(r)(1) & (2) provides for the appointment of seven members of which three members are recommended by the utility commission and the remaining four are appointed by the County Mayor. After the board appointments, neither a financial benefit nor a burden to the citizens of Hamilton County arises.

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

Chattanooga-Hamilton County Hospital Authority – The County Mayor appoints, subject to the approval of the County Board of Commissioners, four members of the eleven-member Hospital Authority Board. The County is committed to fund a minimum of \$1,500,000 annually for indigent patient care to the Authority. The Authority has the ability to issue its own debt, which is not an obligation of the County, and primarily patient revenues finance its operations.

(3) BASIC FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund

financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. At June 30, 2017, the County has no business-type activities in the primary government. In the government-wide Statement of Net Position, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations and deferred resources of inflows and outflows.

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

This government-wide focus is designed to view the County as a complete entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Activities accounted for in the Internal Service Funds include: (1) accounting for the payment of workers' compensation and general liability claims; (2) payment of life insurance and other payroll related expenses, and unemployment claims; (3) the employee pharmacy; and (4) the employee medical clinic. Operating revenues and expenses are the result of providing services to the principal user of the internal service. Any revenues or expenses that are not the result of providing those services are classified as nonoperating. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level and interfund transactions are eliminated. To the extent possible, the costs of these services are reflected in the appropriate functional activity (public safety, highways and streets, etc.).

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

The focus of the government-wide financial statements is on the County as a whole. The focus of the fund financial statements is on the major individual government funds as well as the fiduciary funds (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

(4) BASIS OF PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues and expenditures/expenses. The County reports the following major funds and other fund types:

a) Major Funds

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

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

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

b) Other Fund Types

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

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

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

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

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

(5) BASIS OF ACCOUNTING

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

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

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

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

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

The County defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements to be six months for intergovernmental revenues and sixty days for property taxes and other revenues.

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

(6) BUDGET POLICY AND BUDGETARY DATA

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

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

Public hearings are conducted which allow for taxpayer comments.

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

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

A legally enacted budget is employed as a management control device during the year for the following governmental funds: General Fund, Debt Service Fund, Hotel Motel Fund and Sheriff Special Revenue 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. 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, 2017, reflect expenditures for goods and services that had not been received or completed at that date. These items are recorded as assignments 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 and the Capital Projects Fund.

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Non-GAAP Basis)</u>	<u>Variance with Final Budget Positive/(Negative)</u>
General Fund				
Constitutional Offices	\$ 27,087,921	\$ 27,680,245	\$ 26,390,997	\$ 1,289,248
Supported Agencies	4,439,116	4,439,116	4,428,761	10,355
Unassigned	54,287,744	55,609,179	53,321,411	2,287,768
Finance	9,236,286	9,789,148	8,304,466	1,484,682
Public Works	23,475,718	23,962,010	22,814,283	1,147,727
General Services	39,084,864	39,262,777	39,052,602	210,175
Human Resources	1,835,833	1,835,833	1,707,817	128,016
Health	23,248,462	23,599,321	21,462,172	2,137,149
Sheriff	33,470,630	34,436,320	34,413,359	22,961
Juvenile Court Clerk	2,635,982	2,635,982	2,554,817	81,165
Total General Fund	<u>218,802,556</u>	<u>223,249,931</u>	<u>214,450,685</u>	<u>8,799,246</u>
Debt Service	<u>34,826,744</u>	<u>34,826,744</u>	<u>35,050,644</u>	<u>(223,900)</u>
Hotel Motel	<u>7,800,000</u>	<u>7,800,000</u>	<u>7,640,540</u>	<u>159,460</u>
Sheriff Special Revenue	<u>465,637</u>	<u>465,637</u>	<u>253,683</u>	<u>211,954</u>
Primary Government	<u>\$ 261,894,937</u>	<u>\$ 266,342,312</u>	<u>\$ 257,395,552</u>	<u>\$ 8,946,760</u>

The deficit in Debt Service was funded by available fund balance of the Debt Service fund.

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

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

a) Cash and Cash Equivalents

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

b) Investments

Certificates of deposit with a maturity date greater than three months of the date acquired by the County are considered investments. These certificates of deposits are considered non-participating interest earning investment contracts and, accordingly, are valued at cost.

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 acquisition value as of the date donated. The County maintains infrastructure asset records consistent with other capital assets. The County's threshold for additions to capital assets is \$5,000

in the primary government and \$5,000 for the Department of Education. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

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

Beginning in the implementation year (July 1, 2001) new infrastructure expenditures have been capitalized and depreciated. Following the implementation of GASB No. 34, the County continued to expand and refine its capital assets. Effective July 1, 2003, the County recorded the infrastructure assets at estimated or actual historical cost, net of accumulated depreciation. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

f) Fund Balance

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

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by legally binding contracts approved by resolution. These items are commitments that exceed the \$25,000 threshold set forth by the Hamilton County Purchasing Rules and Regulations. Items committed may only be modified or rescinded by resolution passed by the County Commission.

Assigned fund balance consists of amounts constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. For reporting purposes, assignments may fall into two categories: assigned for specific purposes or assigned for encumbrances that fall below the \$25,000 threshold as set forth by the Hamilton County Purchasing Rules and Regulations. Items assigned as encumbrances may be assigned, modified or rescinded by the County Mayor or his designee, as set forth in the Hamilton County Purchasing Rules and Regulations.

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

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

g) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows: deferred property taxes, unavailable revenue, and deferred inflows related to pensions. The County's governmental funds balance sheet and government wide Statement of Net Position will report deferred property tax revenues as a deferred inflow of resources as the amount represents resources associated with an imposed, non-exchange transaction received or reported as a receivable before the period for which the property taxes were levied. The County reports unavailable property taxes and various receivables for revenue which do not meet the availability criteria in governmental funds as deferred inflows of resources. Unavailable revenue is reported only in the Governmental Funds Balance Sheet. Deferred inflows related to pensions are discussed below.

h) Pension Plans

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

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

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

(8) REVENUES, EXPENDITURES AND EXPENSES

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

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

a) Property Taxes

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

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

Lien date	January 1, 2016
Levy date	October 1, 2016
Tax bills mailed	October 1, 2016
Delinquency date	March 1, 2017
Tax sale – 2013 delinquent property taxes	June 1, 2017

b) Grant Revenue

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

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

c) Investment Income

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

d) Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reflected as transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. Such transactions are recorded as expenditures in the disbursing fund and as a reduction of expenditures in the receiving fund. Transactions that would be treated as revenues or expenditures if they involve organizations external to the County are treated as revenues in the receiving fund and expenditures in the disbursing fund. Amounts reported in the fund financial statements as transfers in/out from other funds are eliminated in the governmental activities column of the government-wide Statement of Activities.

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

e) Payments Between the County and Component Units

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions – that is, as revenues and expenses. Payments from component units consist of debt service payments from “911” Emergency Communication for equipment purchased by the County and from Water and Wastewater Treatment Authority for bonds issued in the County’s name.

f) 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.

g) Compensated Absences

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

(9) NET POSITION

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

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

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

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2017, the County had no material excess of expenditures over appropriations in individual funds.

Net Position/Fund Balance Deficit

At June 30, 2017, the County has a deficit of \$79,805,614 in unrestricted net position in the government-wide statement of net position for governmental activities. Historically, significant portions of the County's general obligation bonds are issued to acquire, construct, and develop facilities for the Department of Education. These facilities are not recorded as capital assets of the County's governmental activities but are recorded as capital assets of the Department of Education, which is a discretely presented component unit. During the year ending June 30, 2017, the County conveyed \$49,480,025 in capital assets to the Department of Education. At June 30, 2017, the County's long-term liabilities include general obligation bonds of \$157,656,154 issued for the Department of Education capital projects and notes payable of \$20,051 for capital expenditures.

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Custodial credit risk relating to deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2017, all deposits were insured or collateralized, as required by Government policy.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and interest-bearing deposits at various financial institutions.

Investments

<u>Investment</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Credit Rating</u>	<u>Level 2</u>	<u>Fair Value</u>
Federal Home Loan Bank	2/16/2018	1.00%	Aaa	\$ 5,000,000	\$ 5,000,000
Federal Home Loan Bank	12/27/2018	1.39%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	6/28/2019	1.50%	Aaa	10,000,000	10,000,000
Federal Home Loan Mortgage Corp.	7/14/2017	0.90%	Aaa	10,000,000	10,000,000
Federal Home Loan Mortgage Corp.	11/24/2017	0.90%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	2/26/2018	1.05%	Aaa	10,000,000	10,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.92%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.95%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	1.10%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	7/20/2018	1.00%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	7/27/2018	1.05%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	10/18/2018	1.07%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	1.05%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	12/14/2018	1.25%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	12/21/2018	1.20%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	1/25/2019	1.35%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	3/15/2019	1.38%	Aaa	5,000,000	5,000,000
Total investments measured at fair value				<u>\$ 100,000,000</u>	<u>\$ 100,000,000</u>
Investments not subject to level disclosure:					
Investments carried at cost:					
Certificates of Deposits	7/5/2017	0.92%			\$ 70,000,000
Certificates of Deposits	7/11/2017	1.09%			10,030,055
Certificates of Deposits	8/3/2017	1.16%			10,019,335
Certificates of Deposits	8/31/2017	0.68%			15,000
Certificates of Deposits	9/14/2017	1.20%			5,000,000
Certificates of Deposits	9/20/2017	1.10%			5,000,000
Certificates of Deposits	10/16/2017	1.15%			245,000
Certificates of Deposits	11/2/2017	1.05%			245,000
Certificates of Deposits	11/5/2017	1.15%			245,000
Certificates of Deposits	11/6/2017	1.00%			245,000
Certificates of Deposits	11/6/2017	1.10%			735,000
Certificates of Deposits	11/6/2017	1.15%			735,000
Certificates of Deposits	11/6/2017	1.20%			245,000
Certificates of Deposits	11/13/2017	1.10%			245,000
Certificates of Deposits	12/11/2017	1.15%			245,000
Certificates of Deposits	12/11/2017	1.20%			735,000
Certificates of Deposits	12/11/2017	1.30%			245,000
Certificates of Deposits	12/15/2017	1.20%			245,000
Certificates of Deposits	12/18/2017	1.25%			245,000
Certificates of Deposits	12/15/2018	1.35%			245,000
Certificates of Deposits	12/17/2018	1.35%			245,000
Certificates of Deposits	12/19/2018	1.35%			245,000
Certificates of Deposits	12/19/2018	1.40%			490,000
Certificates of Deposits	12/24/2018	1.35%			245,000
Certificates of Deposits	12/28/2018	1.35%			245,000
Certificates of Deposits	12/28/2018	1.28%			54,902
Total Investments					<u>\$ 206,489,292</u>

As of June 30, 2017, total investments for the primary government (excluding Pension Trust Funds and OPEB Trust Fund) were \$108,405,194 and investments for the Department of Education, a discretely presented component unit, were \$98,024,065. In addition to the investments listed in the previous table, the County holds \$7,721,142 in agency funds, on the behalf of court litigants and beneficiaries.

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

Custodial credit risk – The County’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the County’s agent in the County’s name, or by the Federal Reserve Banks acting as third party agents. The statutes also authorize the types of investments in which the County can participate. The portfolio manager may invest in any instruments which are in accordance with applicable laws, including but not limited to the following: certificates of deposit and savings accounts in banks and savings and loan institutions; Tennessee Valley Authority Bonds; bonds, notes, or treasury bills of the United States; Federal Land Bank bonds; Federal Home Loan Bank notes and bonds; Federal National Mortgage Association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States; the pooled investment fund of the State of Tennessee; or repurchase agreements.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County’s adopted investment policy is designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity. State law requires that the County not have investments longer than two years and all investments to be secured by either the State Collateral Pool Board or the participating bank.

Fair Value Measurements – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The County’s certificates of deposit are nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost.

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

Pension Trust Funds:

Investment	Interest Rate	Credit Rating	Level 1	Level 2	Fair Value
U.S. Treasury Note	2.750-3.125%	Aaa	\$ -	\$ 51,955	\$ 51,955
Agency Securities – FFCB	2.050-2.670%	Aaa	-	39,468	39,468
Agency Securities – FHLB	1.840%	Aaa	-	14,441	14,441
Agency Securities – FHLMC	2.375%	Aaa	-	10,210	10,210
Agency Securities – FNMA	2.125-2.625%	Aaa	-	24,880	24,880
Municipal Bonds	4.122%	A1	25,517	-	25,517
Municipal Bonds	2.942%	A2	35,316	-	35,316
Municipal Bonds	3.450-3.512%	Aa1	36,394	-	36,394
Municipal Bonds	5.500%	Aa2	15,659	-	15,659
Municipal Bonds	2.201-5.295%	Aa3	50,346	-	50,346
Domestic Corporate Bonds	1.900-5.500%	A1	48,381	-	48,381
Domestic Corporate Bonds	2.250-5.300%	A2	61,924	-	61,924
Domestic Corporate Bonds	2.650-5.600%	A3	47,338	-	47,338
Domestic Corporate Bonds	2.000%	Aa1	15,072	-	15,072
Domestic Corporate Bonds	3.125%	Aa2	10,112	-	10,112
Domestic Corporate Bonds	3.150%	Aa3	10,390	-	10,390
Domestic Corporate Bonds	2.726-3.125%	Aaa	10,161	-	10,161
Domestic Corporate Bonds	2.300-5.875%	Baa1	112,750	-	112,750
Domestic Corporate Bonds	2.450-4.250%	Baa2	31,913	-	31,913
Domestic Corporate Bonds	3.150-5.875%	Baa3	56,413	-	56,413
Foreign Bonds/Notes	3.125%	A2	10,189	-	10,189
Foreign Bonds/Notes	1.750%	Aa2	9,813	-	9,813
Mutual Funds	Various	Not rated	1,568,487	-	1,568,487
Domestic Equity Securities	Various	Not rated	166,092	-	166,092
Foreign Equity Securities	Various	Not rated	103,898	-	103,898
			<u>\$2,426,165</u>	<u>\$ 140,954</u>	<u>\$ 2,567,119</u>

Investments in Federal Home Loan Bank and Federal Home Loan Mortgage Corporation classified as level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

OPEB Trust Fund:

Investment	Interest Rate	Credit Rating	Level 1	Level 2	Fair Value
U.S. Treasury Note	1.625-3.125%	Aaa	\$ -	\$ 351,602	\$ 351,602
Agency Securities – FFCB	1.320-2.950%	Aaa	-	391,786	391,786
Agency Securities – FHLB	1.840%	Aaa	-	48,137	48,137
Agency Securities – FHLMC	2.375%	Aaa	-	102,099	102,099
Agency Securities – FNMA	2.000-2.625%	Aaa	-	174,915	174,915
Municipal Bonds	3.270-4.122%	A1	111,397	-	111,397
Municipal Bonds	3.942%	A2	50,451	-	50,451
Municipal Bonds	2.197-5.552%	Aa1	317,972	-	317,972
Municipal Bonds	1.796-5.500%	Aa2	179,816	-	179,816
Municipal Bonds	1.474-6.040%	Aa3	246,651	-	246,651
Domestic Corporate Bonds	1.900-5.500%	A1	303,773	-	303,773
Domestic Corporate Bonds	2.250-5.300%	A2	349,524	-	349,524
Domestic Corporate Bonds	2.650-5.600%	A3	252,718	-	252,718
Domestic Corporate Bonds	2.000%	Aa1	50,240	-	50,240
Domestic Corporate Bonds	3.125%	Aa2	60,675	-	60,675
Domestic Corporate Bonds	3.150%	Aa3	62,341	-	62,341
Domestic Corporate Bonds	2.726-3.125%	Aaa	101,693	-	101,693
Domestic Corporate Bonds	2.300-5.875%	Baa1	628,731	-	628,731
Domestic Corporate Bonds	2.450-4.250%	Baa2	289,277	-	289,277
Domestic Corporate Bonds	3.150-5.875%	Baa3	307,614	-	307,614
Foreign Bonds/Notes	3.245-5.100%	A1	126,953	-	126,953
Foreign Bonds/Notes	3.125%	A2	61,135	-	61,135
Foreign Bonds/Notes	1.750%	Aa2	58,876	-	58,876
Mutual Funds	Various	Not rated	12,786,254	-	12,786,254
Domestic Equity Securities	Various	Not rated	2,895,761	-	2,895,761
Foreign Equity Securities	Various	Not rated	1,474,659	-	1,474,659
			<u>\$20,716,511</u>	<u>\$1,068,539</u>	<u>\$21,785,050</u>

Fair Value Measurements – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in Federal Home Loan Bank and Federal Home Loan Mortgage Corporation classified as level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE D – RECEIVABLES

Receivables at June 30, 2017, consist of the following:

<u>Funds</u>	<u>Property Taxes</u>	<u>Patients</u>	<u>Accounts</u>	<u>Inter-Governmental</u>	<u>Allowance for Uncollectibles</u>	<u>Net</u>
Primary Government:						
General	\$153,642,573	\$9,103,723	\$1,112,542	\$ 8,552,516	\$(15,379,183)	\$157,032,171
Debt service	-	-	56,045	-	-	56,045
Capital projects	-	-	329,411	1,404,725	-	1,734,136
Nonmajor	-	-	1,341,200	311,607	-	1,652,807
Internal service	-	-	15,505	-	-	15,505
	<u>\$153,642,573</u>	<u>\$9,103,723</u>	<u>\$2,854,703</u>	<u>\$10,268,848</u>	<u>\$(15,379,183)</u>	<u>\$160,490,664</u>
Component Units:						
Hamilton County						
Department of						
Education	\$146,217,828	\$ -	\$3,371,314	\$19,198,273	\$ (6,500,651)	\$162,286,764
“911” Emergency						
Communication	-	-	194,924	-	-	194,924
WWTA	-	-	3,344,560	-	(29,791)	3,314,769
	<u>\$146,217,828</u>	<u>\$ -</u>	<u>\$6,910,798</u>	<u>\$19,198,273</u>	<u>\$ (6,530,442)</u>	<u>\$165,796,457</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, 2017.

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

NOTE E – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS

The County utilizes the General Fund to account for post closure care costs of the Hamilton County Birchwood Landfill Area 1 and the TVA Model Landfill. The County completed closure of both Area 1 and the TVA Model Landfill in 2001. In accordance with state and federal regulations, the County is required to perform certain maintenance and monitoring functions for thirty years after closure. The estimated liability for post closure care costs of \$150,000 at June 30, 2017, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of \$150,000 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, 2017. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in post closure requirements will be covered by appropriations in the General Fund.

NOTE F – COMMITMENTS AND CONTINGENCIES

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

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

The County has entered into various construction commitments. Such contracts include contracts for improvements to schools, industrial parks, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2017. The total contractual commitments outstanding as of June 30, 2017, aggregated approximately \$5,633,621. These commitments are not reported in the governmental-wide statements. The County has sufficient funds available to cover these commitments.

Hamilton County Water and Wastewater Treatment Authority (the Authority), a discretely presented component unit, is currently defending a court case that seeks to declare the \$8 monthly fee charged for the Private Service Lateral Program (PSLP) funding as unlawful. Further, the case seeks to certify a class action suit on behalf of all customers of the Authority. The Authority is contesting the lawsuit vigorously, but no outcome is certain. Should the courts rule against the Authority, the Authority may be required to refund approximately \$19 million in fees. In addition, if the Authority receives an unfavorable ruling, the Authority will require an increase in the variable rate in order to fund the PSLP as the program is necessary to comply with the Clean Water Act.

NOTE G – CONDUIT DEBT OBLIGATION

From time to time, Hamilton County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial commercial facilities deemed to be in the public interest and Single Family Mortgage Revenue Bonds to provide assistance to potential homeowners pursuant to the Tennessee Home Mortgage Finance Act. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity or homeowner served by the bond issuance. Neither Hamilton County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2017, there is one Industrial Revenue Bond outstanding. The aggregate principal amount payable for the Industrial Revenue Bond series issued at June 30, 2017, is \$17,812,377.

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

NOTE H – CONSTITUTIONAL OFFICERS

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2017, which are budgeted and included within the General Fund, are summarized as follows:

	Compensation and Fringe Benefits	Purchased Services	Capital Outlay	Total
Circuit Court Clerk	\$ 1,039,477	\$ 290,374	\$ -	\$ 1,329,851
Clerk and Master	752,048	126,488	-	878,536
County Clerk	1,592,922	525,813	4,852	2,123,587
Criminal Court Clerk	1,383,808	363,060	2,237	1,749,105
Juvenile Court Clerk	2,452,954	85,413	16,450	2,554,817
Register	440,486	54,568	1,412	496,466
Sheriff	29,638,831	4,725,035	1,451,297	35,815,163
Trustee	412,676	309,524	-	722,200
Election Commission	1,534,256	353,275	-	1,887,531
Assessor of Property	3,319,176	357,041	19,645	3,695,862
	<u>\$ 42,566,634</u>	<u>\$ 7,190,591</u>	<u>\$1,495,893</u>	<u>\$ 51,253,118</u>

NOTE I – CAPITAL ASSETS

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

Primary Government

	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$ 72,767,385	\$ 1,019,316	\$ (81,612)	\$ 73,705,089
Construction in progress	<u>65,237,375</u>	<u>26,204,270</u>	<u>(82,237,131)</u>	<u>9,204,514</u>
Total non-depreciable assets	<u>138,004,760</u>	<u>27,223,586</u>	<u>(82,318,743)</u>	<u>82,909,603</u>
Depreciable Assets:				
Buildings	142,016,560	12,846,725	(18,097)	154,845,188
Improvements other than buildings	26,523,476	16,203,098	(25,760)	42,700,814
Machinery and equipment	45,382,733	2,561,811	(3,282,974)	44,661,570
Infrastructure	216,562,531	8,662,679	(6,667)	225,218,543
Intangibles	<u>6,951,771</u>	<u>118,096</u>	<u>(320,886)</u>	<u>6,748,981</u>
Total depreciable assets	<u>437,437,071</u>	<u>40,392,409</u>	<u>(3,654,384)</u>	<u>474,175,096</u>
Less Accumulated Depreciation for:				
Buildings	(70,937,028)	(3,193,797)	3,493	(74,127,332)
Improvements other than buildings	(18,479,997)	(1,531,384)	16,210	(19,995,171)
Machinery and equipment	(36,020,481)	(2,629,397)	3,108,202	(35,541,676)
Infrastructure	(137,110,534)	(5,522,292)	6,195	(142,626,631)
Intangibles	<u>(4,250,548)</u>	<u>(378,513)</u>	<u>309,606</u>	<u>(4,319,455)</u>
Total accumulated depreciation	<u>(266,798,588)</u>	<u>(13,255,383)</u>	<u>3,443,706</u>	<u>(276,610,265)</u>
Depreciable Assets, net	<u>170,638,483</u>	<u>27,137,026</u>	<u>(210,678)</u>	<u>197,564,831</u>
Governmental activities capital assets, net	<u>\$ 308,643,243</u>	<u>\$ 54,360,612</u>	<u>\$(82,529,421)</u>	<u>\$ 280,474,434</u>

Discretely Presented Component Units

	<u>Beginning Balance</u>	<u>Current Year Additions</u>	<u>Current Year Retirements</u>	<u>Ending Balance</u>
Non-Depreciable Assets:				
Land	\$ 20,121,792	\$ 175,762	\$ (77,763)	\$ 20,219,791
Construction in progress	<u>7,353,942</u>	<u>5,170,437</u>	<u>(3,118,252)</u>	<u>9,406,127</u>
Total non-depreciable assets	<u>27,475,734</u>	<u>5,346,199</u>	<u>(3,196,015)</u>	<u>29,625,918</u>
Depreciable Assets:				
Buildings	553,556,835	46,823,499	(2,145,315)	598,235,019
Improvements other than buildings	23,426,791	384,297	(429,998)	23,381,090
Machinery and equipment	35,894,762	5,177,513	(736,128)	40,336,147
Utility plant	<u>127,855,201</u>	<u>3,730,449</u>	<u>-</u>	<u>131,585,650</u>
Total depreciable assets	<u>740,733,589</u>	<u>56,115,758</u>	<u>(3,311,441)</u>	<u>793,537,906</u>
Less Accumulated Depreciation for:				
Buildings	(236,767,194)	(12,192,710)	1,858,363	(247,101,541)
Improvements other than buildings	(18,194,681)	(393,205)	416,624	(18,171,262)
Machinery and equipment	(23,962,084)	(2,430,523)	1,483,981	(24,908,627)
Utility plant	<u>(38,611,950)</u>	<u>(3,371,226)</u>	<u>-</u>	<u>(41,983,175)</u>
Total accumulated depreciation	<u>(317,535,909)</u>	<u>(18,387,664)</u>	<u>3,758,968</u>	<u>(332,164,605)</u>
Depreciable Assets, net	<u>423,197,680</u>	<u>37,728,094</u>	<u>(447,527)</u>	<u>461,373,301</u>
Component units capital assets, net	<u>\$ 450,673,414</u>	<u>\$ 43,074,293</u>	<u>\$(2,748,488)</u>	<u>\$ 490,999,219</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
Ambulance Services	\$ 638,071
Criminal Court	44,993
General Government	2,895,255
Health	265,854
Highway and Streets	5,620,713
Juvenile Court	201,947
Other Public Safety	1,132,871
Culture and Recreation	1,571,624
Sheriff	873,890
Social Services	10,165
Total	<u>\$ 13,255,383</u>
Discretely Presented Component Units:	
Department of Education	\$ 13,534,148
Water & Wastewater Treatment Authority	3,730,506
“911” Emergency Communications	1,122,460
Railroad Authority	550
Total	<u>\$ 18,387,664</u>

Hamilton County donated \$49,480,025 assets transferred from construction in progress to the Department of Education, a component unit of Hamilton County.

NOTE J – EMPLOYEE RETIREMENT SYSTEMS

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

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

The following table is a summary of each of these plans' net pension liability or asset and the related deferred outflows of resources and deferred inflows of resources:

	Primary Government					Total
	Hamilton County Legacy Plan	Hamilton County Hybrid Plan	Employees' Pension Plan	Commissioners' Pension Plan	Teachers' Pension Plan	
Net pension asset	\$ -	\$ 56,824	\$ 1,540,854	\$ -	\$ -	\$ 1,597,678
Net pension liability	28,208,304	-	-	188,559	3,289	28,400,152
Deferred outflows-pension investment returns	14,844,892	2,355	96,206	45,589	370	14,989,412
Deferred outflows-pension contributions subsequent to measurement date	15,442,882	382,512	-	-	-	15,825,394
Deferred outflows-pension experience difference	808,091	-	-	-	-	808,091
Deferred outflows-changes in proportion to the net pension liability	-	-	-	-	-	-
Deferred inflows-pension experience differences	4,107,993	36,543	-	-	-	4,144,536
Deferred inflows-changes in proportion to the net pension liability	-	-	-	-	-	-
Department of Education						
	Teacher Legacy Pension Plan	Teacher Retirement Plan	Total			
Net pension asset	\$ -	\$ 603,184	\$ 603,184			
Net pension liability	27,996,973	-	27,996,973			
Deferred outflows-pension investment returns	31,259,000	98,759	31,357,759			
Deferred outflows-pension contributions subsequent to measurement date	13,666,770	1,422,284	15,089,054			
Deferred outflows-pension experience difference	1,178,212	58,445	1,236,657			
Deferred outflows-changes in proportion to the net pension liability	3,835,250	-	3,835,250			
Deferred inflows-pension experience differences	33,895,058	69,546	33,964,604			
Deferred inflows-changes in proportion to the net pension liability	1,440,813	23,111	1,463,924			

Tennessee Consolidated Retirement Systems

(1) HAMILTON COUNTY LEGACY PLAN

Plan Description

Employees of Hamilton County, including certain employees of the Hamilton County Department of Education, are members of the Hamilton County Legacy Plan, an agent, multiple-employer, defined benefit pension plan administered by the TCRS. The Hamilton County Legacy Plan closed to new membership on September 30, 2015, but will continue providing benefits to existing members and retirees. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury

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

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

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

Funding Policy

Hamilton County adopted a noncontributory retirement plan for its employees on July 1, 1981.

Hamilton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2017, was 14.33% of annual covered payroll. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for the County were \$15,442,882. By law, employer contributions are required to be paid. The TCRS may intercept the County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

The required contribution was determined as part of the June 30, 2015 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected 3.0 percent annual rate of inflation; (c) projected salary increases of 4.25 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (d) projected 3.5 percent annual increase in the Social Security wage base; and (e) projected post employment increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hamilton County's amortization method is level dollar on a closed basis. The remaining amortization period varies by year.

Investment Rate of Return

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three techniques described above.

Net Pension Liability (Asset)

The County's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Summary of Key Actuarial Assumptions

Reporting Date	June 30, 2017
Measurement Date	June 30, 2016
Actuarial Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar
Asset valuation method	Fair market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent, if provided

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Employees Covered by Benefit Terms at June 30, 2016

Inactive employees or beneficiaries currently receiving benefits	2,369
Inactive employees entitled to but not yet receiving benefits	2,435
Active employees	<u>2,613</u>
Total	<u>7,417</u>

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the County will be made at the actuarially determined contribution

rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2015	\$ 451,695,728	\$ 439,515,657	\$ 12,180,071
Service cost	8,006,025	-	8,006,025
Interest	33,698,932	-	33,698,932
Differences between expected and actual experience	1,010,114	-	1,010,114
Contributions-employer	-	15,306,360	(15,306,360)
Contributions-employee	-	213	(213)
Net Investment income	-	11,582,710	(11,582,710)
Benefit payments, including refunds of employee contributions	(20,765,309)	(20,765,309)	-
Administrative expense	-	(202,445)	202,445
Net Changes	<u>\$ 21,949,762</u>	<u>\$ 5,921,529</u>	<u>\$ 16,028,233</u>
Balance at June 30, 2016	<u>\$ 473,645,490</u>	<u>\$ 445,437,186</u>	<u>\$ 28,208,304</u>

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

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

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ 87,113,362	\$ 28,208,304	\$(21,175,883)

Pension Expense (Income) and Deferred Outflows/Inflows of Resources

	Pension Expense/(Income)
Service Cost	\$ 8,006,025
Interest	33,698,932
Contributions-employees	(213)
Projected investment income	(32,751,380)
Recognition of experience (gain)/loss	(1,269,006)
Recognition of investment (gain)/loss	1,294,767
Administrative expense	202,445
Pension Expense/(Income)	<u>\$ 9,181,570</u>

For the year ended June 30, 2017, the recognized pension expense is \$9,181,570. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 808,091	\$ (4,107,993)
Net difference between projected and actual earnings of pension plan investments	14,844,892	-
Contributions subsequent to the measurement date of June 30, 2016	<u>15,442,882</u>	<u>-</u>
Total	<u>\$ 31,095,865</u>	<u>\$ (4,107,993)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:

2018	\$ 25,761
2019	25,761
2020	7,057,713
2021	4,435,755
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 11,544,990</u>

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

Payable to the Pension Plan

At June 30, 2017, the County reported a payable of \$1,647,919 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

(2) HAMILTON COUNTY HYBRID PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

Plan description. Employees with membership in the Tennessee Consolidated Retirement System (TCRS) before September 30, 2015 of Hamilton County are provided with pensions through the Hamilton County Legacy Pension Plan administered by the TCRS. The Hamilton County Legacy Pension Plan is closed to new membership. Employees with membership in the TCRS after October 1, 2015 are provided a defined

benefit pension plan through the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of the Hamilton County Hybrid Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Hamilton County Hybrid Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>134</u>
Total	<u>150</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic costs controls set out in law. Employees contribute 5 percent of salary. The County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Hamilton County Hybrid Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the County if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017 to the Public Employee Retirement Plan were \$382,512, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). Hamilton County Hybrid Plan's new pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation
Cost of living adjustments	2.5 percent, if provided

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

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Hamilton County Hybrid Plan will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2015	\$ -	\$ -	\$ -
Service cost	101,927	-	101,927
Interest	7,645	-	7,645
Differences between expected and actual experience	(41,111)	-	(41,111)
Contributions-employer	-	58,414	(58,414)
Contributions-employee	-	73,015	(73,015)
Net Investment income	-	1,691	(1,691)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(7,835)	7,835
Net Changes	<u>\$ 68,461</u>	<u>\$ 125,285</u>	<u>\$ (56,824)</u>
Balance at June 30, 2016	<u>\$ 68,461</u>	<u>\$ 125,285</u>	<u>\$ (56,824)</u>

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

The following represents the net pension liability (asset) calculated using the stated discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability (Asset)	\$ (39,552)	\$ (56,824)	\$ (69,770)

Pension Expense (Income) and Deferred Outflows/Inflows of Resources

Pension expense. For the year ended June 30, 2017, Hamilton County Hybrid Plan recognized pension expense of \$35,778.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Hamilton County Hybrid Plan reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (36,543)
Net difference between projected and actual earnings of pension plan investments	2,355	-
Contributions subsequent to the measurement date of June 30, 2016	<u>382,512</u>	<u>-</u>
Total	<u>\$ 384,867</u>	<u>\$ (36,543)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year ended June 30:

2018	\$ (3,979)
2019	(3,979)
2020	(3,979)
2021	(3,979)
2022	(4,568)
Thereafter	<u>(13,704)</u>
Total	<u>\$ (34,188)</u>

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

Payable to the Pension Plan

At June 30, 2017, Hamilton County Hybrid Plan reported a payable of \$58,335 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

(3) TEACHER LEGACY PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member

who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hamilton County Schools for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were \$13,666,770, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2017, the Hamilton County Schools reported a liability of \$27,996,973 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Hamilton County Schools' proportion of the net pension liability was based on Hamilton County Schools' share of contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2016, Hamilton County Schools' proportion was 4.479913 percent. The proportion measured as of June 30, 2015, was 4.193311 percent.

Pension expense. For the year ended June 30, 2017, Hamilton County Schools recognized a pension expense of \$3,742,273.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,178,212	\$ 33,895,058
Net difference between projected and actual earnings on pension plan investments	31,259,000	-
Changes in proportion of Net Pension Liability (Asset)	3,835,250	1,440,813
LEA's contributions subsequent to the measurement date of June 30, 2016	<u>13,666,770</u>	<u>(not applicable)</u>
Total	<u>\$ 49,939,232</u>	<u>\$ 35,335,871</u>

Hamilton County Schools employer contributions of \$13,666,770, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ (6,262,574)
2019	(6,262,574)
2020	13,330,929
2021	2,506,224
2022	(2,375,414)
Thereafter	-
Total	<u>\$ 936,591</u>

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

Actuarial assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

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

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Hamilton County Schools' proportionate share of the net pension liability (asset)	\$ 153,736,198	\$ 27,996,973	\$ (76,159,730)

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

Payable to the Pension Plan

At June 30, 2017, Hamilton County Schools reported a payable of \$1,579,671 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

(4) TEACHER RETIREMENT PLAN

Summary of Significant Accounting Policies

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

General Information About the Pension Plan

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

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the

change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hamilton County Schools for the year ended June 30, 2017 to the Teacher Retirement Plan were \$1,422,284, which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities (assets). At June 30, 2017, Hamilton County Schools reported an asset of \$603,184 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Hamilton County Schools’ proportion of the net pension asset was based on Hamilton County Schools’ share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Hamilton County Schools’ proportion was 5.794097 percent. At the measurement date of June 30, 2015, Hamilton County Schools’ proportion was 4.970172 percent.

Pension Expense. For the year ended June 30, 2017, Hamilton County Schools recognized pension expense of \$503,071.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,445	\$ 69,546
Net difference between projected and actual earnings on pension plan investments	98,759	-
Changes in proportion of Net Pension Liability (Asset)	-	23,111
LEA’s contributions subsequent to the measurement date of June 30, 2016	<u>1,422,284</u>	<u>-</u>
Total	<u>\$ 1,579,488</u>	<u>\$ 92,657</u>

Hamilton County Schools’ employer contributions of \$1,422,284, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2018	\$ 17,990
2019	17,990
2020	17,990
2021	14,519
2022	(1,070)
Thereafter	(2,872)
Total	<u>\$ 64,547</u>

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

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.5 percent

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

The actuarial assumptions used in the June 20, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Hamilton County Schools’ proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Hamilton County Schools’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Hamilton County Schools’ proportionate share of the net pension liability (asset)	\$ 284,833	\$ (603,184)	\$ (1,257,473)

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

Payable to the Pension Plan

At June 30, 2017, Hamilton County Schools reported a payable of \$171,578 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

Hamilton County Administered Plans

Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Actuarial Assumptions and Estimates

The actuarial calculations are based on the benefits provided under the terms of the plans in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are always subject to continual revisions as results are compared to past expectations and new estimates are made about the future. The actuarial methods used and calculations determined reflect a long term perspective as the techniques used are designed to reduce short term volatility in actuarial accrued liabilities and the actuarial value of the related assets.

Plan Description and Provisions

(1) EMPLOYEES' PENSION PLAN

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

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

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

(2) COMMISSIONERS' PENSION PLAN

The County maintains a single-employer defined benefit plan for County Commissioners in which each Commissioner can elect to participate. Those who elect to participate are not required to contribute to the plan. Credit for prior service can be purchased.

There are no limits on the time at which a Commissioner (or former Commissioner with at least five years of service) can elect to purchase such credit. Each participant accrues a monthly benefit of 2.5% of five-year average pay per year of credit service, payable upon retirement at or after age 55. Accrued benefits are vested after five years of service. Benefit provisions are established and amended by the Private Acts of Tennessee.

(3) TEACHERS' PENSION PLAN

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

Employees Covered by Benefit Terms

	<u>Employees' Pension Plan</u>	<u>Commissioners' Pension Plan</u>	<u>Teachers' Pension Plan</u>
Retirees and beneficiaries receiving benefits	18	13	2
Vested terminated employees	-	4	-
Active employees:			
Fully vested	-	6	-
Non vested	-	73	-
Actuarial valuation date	June 30, 2017	June 30, 2017	June 30, 2017
Measurement date	June 30, 2016	June 30, 2016	June 30, 2016

Investment Policy

The Pension Board (the “Board”) establishes (and may amend) the pension plan’s policy regarding asset allocation. Plan assets are managed with a long-term objective of achieving a fully funded status for the benefit provided through the plan. The Board’s asset allocation policy as of June 30, 2017, is shown below:

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

The Teachers’ Plan only maintains Certificates of Deposit.

Investment Rate of Return

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

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

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, for the Employees' and Commissioners' plans were 6.53 percent, 7.79 percent, respectively. The Teachers' Plan did not have an annual money-weighted rate of return on investments. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2017, are shown in the following table:

	<u>County Administered Retirement Plans</u>		
	<u>Employees'</u>	<u>Commissioners'</u>	<u>Teachers'</u>
Contribution authorization:	Private Acts of TN	Private Acts of TN	Pension Board
How contributions are determined:	Actuarially	Actuarially	Actuarially
Required contribution rate:			
Active employees	6.4%	N/A	N/A
Employer	-	Actuarially Determined	-
Other contributing entities	N/A	N/A	-
Actual contributions:			
Employees	-	-	-
Employer	-	-	-
Other contributing entities	N/A	N/A	\$3,588
Date of last actuarial valuation	June 30, 2017	June 30, 2017	June 30, 2017
Actuarial valuation date for current contributions	June 30, 2017	June 30, 2017	June 30, 2017
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	10 years open	10 years open	10 years open

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

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

Future Mortality Improvement:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
<u>Employees' Plan</u>		
Net Pension Liability, 1% Decrease	6.50%	\$(1,689,608)
Net Pension Liability, Current Rate	7.50%	\$(1,540,854)
Net Pension Liability, 1% Increase	8.50%	\$(1,718,427)
<u>Commissioners' Plan</u>		
Net Pension Liability, 1% Decrease	5.00%	\$256,306
Net Pension Liability, Current Rate	6.00%	\$188,559
Net Pension Liability, 1% Increase	7.00%	\$145,285
<u>Teachers' Plan</u>		
Net Pension Liability, 1% Decrease	4.00%	\$9,496
Net Pension Liability, Current Rate	5.00%	\$3,289
Net Pension Liability, 1% Increase	6.00%	\$9,026

Contributions

For the year ended June 30, 2017, no employer contributions were made for the Employees' Pension Plan, Commissioners' Pension Plan, or the Teachers' Pension Plan.

Components of Net Pension Liability (Asset)

The components of the net pension liability at June 30, 2017, were as follows:

	<u>Employees' Retirement</u>	<u>Commissioners' Retirement</u>	<u>Teachers' Retirement</u>
Total Pension Liability	\$ 415,939	\$ 805,466	\$ 7,577
Plan Fiduciary Net Position	(1,956,793)	(616,907)	(4,288)
Net Pension Liability (Asset)	<u>\$ (1,540,854)</u>	<u>\$ 188,559</u>	<u>\$3,289</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	470.45%	76.59%	56.59%

Changes in Net Pension Liability

Employees' Retirement

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2015	\$ 459,960	\$ 1,999,251	\$ (1,539,291)
Changes for the Year:			
Interest Expense	31,659	-	31,659
Net Investment Income	-	50,026	(50,026)
Benefits paid	(75,680)	(75,680)	-
Plan administrative expenses	-	(16,804)	16,804
Net Changes	<u>(44,021)</u>	<u>(42,458)</u>	<u>(1,563)</u>
Balances at 6/30/2016	<u>\$ 415,939</u>	<u>\$ 1,956,793</u>	<u>\$ (1,540,854)</u>

Commissioners' Retirement

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2015	\$ 784,269	\$ 626,979	\$ 157,290
Changes for the Year:			
Service Cost	24,410	-	24,410
Interest Expense	47,014	-	47,014
Contributions – Employer	-	45,908	(45,908)
Net Investment Income	-	1	(1)
Benefits paid	(50,227)	(50,227)	-
Plan administrative expenses	-	(5,754)	5,754
Net Changes	<u>21,197</u>	<u>10,072</u>	<u>31,269</u>
Balances at 6/30/2016	<u>\$ 805,466</u>	<u>\$ 616,907</u>	<u>\$ 188,559</u>

Teachers' Retirement

<i>Changes in Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Net Position (b)	Net Pension Liability (a) – (b)
Balances at 6/30/2015	\$ 10,742	\$ 7,486	\$ 3,256
Changes for the Year:			
Interest Expense	447	-	447
Contributions – Employer	-	412	(412)
Net Investment Income	-	2	(2)
Benefits paid	(3,612)	(3,612)	-
Net Changes	<u>(3,165)</u>	<u>(3,198)</u>	<u>33</u>
Balances at 6/30/2016	<u>\$ 7,577</u>	<u>\$ 4,288</u>	<u>\$ 3,289</u>

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

For the fiscal year ended June 30, 2017, the Teachers' Retirement recognized pension expense (income) will be \$265, the Commissioners' Retirement recognized pension expense will be \$51,778, and the Employees' Retirement recognized pension expense (income) will be \$(78,104). This determination is based on a measurement date of June 30, 2016.

As of June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	Employees' Retirement		Commissioners' Retirement		Teachers' Retirement	
	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources
Investment losses (gains)	<u>\$ 96,206</u>	<u>\$ -</u>	<u>\$ 45,589</u>	<u>\$ -</u>	<u>\$ 370</u>	<u>\$ -</u>

There were no contributions subsequent to the measurement date for the Teachers' Retirement, Commissioner's Retirement or Employee's Retirement plans. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	Employees' Retirement	Commissioners' Retirement	Teachers' Retirement
2018	\$ 19,909	\$ 11,917	\$ 112
2019	19,911	11,919	113
2020	37,096	14,289	85
2021	19,290	7,464	60
2022	-	-	-
Thereafter	-	-	-
Total	<u>\$ 96,206</u>	<u>\$ 45,589</u>	<u>\$ 370</u>

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

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
ASSETS				
Cash	\$ 48,748	\$ 14,127	\$ 677	\$ 63,552
Investments, at fair value				
US Gov. Securities	140,954	-	-	140,954
Municipal Bonds	163,232	-	-	163,232
Mutual Funds	969,582	598,905	-	1,568,487
Domestic Equity Securities	166,092	-	-	166,092
Domestic Corporate Bonds	404,454	-	-	404,454
Foreign Bonds/Notes	20,002	-	-	20,002
Foreign Equity Securities	103,898	-	-	103,898
Total investments	<u>1,968,214</u>	<u>598,905</u>	<u>-</u>	<u>2,567,119</u>
Receivables:				
Interest	6,526	684	-	7,210
Accounts	-	-	-	-
Total Assets	<u>2,023,488</u>	<u>613,716</u>	<u>677</u>	<u>2,637,881</u>
NET POSITION				
Assets held in trust for pension benefits	<u>\$ 2,023,488</u>	<u>\$ 613,716</u>	<u>\$ 677</u>	<u>\$ 2,637,881</u>

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
ADDITIONS				
Contributions:				
Other	\$ -	\$ -	\$ 3,588	\$ 3,588
Total contributions	<u>-</u>	<u>-</u>	<u>3,588</u>	<u>3,588</u>
Investments earnings:				
Net change in fair value of investments	96,080	36,262	-	132,342
Interest	49,088	15,094	1	64,183
Net investment income	<u>145,168</u>	<u>51,356</u>	<u>1</u>	<u>196,525</u>
Total additions	<u>145,168</u>	<u>51,356</u>	<u>3,589</u>	<u>200,113</u>
DEDUCTIONS				
Benefits	65,447	50,986	7,200	123,633
Administrative expense	13,027	3,560	-	16,587
Total deductions	<u>78,474</u>	<u>54,546</u>	<u>7,200</u>	<u>140,220</u>
Change in net position	66,694	(3,190)	(3,611)	(59,893)
Net position, beginning	1,956,794	616,906	4,288	2,577,988
Net position, ending	<u>\$ 2,023,488</u>	<u>\$ 613,716</u>	<u>\$ 677</u>	<u>\$ 2,637,881</u>

NOTE K – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(1) PRIMARY GOVERNMENT

Plan Description

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

Plan Membership

At June 30, 2017, membership consisted of the following:

Active members (with medical coverage)	1,703
Active members (without medical coverage)	158
Retirees (with medical coverage)	78
Beneficiaries (with medical coverage)	<u>33</u>
Total	<u>1,972</u>

Funding Policy

In fiscal year 2011, the County established an Other Postemployment Benefits Trust (OPEB Trust) which is used to partially pre-fund benefits. The County's General Fund contributes to the OPEB Trust to pre-fund benefits. The prefunded portion of the OPEB cost is included in the OPEB Trust. The pay-as-you-go component is funded and accounted for in the County's Governmental Activities. Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the County's computed cost for active employees. Funding is established and amended by the County Commission, and no planned increases were approved for fiscal year 2017.

Contributions

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 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.

Investments

The following was the County Commission’s adopted asset allocation policy as of June 30, 2017:

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

Rate of Return. For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 6.50 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

OPEB Trust Disclosures

Effective July 1, 2016, the OPEB Trust implemented the provisions of GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which significantly changed the disclosures required related to the OPEB Trust. The information disclosed below is presented in accordance with this new standard.

Net OPEB Liability of Hamilton County

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB Liability	\$44,431,320
Plan Fiduciary Net Position	<u>(21,833,032)</u>
Net OPEB Liability	<u>\$22,598,288</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 <u>49.14%</u>

Actuarial Assumptions. The total OPEB liability as of June 30, 2017, was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.5 percent
Salary Increases	3.0 percent
Expected Long-Term Rate of Return on OPEB Investments	6.5 percent
Healthcare Cost Trend Rate	
2017 Medical Trend Rate:	9.0 percent
Ultimate Medical Trend Rate:	5.0 percent
Admin:	5.0 percent
Year Ultimate Trend Rates Reached	2025

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the major target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, are presented above.

Discount rate. The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that the County will contribute the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the County Commission. Based on those assumptions, the OPEB Trust Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current discount rate:

	1% Decrease (<u>5.50%</u>)	Current Discount Rate (<u>6.50%</u>)	1% Increase (<u>7.50%</u>)
Net OPEB Liability (asset)	\$ 25,988,412	\$ 22,598,288	\$ 19,524,136

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower (8.0 percent decreased to 4% over 8 years) or 1-percentage-point higher (10.0 percent decreasing to 6% over 8 years) than the current discount rate:

	1% Decrease (<u>8.0%</u>)	Current Discount Rate (<u>9.0%</u>)	1% Increase (<u>10.0%</u>)
Net OPEB Liability (asset)	\$ 16,161,470	\$ 22,598,288	\$ 30,107,596

Employer Disclosures

Until the County implements the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017, the provisions of GASB Statement No. 45 continue to be followed in the financial statements from the employer perspective. The information disclosed below is presented in accordance with GASB Statement No. 45 and these measured and disclosed amounts differ from those used by the OPEB Trust Fund under GASB Statement No. 74 as previously discussed.

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.

	<u>Primary Government</u>
Net OPEB Obligation (Asset) – July 1, 2016	\$ (590,216)
Annual required contribution	3,335,178
Interest on net OPEB obligation	(38,364)
Adjustment to annual required contribution	13,893
Annual OPEB cost (expense)	<u>3,310,707</u>
Expected payout for retiree benefits	(2,104,380)
Current year contribution to trust	<u>(1,600,000)</u>
Contribution made	<u>(3,704,380)</u>
Increase (decrease) in net OPEB obligation	(393,673)
Net OPEB obligation (Asset) – June 30, 2017	<u><u>\$ (983,889)</u></u>

Funding Policy

In fiscal year 2011, the County established an Other Postemployment Benefits Trust (OPEB Trust) which is used to partially pre-fund benefits. The County's General Fund contributes to the OPEB Trust to pre-fund benefits. Only the prefunded portion of the OPEB cost is included in the OPEB Trust. The pay-as-you-go component is funded and accounted for in the County's Governmental Activities. Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During fiscal year 2017, the County and retirees contributed \$1,165,004 and \$52,887 respectively to the internal service fund for health care benefits for 126 retirees. Funding is established and amended by the County Commission, and no planned increases were approved for fiscal year 2017.

The Schedule of Funding Progress for other postemployment benefits is presented as required supplementary information following the notes to the financial statements.

Other key assumptions are as follows:

	<u>Primary Government</u>
Healthcare Cost Trend	
Annual medical costs increase, first year	9%
Future annual increases - medical	5% over an 8-year period
Dental	N/A
UAAL Amortization Period	30 years closed
Investment Return	6.5%
Inflation Rate	2.5%
Projected Salary Increase	3.0%
Post Employment Benefit Increases	None

(2) DEPARTMENT OF EDUCATION (HCDE)

In addition to providing pension benefits, the Hamilton County Department of Education (HCDE), a discretely presented component unit, provides a portion of its OPEB benefits (health care and dental) for certain retired employees through a single-employer defined benefit healthcare plan. Employees who have retired under one of the HCDE's retirement plans and who are ineligible for Medicare can elect to continue their health care and dental coverage until they become eligible for Medicare. Benefits are established and amended by the Hamilton County School Board. A stand-alone financial report is not issued.

Funding Policy

Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the HCDE's computed cost for active employees. During fiscal year 2017, the HCDE contributed \$6,986,303 for these health care benefits for 558 retirees. The HCDE will make contributions to its Department of Education - Internal Service Fund in amounts sufficient to cover the pay-as-you-go component plus administrative costs. The HCDE has no plans at this time to fund the remaining portion of the annual

required contributions. Funding is established and amended by the Hamilton County School Board, and no planned increases were approved for fiscal year 2017.

Annual OPEB Cost and Net OPEB Obligation

HCDE’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 HCDE’s annual OPEB cost for the year, the amounts contributed to the Plans, and changes in the HCDE’s net OPEB obligation.

Annual OPEB Cost and Net OPEB Obligation:

	<u>Department of Education</u>
Net OPEB Obligation – July 1, 2016	\$ 28,940,280
Annual required contribution	10,712,847
Interest on net OPEB obligation	1,157,611
Adjustment to annual required contribution	<u>(1,276,551)</u>
Annual OPEB cost (expense)	10,593,907
Expected payout for Retiree Benefits	(6,986,303)
Current Year Contribution to Trust	<u>-</u>
Contribution made	(6,986,303)
Increase in net OPEB obligation	<u>3,607,604</u>
Net OPEB obligation – June 30, 2017	<u><u>\$ 32,547,884</u></u>
% of annual OPEB cost contributed to trust	0%
% of annual OPEB cost to total contribution	65.9%

	<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation End of Year</u>
Dept. of Education	2017	\$ 10,593,907	\$ 6,986,303	65.9%	\$ 32,547,884
	2016	10,817,713	7,182,936	66.4%	28,940,280
	2015	10,282,264	6,681,801	65.0%	25,305,503

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the HCDE’s employees’ post-retirement medical and dental insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was \$101,303,804, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$101,303,804. The covered payroll (annual payroll of active employees covered by the plan) was \$193,332,632, and the ratio of the UAAL to the covered payroll was 52.4%. HCDE will make payments in amounts sufficient to cover annual benefits paid and administrative costs but has no plans at this time to fund the remaining portion of the annual required contributions.

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.

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.

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

The Schedule of Funding Progress for other postemployment benefits is presented as required supplementary information following the notes to the financial statements.

Other key assumptions are as follows:

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

NOTE L – LONG-TERM LIABILITIES

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

General Obligation Bonds – Hamilton County periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations and are backed by the full faith and credit of the County. These bonds are generally issued as 15- to 30- year serial bonds with the 15-year term being prevalent for the last few years. Proceeds from the issuance of general obligation bonds are used to finance construction of new school facilities, major repair or replacement of school facilities, and certain public work projects and the incidental and necessary expenses related thereto. General obligation bonds are summarized by issue as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Amount Due Within One Year</u>
General Improvement, Series 1998-B	5.10%	\$ 3,085,000	\$ 320,000
General Improvement, Series 2009	3.50-4.00%	595,020	595,020
School, Series 2009	3.50-4.00%	1,514,980	1,514,980
General Improvement, Series 2010-A	3.00-4.00%	7,475,000	-
General Improvement, Series 2010-B	4.00-4.25%	4,830,000	1,610,000
General Improvement, Series 2010-C	3.50-5.00%	2,680,000	330,000
General Improvement, Series 2011-A	3.25-5.00%	5,547,107	764,395
School, Series 2011-A	3.25-5.00%	20,867,893	2,875,605
General Improvement, Series 2011-B	3.00-5.00%	8,717,166	1,511,333
School, Series 2011-B	5.00%	1,332,834	663,667
General Improvement, Series 2013-A	2.00-4.00%	7,376,848	670,623
School, Series 2013-A	2.00-4.00%	37,063,152	3,369,377
General Improvement, Series 2013-B	3.00-4.00%	5,561,705	943,922
School, Series 2013-B	3.00-4.00%	31,853,295	5,406,078
General Improvement, Series 2015-A	5.00%	9,916,400	762,800
School, Series 2015-A	5.00%	42,083,600	3,237,200
General Improvement, Series 2015-B	2.00-5.00%	7,194,600	-
School, Series 2015-B	2.00-5.00%	22,940,400	-
Total payable from the Debt Service Fund		<u>\$ 220,635,000</u>	<u>\$ 24,575,000</u>

Notes Payable and Other Debt – In September 2013, the Board of Commissioners approved a resolution authorizing the issuance of bond anticipation notes in the form of Revolving Loans in an aggregate principal amount not to exceed \$90,000,000. Under the terms of the Revolving Loan agreement, the principal balance for each revolving loan shall be due within a two-year period and shall bear interest at a variable rate based on certain published prime rates (either the LIBOR index rate or the SIFMA index rate). In addition to interest on outstanding loans, the County will pay a fee to the issuing bank equal to 0.325% of all issued loans and 0.265% of the unutilized portion of the \$90,000,000 agreement. In November 2015, the aggregate principal amount of the revolving credit agreement was reduced from \$90,000,000 to \$55,000,000. Hamilton County received a revolving loan of \$15,000,000 during the year ended June 30, 2017. The balance as of June 30, 2017, is \$55,000,000.

The County entered into a Loan Agreement (the “Agreement”) with the Tennessee State School Bond Authority (the “Authority”), pursuant to TCA Sections 49-3-1202 et seq. as amended (the “Act”) December 20, 2003. This Agreement reserves funds for the County in the amount of \$1,365,000 (the Loan) from the proceeds of the Authority’s Qualified Zone Academy Bonds (the “Bonds”), Series 2003. The County is obligated under the Agreement to repay the Loan in installments consisting of principal and administrative expenses payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit and taxing power of the County are irrevocably pledged for its repayment. For the purpose of providing funds to finance the cost of the Projects, including the payment of legal and fiscal cost incident to the issuance and sale of the Bonds and the Loan Agreement and making and receiving the loan from the Authority, the Department of Education, on behalf of the County, shall make annual payments of principal in amounts equal to approximately level debt service payable in the years 2004 through 2017. The loan shall not bear interest. As of June 30, 2017, the County has withdrawn \$1,361,000 of the funds reserved. At June 30, 2017, the County’s remaining obligation was \$20,051, which is due within one year.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
General Obligation Bonds:		
2018	\$ 24,575,000	\$ 9,025,074
2019	24,595,000	7,951,561
2020	22,920,000	6,900,254
2021	23,115,000	5,875,446
2022	23,235,000	4,863,934
2023-2027	84,145,000	12,349,912
2028-2031	18,050,000	1,474,351
	<u>\$ 220,635,000</u>	<u>\$ 48,440,532</u>
Notes Payable and Other Debt:		
2018	<u>\$ 55,020,051</u>	<u>\$ -</u>

Changes in Long-term Liabilities – During the year ended June 30, 2017, 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>
Primary Government:					
Government Activities:					
General Obligation Bonds	\$ 245,030,000	\$ -	\$ 24,395,000	\$ 220,635,000	\$24,575,000
Notes payable and other debt	40,126,979	15,000,000	106,928	55,020,051	55,020,051
Net Pension Liability	12,340,617	16,059,535	-	28,400,152	-
Landfill post closure costs	160,000	-	10,000	150,000	-
Compensated absences	15,469,959	6,766,397	6,867,894	15,368,462	3,183,762
	<u>313,127,555</u>	<u>37,825,932</u>	<u>31,379,822</u>	<u>319,573,665</u>	<u>\$82,778,813</u>
Net deferred premium	26,759,635	-	3,095,387	23,664,248	
	<u>\$ 339,887,190</u>	<u>\$ 37,825,932</u>	<u>\$ 34,475,209</u>	<u>\$ 343,237,913</u>	
Component Units:					
Notes payable and other debt	\$ 22,051,303	\$56,789,505	\$59,076,321	\$19,764,487	\$ 6,876,460
OPEB Obligation	28,940,280	10,593,907	6,986,303	32,547,884	-
Net Pension Liability	1,717,724	26,279,249	-	27,996,973	-
Compensated absences	11,445,136	611,091	314,742	11,741,485	2,345,338
	<u>64,154,443</u>	<u>94,273,752</u>	<u>66,377,366</u>	<u>92,050,829</u>	<u>\$9,221,798</u>
Net deferred premium	2,906	-	2,906	-	
	<u>\$ 64,157,349</u>	<u>\$94,273,752</u>	<u>\$66,380,272</u>	<u>\$92,050,829</u>	

Debt service requirements for general obligation bonds, notes payable and other debt are met by the General Fund and intergovernmental revenues received directly by the Debt Service Fund. OPEB obligations and landfill post closure costs are being liquidated by the General Fund and compensated absences are liquidated by the General Fund and Special Revenue Funds.

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

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

NOTE M – DEFEASED DEBT

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in a trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County’s government-wide financial statements. As of June 30, 2017, the County’s balance of the defeased debt outstanding was \$90,195,000.

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Primary Government</u>	<u>Payable Primary Government</u>	<u>Amount</u>
General Fund	Nonmajor Government Fund	\$ 1,186,260
General Fund	Capital Projects	3,802,377
General Fund	Internal Service	11,816
Internal Service Funds	General Fund	3,190,907
Nonmajor Governmental Fund	General Fund	57,980
		<u>\$ 8,249,340</u>

<u>Receivable Primary Government</u>	<u>Payable Component Units</u>	<u>Amount</u>
General Fund	“911” Emergency Communication	\$ 1,752,392
General Fund	Water/Wastewater Treatment	256,701
General Fund	Department of Education	190,036
		<u>\$ 2,199,129</u>

<u>Receivable Component Units</u>	<u>Payable Primary Government</u>	<u>Amount</u>
Department of Education	Capital Projects	<u>\$ 125,000</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	Capital Projects	\$ 3,802,239
General Fund	Nonmajor Governmental Funds	11,594,527
Debt Service	General Fund	33,966,502
Nonmajor Government Funds	General Fund	250,000
		<u>\$49,613,268</u>

NOTE P – JOINT VENTURE

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

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

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

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

ASSETS

Cash	\$ 2,211,808
Accounts receivable	349,464
Inventories	67,336
Prepaid expenses	4,657
Premises and equipment	<u>9,277,694</u>
Total assets	<u>11,910,959</u>

LIABILITIES AND NET POSITION

Liabilities	
Accounts payable and accrued items	95,547
Accrued expenses	178,543
Advanced deposits	<u>59,734</u>
Total liabilities	<u>333,824</u>
Net position	
Net investment in capital assets	9,277,694
Unrestricted	<u>2,299,441</u>
Total net position	<u>\$11,577,135</u>

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Total operating revenues	\$ 4,558,000
Total operating expenses	(3,883,874)
Less depreciation and amortization	<u>(752,661)</u>
Loss from operations	(78,535)
Non-operating revenues	425,000
Non-operating expenses	<u>(2,923)</u>
Change in net position	343,542
Net position at July 1, 2016	<u>11,233,593</u>
Net position at June 30, 2017	<u>\$11,577,135</u>

NOTE Q – RISK MANAGEMENT

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

The County is self-funded for liability, on-the-job injuries, errors and omissions, unemployment compensation and the first \$25,000 per incident on property and equipment claims. The County has an umbrella liability policy with limits of \$1,000,000 per occurrence/\$2,000,000 aggregate and a \$700,000 retention covering liability claims outside of the County’s tort limits, and non-tort claims such as employment-related liability, healthcare and social services liability, benefits, law enforcement liability and automobile liability. The County has a liability policy to cover election polling booth locations with a \$1,000,000 per occurrence and aggregate limit. The County also has a jointly owned Pollution Legal Liability Policy with the City of Chattanooga, which covers specified acreage at the Enterprise South Industrial Park identified for development with limits of \$35,000,000 and a \$500,000 deductible with a term of up to 15 years, which commenced on January 8, 2003. There were no significant reductions in insurance coverage from the prior year, nor did the amount of settlements exceed insurance coverage for each of the past three fiscal years.

Hamilton County Department of Education, a discretely presented component unit, maintains a separate Internal Service Fund for providing risk management services, which include handling property claims, auto and general liability claims, and injuries to employees. All risk is retained for auto and general liability claims, injuries to employees, the first \$1,000 per incident on boiler/machinery claims, the first \$10,000 per incident on property claims, and the first \$500 per incident on auto claims.

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

	<u>Total Primary Government</u>	<u>Total Component Units</u>
Unpaid claims, June 30, 2015	\$ 2,559,045	\$ 7,875,858
Incurred claims	35,800,979	55,993,899
Claims payments	<u>(35,699,591)</u>	<u>(55,010,230)</u>
Unpaid claims, June 30, 2016	2,660,433	8,859,528
Incurred claims	27,443,288	56,369,730
Claims payments	<u>(27,185,461)</u>	<u>(58,060,923)</u>
Unpaid claims, June 30, 2017	<u>\$ 2,918,260</u>	<u>\$ 7,168,335</u>

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

At June 30, 2017, the Hamilton County Internal Service Fund has net position of \$28,240,489, and the Department of Education Internal Service Fund has net position of \$41,511,034. These net position balances are designated for future catastrophic losses.

NOTE R – TAX ABATEMENTS

Hamilton County is authorized by Tennessee State law (Tennessee Code Annotated, Title 7, Chapter 53) to offer property tax abatements. The County currently offers three types of tax abatement programs: (1) Housing Development; (2) Commercial and Industrial Development; and (3) Tax Increment Financing. As allowed by State law, the County processes the tax abatement programs for Housing Development abatements through either the Chattanooga Health, Educational and Housing Facility Board (HEB) or the Chattanooga Housing Authority, and

processes the tax abatement programs for Commercial and Industrial Development abatements through either the Industrial Development Board (IDB) of the City of Chattanooga or the Industrial Development Board (IDB) of Hamilton County. The HEB, Chattanooga Housing Authority, and the IDB's are authorized to own property associated with the tax abatement programs, lease the applicable property to companies approved for tax abatement, and accept payments in lieu of ad valorem taxes (PILOT) from the lessees.

Each of the PILOT agreements provide for tax abatements of the County property tax levy apportioned to the County General Fund, with certain of the agreements also authorizing abatement of the tax levy apportioned to the General Purpose School Fund.

Housing Development

The County has entered into certain PILOT agreements designed to encourage the development of single family rental housing in the downtown Chattanooga area. The PILOT agreements are further designed to encourage such housing for persons of low and/or moderate income level, the elderly, and/or disabled persons. Existing housing that is to be rehabilitated and new housing construction are eligible for tax abatement.

The County has delegated authority to the Chattanooga Health, Educational and Housing Facility Board (HEB) and the Chattanooga Housing Authority to negotiate and accept PILOTs from developers of housing for approved projects. There are provisions for recapturing abated taxes in some of these PILOT agreements if certain terms of the agreement are not met. These PILOT agreements must be approved by resolutions of both the Chattanooga City Council and the Hamilton County Board of Commissioners.

Economic Development

The County utilizes two tax abatement programs to promote economic development and growth.

(1) Commercial and Industrial Development

This program offers tax abatements for a specified period in exchange for benefits received by the County resulting from an increase in real and personal property investments and/or the creation of jobs. Applications for tax abatements are made to the Chattanooga Chamber of Commerce, with approval by either the IDB of the City of Chattanooga or the IDB of Hamilton County, followed by approval from the Hamilton County Board of Commissioners. To be eligible for tax abatement, qualifying companies must either relocate into the County or expand business within the County. Qualified businesses are eligible for abatement of all or a portion of property taxes dependent on the dollar amount of the investment and the number and average wage of jobs created. There are provisions for recapturing abated taxes if certain terms of the agreement are not met. Other commitments made by the County may include roadway improvements, rail services, and sewer improvements.

(2) Tax Increment Financing (TIF)

Hamilton County, in conjunction with the City of Chattanooga, has adopted the Tax Increment Financing Program (TIF) established by the Industrial Development Board (IDB) of the City of Chattanooga. TIF is an economic development tool that allocates all or a portion of the new, additional taxes generated by a development over a limited period of time to pay for public infrastructure such as utilities and road and traffic improvements related to the development. Tax increment is the difference in tax revenues generated by the property in the development area after a project has been completed compared with the tax revenues generated by the property before the development plan was adopted. The difference in tax revenues is applied towards the cost of improvements to the public infrastructure serving the development area. The TIF program was adopted as a tool to help the City of Chattanooga and the County to cover the costs of public infrastructure and improvements in the applicable development area.

The TIF Program is primarily for economic development projects that provide improvements in blighted and under-utilized areas in the County and in other properties designated by the Hamilton County Commission. This program applies only to projects initiated by a private developer and supported by tax increment property tax revenues.

The County has entered into the following number of tax abatement agreements as of June 30, 2017:

	Number of Abatements as of End of the Fiscal Year	Number of Future Abatements Approved	Total Tax Abatements during the Fiscal Year
Housing Development	10	5	\$ 193,685
Economic Development			
Commercial and Industrial Development	30	6	6,111,256
Infrastructure (Tax Increment Financing)	<u>1</u>	<u>-</u>	<u>49,313</u>
Total	<u><u>41</u></u>	<u><u>11</u></u>	<u><u>\$ 6,354,254</u></u>

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Tennessee Consolidated Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016*</u>
Total Pension Liability (Asset)			
Service Cost (normal cost adjusted to end of year)	\$ 7,739,359	\$ 7,976,094	\$ 8,006,025
Interest	31,157,770	32,589,903	33,698,932
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,525,480)	(5,829,667)	1,010,114
Changes of assumptions	-	-	-
Benefit Payments/Refunds	<u>(17,833,455)</u>	<u>(19,193,091)</u>	<u>(20,765,309)</u>
Net Change in Total Pension Liability (Asset)	19,538,194	15,543,239	21,949,762
Total Pension Liability (Asset) - beginning	<u>416,614,295</u>	<u>436,152,489</u>	<u>451,695,728</u>
Total Pension Liability (Asset) - ending (a)	<u>\$ 436,152,489</u>	<u>\$ 451,695,728</u>	<u>\$ 473,645,490</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 14,573,540	\$ 14,991,472	\$ 15,306,360
Contributions - employee	65,443	8,026	213
Net investment income	61,448,985	13,197,032	11,582,710
Benefit Payments/Refunds	(17,833,455)	(19,193,091)	(20,765,309)
Administrative expenses	(120,676)	(141,919)	(202,445)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	58,133,837	8,861,520	5,921,529
Plan Fiduciary Net Position - beginning	<u>372,520,300</u>	<u>430,654,137</u>	<u>439,515,657</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 430,654,137</u>	<u>\$ 439,515,657</u>	<u>\$ 445,437,186</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 5,498,352</u>	<u>\$ 12,180,071</u>	<u>\$ 28,208,304</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)	98.74%	97.30%	94.04%
Covered-employee payroll	\$ 103,506,102	\$ 104,614,990	\$ 106,881,057
Net Pension Liability (Asset) as a % of covered-employee payroll	5.31%	11.64%	26.39%

* For fiscal year ending June 30, 2017 (year shown is measurement date).

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

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Tennessee Consolidated Retirement System

	<u>2016*</u>
Total Pension Liability (Asset)	
Service Cost (normal cost adjusted to end of year)	\$ 101,927
Interest	7,645
Changes of benefit terms	-
Differences between expected and actual experience	(41,111)
Changes of assumptions	-
Benefit Payments/Refunds	-
Net Change in Total Pension Liability (Asset)	<u>68,461</u>
Total Pension Liability (Asset) - beginning	-
Total Pension Liability (Asset) - ending (a)	<u>\$ 68,461</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 58,414
Contributions - employee	73,015
Net investment income	1,691
Benefit Payments/Refunds	-
Administrative expenses	(7,835)
Other	-
Net Change in Plan Fiduciary Net Position	<u>125,285</u>
Plan Fiduciary Net Position - beginning	-
Plan Fiduciary Net Position - ending (b)	<u>\$ 125,285</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ (56,824)</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)	183.00%
Covered-employee payroll	\$ 1,475,105
Net Pension Liability (Asset) as a % of covered-employee payroll	-4.65%

* For fiscal year ending June 30, 2017 (year shown is measurement date).

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

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

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

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

Tennessee Consolidated Retirement System

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability (asset)	4.361741%	4.193311%	4.479913%
Proportionate share of the net pension liability (asset)	\$ (708,763)	\$ 1,717,724	\$ 27,996,973
Covered-employee payroll	\$ 171,197,958	\$ 156,976,681	\$ 160,593,823
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(0.414002)%	1.094254%	17.433406%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.08%	99.81%	97.14%

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

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

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

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

Tennessee Consolidated Retirement System

	<u>2015</u>	<u>2016</u>
Proportion of the net pension liability (asset)	4.970172%	5.794097%
Proportionate share of the net pension liability (asset)	\$ (199,948)	\$ (603,184)
Covered-employee payroll	\$ 10,326,594	\$ 26,618,213
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(1.94)%	(2.37)%
Plan fiduciary net position as a percentage of the total pension liability (asset)	127.46%	121.88%

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

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

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

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Hamilton County Administered Plans

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

* For fiscal year ending June 30, 2017 (year shown is measurement date).

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

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Hamilton County Administered Plans

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

* For fiscal year ending June 30, 2017 (year shown is measurement date).

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

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Hamilton County Administered Plans

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

* For fiscal year ending June 30, 2017 (year shown is measurement date).

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



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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Tennessee Consolidated Retirement System

Year Ended June 30	Hamilton County Legacy Plan				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 15,442,882	\$ 15,442,882	\$ -	\$111,203,469	14.33%
2016	\$ 15,306,360	\$ 15,306,360	\$ -	\$106,881,057	14.33%
2015	\$ 14,991,472	\$ 14,991,472	\$ -	\$104,614,990	14.33%
2014	\$ 14,573,540	\$ 14,573,540	\$ -	\$103,506,102	14.08%

Year Ended June 30	Hamilton County Hybrid Plan *				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 382,512	\$ 382,512	\$ -	\$ 9,562,809	4.00%
2016	\$ 58,414	\$ 58,414	\$ -	\$ 1,475,105	4.00%

Year Ended June 30	Teacher Legacy Plan				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 13,666,770	\$ 13,666,770	\$ -	\$151,181,081	9.04%
2016	\$ 14,517,682	\$ 14,517,682	\$ -	\$160,593,823	9.04%
2015	\$ 14,190,695	\$ 14,190,695	\$ -	\$156,976,681	9.04%
2014	\$ 15,202,379	\$ 15,202,379	\$ -	\$171,197,958	8.88%

Year Ended June 30	Teacher Retirement Plan*				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 1,422,284	\$ 1,422,284	\$ -	\$ 35,557,098	4.00%
2016	\$ 1,064,642	\$ 1,064,642	\$ -	\$ 26,616,062	4.00%
2015	\$ 258,165	\$ 413,068	\$ (154,903)	\$ 10,326,594	4.00%

*Note: The Teachers' Retirement plan began 7/1/2014. The Hamilton County Hybrid Plan began in 10/1/2015.

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

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

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Hamilton County Administered Plans

Year Ended June 30	Employees' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ -	\$ -	\$ -	\$ -	N/A
2016	-	-	-	-	N/A
2015	-	-	-	-	N/A
2014	-	-	-	-	N/A
2013	-	-	-	-	N/A
2012	-	-	-	-	N/A
2011	-	-	-	-	N/A
2010	-	-	-	-	N/A
2009	-	-	-	-	N/A
2008	-	-	-	-	N/A

Year Ended June 30	Commissioners' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 45,908	\$ -	\$ 45,908	\$ 200,070	0.0%
2016	45,908	45,908	-	200,070	22.9%
2015	51,769	55,000	(3,231)	186,705	29.5%
2014	51,769	65,888	(14,119)	186,705	35.3%
2013	50,074	67,418	(17,344)	186,705	36.1%
2012	50,074	67,418	(17,344)	-	N/A
2011	47,000	67,418	(20,418)	186,705	36.1%
2010	47,700	75,258	(27,558)	-	N/A
2009	52,431	75,258	(22,827)	196,236	38.4%
2008	52,431	75,258	(22,827)	-	N/A

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
TEACHERS' PLAN**

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Hamilton County Administered Plans

Year Ended June 30	Teachers' Retirement				
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2017	\$ 412	\$ -	\$ 412	\$ -	N/A
2016	412	412	-	-	N/A
2015	5,447	12,931	(7,484)	-	N/A
2014	1,393	-	1,393	-	N/A
2013	2,075	-	2,075	-	N/A
2012	2,075	-	2,075	-	N/A
2011	938	-	938	-	N/A
2010	938	-	938	-	N/A
2009	605	-	605	-	N/A
2008	605	-	605	-	N/A

SCHEDULE OF PENSION INVESTMENT RETURNS

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Hamilton County Administered Plans

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Teachers' Plan</u>			
Annual money-weighted rate of return, net of investment expenses for the County's Teachers' Pension Plan	0.03%	3.01%	0.00%
<u>Employees' Plan</u>			
Annual money-weighted rate of return, net of investment expenses for the County's Employees' Pension Plan	2.32%	2.97%	6.53%
<u>Commissioners' Plan</u>			
Annual money-weighted rate of return, net of investment expenses for the County's Commissioners' Pension Plan	-0.10%	1.70%	7.79%

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

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
Primary Government						
07/01/16	\$ 18,897,479	\$ 41,862,073	\$ 22,964,594	45.1%	\$ 86,142,075	26.7%
07/01/15	16,185,260	39,369,301	23,184,041	41.1%	83,633,082	27.7%
07/01/14	13,292,356	36,287,563	22,995,207	36.6%	81,197,167	28.3%
07/01/13	10,956,074	34,001,560	23,045,486	32.2%	78,832,201	29.2%
07/01/12	8,772,754	31,796,250	23,023,496	27.6%	76,586,117	30.1%
Department of Education						
07/01/16	\$ -	\$ 101,303,804	\$ 101,303,804	0.0%	\$ 193,332,632	52.4%
07/01/15	-	99,905,898	99,905,898	0.0%	187,701,584	53.2%
07/01/14	-	97,250,917	97,250,917	0.0%	182,234,548	53.4%
07/01/13	-	111,727,631	111,727,631	0.0%	177,652,632	62.9%
07/01/12	-	108,129,525	108,129,525	0.0%	172,478,284	62.7%

Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Total Contributions</u>	<u>Percentage Contributed</u>
Primary Government			
2017	\$ 3,310,707	\$ 3,704,380	111.9%
2016	3,450,149	3,530,624	102.3%
2015	3,101,527	3,181,064	102.6%
2014	2,984,678	3,037,331	101.8%
2013	2,797,588	2,906,665	103.9%
Department of Education			
2017	\$ 10,593,907	\$ 6,986,303	65.9%
2016	10,817,713	7,182,936	66.4%
2015	10,282,264	6,681,801	65.0%
2014	12,051,748	7,749,540	64.3%
2013	11,357,424	7,142,433	62.9%

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET)
AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	<u>2017</u>
<u>Primary Government</u>	
Total OPEB Liability (Asset)	
Service Cost	\$ 1,961,856
Interest	2,711,771
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments/Refunds	<u>(2,104,380)</u>
Net Change in Total OPEB Liability (Asset)	2,569,247
Total OPEB Liability (Asset) - beginning	<u>41,862,073</u>
Total OPEB Liability (Asset) - ending (a)	<u><u>\$ 44,431,320</u></u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 3,704,380
Contributions - employee	-
Net investment income	2,263,871
Benefit Payments/Refunds	(2,104,380)
Administrative expenses	(93,252)
Other	<u>-</u>
Net Change in Plan Fiduciary Net Position	3,770,619
Plan Fiduciary Net Position - beginning	<u>18,062,413</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 21,833,032</u></u>
Net OPEB Liability (Asset) - ending (a) - (b)	<u><u>\$ 22,598,288</u></u>
Plan Fiduciary Net Position as a % of the Total OPEB Liability (Asset)	49.1%
Covered-employee payroll	\$ 86,142,075
Net OPEB Liability (Asset) as a % of covered-employee payroll	51.6%

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

**SCHEDULE OF CONTRIBUTIONS AND SCHEDULE
OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFITS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	<u>2017</u>
<u>Primary Government</u>	
<u>Schedule of Contributions</u>	
Actuarially determined contribution	\$ 3,335,178
Contributions in relation to the actuarially determined contribution	<u>3,704,380</u>
Contribution deficiency (excess)	<u>\$ (369,202)</u>
Covered-employee payroll	\$ 86,142,075
Contributions as a percentage of covered- employee payroll	4.3%
<u>Schedule of Investment Returns</u>	
Annual money-weighted rate of return, net of investment expense	6.50%

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

NOTES TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON COUNTY, TENNESSEE June 30, 2017

PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Actuarial information of the Tennessee Consolidated Retirement System Plans

Employer contributions for the year ended June 30, 2017 are based on the results of the June 30, 2015 actuarial valuation. Accordingly, governmental employers utilize the following notes to the schedule relating to the Actuarially Determined Contributions when presenting 2017.

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

Actuarial Information of the County Administered Plans

The annual required contribution for each of these plans was determined using the entry age normal funding method. The actuarial value of assets was determined at market value. The assumption with respect to investment return was 7.5% for the Employees' Retirement Plan, 5.0% for the Teachers' Retirement Plan and 6.0% for the Commissioners' Retirement Plan. No explicit assumptions were made with regard to inflation. Salary increases were not considered for the Employees' and Teachers' Retirement Plans because the benefits are either capped or not based upon salary. The assumption with respect to salary increases was 4.0% for the Commissioners' Retirement Plan.

OTHER POST EMPLOYMENT BENEFITS

Actuarial Information of the County Employees Post Employment Medical Insurance Benefits

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Discount rate	6.5 percent
Salary increases	3.0 percent
Expected long-term rate of return	6.5 percent
Retirement age	Pattern of retirement determined by experience study
Healthcare cost trend rates	9.0 percent initial, decreasing to 5.0 percent over 8 years
Cost of living adjustments	2.5 percent, if provided

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

The annual required contribution was determined using the entry age normal funding method and a discount rate of 4.0%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll over a 30-year period commencing on the valuation date.

GENERAL FUND

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND DETAIL**

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 141,560,244	\$ 141,560,244	\$ 140,808,794	\$ (751,450)
Local sales tax	3,070,000	3,070,000	3,213,807	143,807
Business taxes	6,631,750	6,631,750	8,341,279	1,709,529
Wholesale beer tax	<u>1,019,000</u>	<u>1,019,000</u>	<u>820,975</u>	<u>(198,025)</u>
Total taxes	<u>152,280,994</u>	<u>152,280,994</u>	<u>153,184,855</u>	<u>903,861</u>
Licenses and permits	<u>889,100</u>	<u>889,100</u>	<u>850,809</u>	<u>(38,291)</u>
Intergovernmental revenues:				
State of Tennessee	20,603,257	22,784,419	19,983,608	(2,800,811)
United States Government	4,101,701	4,116,767	3,534,473	(582,294)
Cities	<u>2,671,565</u>	<u>2,671,565</u>	<u>2,333,099</u>	<u>(338,466)</u>
Total intergovernmental revenues	<u>27,376,523</u>	<u>29,572,751</u>	<u>25,851,180</u>	<u>(3,721,571)</u>
Charges for services:				
Health department	2,354,100	2,354,100	2,163,394	(190,706)
Other	<u>14,102,562</u>	<u>14,490,722</u>	<u>10,706,478</u>	<u>(3,784,244)</u>
Total charges for services	<u>16,456,662</u>	<u>16,844,822</u>	<u>12,869,872</u>	<u>(3,974,950)</u>
Fines, forfeitures and penalties	<u>1,959,300</u>	<u>1,959,300</u>	<u>1,885,990</u>	<u>(73,310)</u>
Investment earnings	<u>591,500</u>	<u>591,500</u>	<u>654,533</u>	<u>63,033</u>
Miscellaneous	<u>3,973,404</u>	<u>4,034,940</u>	<u>4,749,595</u>	<u>714,655</u>
Total revenues	<u>203,527,483</u>	<u>206,173,407</u>	<u>200,046,834</u>	<u>(6,126,573)</u>
EXPENDITURES				
Current:				
General government:				
County Clerk	2,151,308	2,151,308	2,123,387	27,921
Register	606,385	606,385	580,149	26,236
County Trustee	801,421	801,421	722,200	79,221
Assessor of Property	4,040,924	4,128,924	3,760,031	368,893
District Attorney General	1,300,923	1,300,923	1,306,351	(5,428)
Election Commission	1,859,234	1,859,234	1,892,781	(33,547)
Board of Equalization	5,000	5,000	4,890	110
Soil Conservation	125,539	125,539	115,403	10,136
Agricultural Department	236,410	236,410	236,191	219
County-City Planning Commission	752,472	752,472	752,472	-

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)**GENERAL FUND DETAIL****HAMILTON COUNTY, TENNESSEE****Year Ended June 30, 2017**

	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 & SETDD	\$ 72,293	\$ 72,293	\$ 72,293	\$ -
CARTA	105,200	105,200	105,200	-
Economic Development	600,000	600,000	600,000	-
Representative-General Assembly	60,000	60,000	60,000	-
Enterprise Center	100,000	100,000	100,000	-
County Board of Commissioners	784,718	1,247,322	835,765	411,557
County Mayor	717,170	717,269	672,808	44,461
County Auditor	1,055,558	1,055,558	1,092,682	(37,124)
Chief of Staff	394,280	394,280	319,137	75,143
Chief Reading Officer	295,091	295,091	285,926	9,165
County Attorney	889,484	889,484	876,467	13,017
Emp Assistance Program	23,300	23,300	28,121	(4,821)
Benefits	492,230	492,230	460,382	31,848
Risk Management	309,300	309,300	303,670	5,630
Wellness & Fitness Program	222,763	222,763	225,728	(2,965)
Mailroom	444,783	444,783	368,187	76,596
Drug & Alcohol Testing	10,500	10,500	7,107	3,393
American Disability Act	1,000	1,000	-	1,000
Veterans' Service Program	100,000	100,000	80,430	19,570
Human Resources Administrator	231,957	231,957	234,192	(2,235)
Insurance	194,025	194,025	187,787	6,238
Employee Benefits	4,091,684	4,091,684	3,767,597	324,087
Trustee's Commission	3,520,000	3,520,000	3,228,146	291,854
External Audits	201,750	201,750	178,726	23,024
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,729	6,729	6,729	-
Equal Employment Opportunity	59,580	59,580	60,748	(1,168)
Finance Administrator	275,225	275,225	269,037	6,188
Accounting	2,110,606	2,110,606	1,913,202	197,404
Financial Management	282,412	282,412	184,408	98,004
Information Technology	3,413,335	3,706,727	2,875,545	831,182
Purchasing	604,274	604,274	555,959	48,315
Geographic Information System	941,208	1,181,429	987,824	193,605
Telecommunications	1,111,730	1,130,979	1,075,504	55,475
Records Management	497,496	497,496	442,987	54,509
Custodial Services	1,976,731	1,976,731	2,135,485	(158,754)
Real Property	442,689	442,689	408,408	34,281
Recycling	289,464	351,603	278,058	73,545
General Services Administrator	230,231	230,231	222,693	7,538
Development Services	462,975	462,975	420,533	42,442
Maintenance	3,168,732	3,193,077	3,092,876	100,201
Utilities	2,132,782	2,132,782	2,050,604	82,178
Railroad Authority	140,953	140,953	139,073	1,880
Total general government	<u>44,953,791</u>	<u>46,143,840</u>	<u>42,713,816</u>	<u>3,430,024</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)**GENERAL FUND DETAIL****HAMILTON COUNTY, TENNESSEE****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Drug Court	\$ -	\$ 425,000	\$ 411,506	\$ 13,494
Medical Examiner	1,389,998	1,389,998	1,410,886	(20,888)
Criminal Court Clerk	1,838,564	1,838,564	1,506,180	332,384
Public Defender	726,412	726,412	718,652	7,760
General Sessions Court	1,425,943	1,498,284	1,459,438	38,846
Juries	152,500	152,500	121,631	30,869
Court Judges	603,996	603,996	587,705	16,291
Judicial Commission Magistrates	411,604	411,604	420,881	(9,277)
Juvenile Court	7,490,139	7,497,122	7,155,941	341,181
Forest Fire Prevention	4,000	4,000	4,000	-
Humane Education Society	620,970	620,970	620,970	-
Certified Cost Reimbursement	683,000	683,000	820,071	(137,071)
Building Inspection	1,254,717	1,254,717	1,218,334	36,383
Emergency Services	3,405,563	3,540,002	3,255,141	284,861
Corrections	16,552,726	16,572,350	16,720,284	(147,934)
Litter Grant	601,105	601,105	526,975	74,130
Homeland Security Grants	-	372,126	101,613	270,513
Security Services	1,010,364	1,010,364	984,484	25,880
Volunteer Emergency Services	530,456	574,677	527,698	46,979
WWTA	2,759,035	2,759,035	2,263,403	495,632
Ambulance Services	9,824,155	9,824,155	10,282,834	(458,679)
Juvenile Court Clerk				
Administrative and Courts	1,606,490	1,606,490	1,578,937	27,553
Child Support Division	1,029,492	1,029,492	975,880	53,612
Sheriff				
Administration	2,432,270	2,432,270	2,503,022	(70,752)
Patrol	10,840,308	11,485,104	10,777,663	707,441
Jail	12,447,052	12,447,052	13,215,877	(768,825)
SCAAP Grant	-	17,450	17,450	-
Courts	1,260,011	1,260,011	1,232,794	27,217
Records	1,007,060	1,007,060	926,105	80,955
Criminal Investigation	1,962,359	1,962,359	1,879,415	82,944
Fugitive	1,323,002	1,323,002	1,322,552	450
Civil Process	652,533	652,533	706,499	(53,966)
Special Operations	1,069,632	1,108,876	1,007,134	101,742
Governor's Highway Safety Grant	-	264,200	124,570	139,630
Information Systems	260,676	260,676	488,655	(227,979)
IV-D Civil Process Grant	215,727	215,727	201,451	14,276
Special Projects	-	-	10,172	(10,172)
Total public safety	<u>87,391,859</u>	<u>89,432,283</u>	<u>88,086,803</u>	<u>1,345,480</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Highways and streets:				
Public Works Administrator	\$ 257,566	\$ 257,566	\$ 253,515	\$ 4,051
Engineering Services	2,127,350	2,127,350	1,892,547	234,803
Highway	<u>10,284,867</u>	<u>10,268,328</u>	<u>9,870,661</u>	<u>397,667</u>
Total highways and streets	<u>12,669,783</u>	<u>12,653,244</u>	<u>12,016,723</u>	<u>636,521</u>
Health:				
Air Pollution Control	188,548	188,548	188,548	-
Baroness Erlanger Hospital	1,500,000	1,500,000	1,500,000	-
Health Department	<u>23,248,462</u>	<u>23,599,321</u>	<u>21,462,172</u>	<u>2,137,149</u>
Total health	<u>24,937,010</u>	<u>25,287,869</u>	<u>23,150,720</u>	<u>2,137,149</u>
Social services:				
Clerk and Master	917,992	917,992	878,536	39,456
Circuit Court Clerk	1,365,578	1,365,578	1,329,852	35,726
Urban League	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total social services	<u>2,333,570</u>	<u>2,333,570</u>	<u>2,258,388</u>	<u>75,182</u>
Culture and recreation:				
Armed Forces Day Parade	15,000	15,000	15,000	-
Bessie Smith Museum	68,684	68,684	68,684	-
Parks and Recreation Department	<u>8,471,084</u>	<u>8,494,934</u>	<u>8,044,675</u>	<u>450,259</u>
Total culture and recreation	<u>8,554,768</u>	<u>8,578,618</u>	<u>8,128,359</u>	<u>450,259</u>
Capital outlay	<u>3,995,273</u>	<u>4,854,005</u>	<u>3,879,374</u>	<u>974,631</u>
Total budgetary expenditures	<u>184,836,054</u>	<u>189,283,429</u>	<u>180,234,183</u>	<u>9,049,246</u>
Excess of revenues over expenditures	<u>18,691,429</u>	<u>16,889,978</u>	<u>19,812,651</u>	<u>2,922,673</u>

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 15,235,073	\$ 15,235,073	\$ 15,396,766	\$ 161,693
Transfers out	(33,966,502)	(33,966,502)	(34,216,502)	(250,000)
Sale of capital	40,000	40,000	114,916	74,916
Total other financing sources (uses)	<u>(18,691,429)</u>	<u>(18,691,429)</u>	<u>(18,704,820)</u>	<u>(13,391)</u>
Net change in fund balance	-	(1,801,451)	1,107,831	<u>\$ 2,909,282</u>
Fund balance allocation	<u>-</u>	<u>1,801,451</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			1,508,105	
Less encumbrances at beginning of year			<u>(832,192)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			1,783,744	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>92,395,287</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 94,179,031</u>	

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 688,427	\$ 688,427	\$ 694,837	\$ 6,410
Charges for current services	710,000	710,000	629,479	(80,521)
Investment earnings	7,500	7,500	18,715	11,215
Miscellaneous	<u>54,315</u>	<u>54,315</u>	<u>54,579</u>	<u>264</u>
Total revenues	<u>1,460,242</u>	<u>1,460,242</u>	<u>1,397,610</u>	<u>(62,632)</u>
EXPENDITURES				
Debt Service:				
Principal retirement	24,485,733	24,485,733	24,501,928	(16,195)
Interest and fiscal charges	<u>10,341,011</u>	<u>10,341,011</u>	<u>10,548,716</u>	<u>(207,705)</u>
Total budgetary expenditures	<u>34,826,744</u>	<u>34,826,744</u>	<u>35,050,644</u>	<u>(223,900)</u>
Deficiency of revenues under budgetary expenditures	<u>(33,366,502)</u>	<u>(33,366,502)</u>	<u>(33,653,034)</u>	<u>(286,532)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>33,966,502</u>	<u>33,966,502</u>	<u>33,966,502</u>	<u>-</u>
Total other financing sources	<u>33,966,502</u>	<u>33,966,502</u>	<u>33,966,502</u>	<u>-</u>
Net change in fund balance	600,000	600,000	313,468	<u>\$ (286,532)</u>
Fund balance allocation	<u>(600,000)</u>	<u>(600,000)</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>1,849,392</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 2,162,860</u>	

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUND**

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Hotel / Motel Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
REVENUES				
Hotel/Motel occupancy tax	\$ 7,795,000	\$ 7,795,000	\$ 7,638,833	\$ (156,167)
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>1,707</u>	<u>(3,293)</u>
Total revenues	<u>7,800,000</u>	<u>7,800,000</u>	<u>7,640,540</u>	<u>(159,460)</u>
EXPENDITURES				
Hotel/Motel occupancy tax	<u>7,800,000</u>	<u>7,800,000</u>	<u>7,640,540</u>	<u>159,460</u>
Total budgetary expenditures	<u>7,800,000</u>	<u>7,800,000</u>	<u>7,640,540</u>	<u>159,460</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			-	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ -</u>	

**BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUND**

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Sheriff Special Revenue Funds			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual (Non-GAAP Basis)	
	Original	Final		
REVENUES				
Intergovernmental	\$ 61,587	\$ 61,587	\$ 96,946	\$ 35,359
Fines, forfeitures and penalties	113,987	113,987	63,043	(50,944)
Investment earnings	3,700	3,700	7,206	3,506
Miscellaneous	286,363	286,363	332,721	46,358
Total revenues	<u>465,637</u>	<u>465,637</u>	<u>499,916</u>	<u>34,279</u>
EXPENDITURES				
Narcotics enforcement	381,450	381,450	232,173	149,277
TN State sexual offenders	84,187	84,187	21,510	62,677
Total budgetary expenditures	<u>465,637</u>	<u>465,637</u>	<u>253,683</u>	<u>211,954</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>246,233</u>	<u>246,233</u>
OTHER FINANCING SOURCES				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>41,975</u>	<u>41,975</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>41,975</u>	<u>41,975</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	288,208	<u>\$ 288,208</u>
Add encumbrances at end of year			25,825	
Less encumbrances at beginning of year			(4,126)	
Net change in fund balance--(GAAP)			309,907	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>719,216</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 1,029,123</u>	



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Constitutional Officers	Governmental Law Library	Hotel/ Motel	Economic Crimes	
ASSETS					
Cash and equivalents	\$ 4,196,353	\$ 17,737	\$ 696,417	\$ 16,900	\$ 4,927,407
Investments	749,631	95,331	-	90,617	935,579
Receivables:					
Accounts	572,411	1,082	765,627	2,079	1,341,199
Intergovernmental	311,608	-	-	-	311,608
Due from other funds	57,980	-	-	-	57,980
Prepaid items	<u>750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>
Total assets	<u>\$ 5,888,733</u>	<u>\$ 114,150</u>	<u>\$ 1,462,044</u>	<u>\$ 109,596</u>	<u>\$ 7,574,523</u>
LIABILITIES:					
Accrued items and other	\$ 473,393	\$ 1,992	\$ 1,462,044	\$ -	\$ 1,937,429
Due to other funds	<u>1,173,000</u>	<u>-</u>	<u>-</u>	<u>13,260</u>	<u>1,186,260</u>
Total liabilities	<u>1,646,393</u>	<u>1,992</u>	<u>1,462,044</u>	<u>13,260</u>	<u>3,123,689</u>
FUND BALANCES:					
Nonspendable for prepaid items	750	-	-	-	750
Restricted for general government	2,027,381	-	-	-	2,027,381
Restricted for public safety	1,322,613	-	-	-	1,322,613
Restricted for social services	891,596	-	-	-	891,596
Committed for public safety	<u>-</u>	<u>112,158</u>	<u>-</u>	<u>96,336</u>	<u>208,494</u>
Total fund balances	<u>4,242,340</u>	<u>112,158</u>	<u>-</u>	<u>96,336</u>	<u>4,450,834</u>
Total liabilities and fund balances	<u>\$ 5,888,733</u>	<u>\$ 114,150</u>	<u>\$ 1,462,044</u>	<u>\$ 109,596</u>	<u>\$ 7,574,523</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Special Revenue Funds			Total Nonmajor Governmental Funds	
	Constitutional Officers	Governmental Law Library	Hotel/ Motel		Economic Crimes
REVENUES					
Taxes	\$ -	\$ 14,194	\$ 7,638,833	\$ -	\$ 7,653,027
Intergovernmental	96,946	-	-	-	96,946
Charges for services	22,164,120	-	-	-	22,164,120
Fines, forfeitures and penalties	63,043	-	-	30,768	93,811
Investment earnings	43,065	964	1,707	872	46,608
Miscellaneous	420,181	-	-	-	420,181
Total revenues	<u>22,787,355</u>	<u>15,158</u>	<u>7,640,540</u>	<u>31,640</u>	<u>30,474,693</u>
EXPENDITURES					
Current:					
General government	4,617,224	-	7,640,540	-	12,257,764
Public safety:					
Criminal Court	2,742,443	-	-	-	2,742,443
Sheriff	231,984	-	-	-	231,984
Other	-	20,273	-	-	20,273
Social services	<u>3,547,730</u>	<u>-</u>	<u>-</u>	<u>40,420</u>	<u>3,588,150</u>
Total expenditures	<u>11,139,381</u>	<u>20,273</u>	<u>7,640,540</u>	<u>40,420</u>	<u>18,840,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>11,647,974</u>	<u>(5,115)</u>	<u>-</u>	<u>(8,780)</u>	<u>11,634,079</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	250,000	-	-	-	250,000
Transfers out	(11,594,527)	-	-	-	(11,594,527)
Proceeds from the sale of capital assets	<u>41,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,975</u>
Total other financing sources (uses)	<u>(11,302,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,302,552)</u>
Net change in fund balances	345,422	(5,115)	-	(8,780)	331,527
Fund balances, beginning	<u>3,896,918</u>	<u>117,273</u>	<u>-</u>	<u>105,116</u>	<u>4,119,307</u>
Fund balances, ending	<u>\$ 4,242,340</u>	<u>\$ 112,158</u>	<u>\$ -</u>	<u>\$ 96,336</u>	<u>\$ 4,450,834</u>

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

HAMILTON COUNTY, TENNESSEE

June 30, 2017

	Circuit Court Clerk	Clerk and Master	County Clerk	Criminal Court Clerk
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS :				
Cash and cash equivalents	\$ 362,480	\$ 1,227,183	\$ 981,090	\$ 503,413
Investments	-	-	-	-
Receivables:				
Accounts	533	39,343	25,058	286,185
Intergovernmental	-	-	-	311,608
Due from other funds	-	-	-	12,250
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 363,013</u>	<u>\$ 1,266,526</u>	<u>\$ 1,006,148</u>	<u>\$ 1,113,456</u>
 LIABILITIES:				
Accrued items and other	\$ 37,205	\$ 27,738	\$ 47,149	\$ 319,216
Due to other funds	<u>250,000</u>	<u>423,000</u>	<u>-</u>	<u>500,000</u>
Total liabilities	<u>287,205</u>	<u>450,738</u>	<u>47,149</u>	<u>819,216</u>
 FUND BALANCES:				
Nonspendable for prepaid items	-	-	-	-
Restricted for general government	-	-	958,999	-
Restricted for public safety	-	-	-	294,240
Restricted for social services	<u>75,808</u>	<u>815,788</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>75,808</u>	<u>815,788</u>	<u>958,999</u>	<u>294,240</u>
Total liabilities and fund balances	<u>\$ 363,013</u>	<u>\$ 1,266,526</u>	<u>\$ 1,006,148</u>	<u>\$ 1,113,456</u>

<u>Register</u>	<u>Trustee</u>	<u>Sheriff Drug Fund</u>	<u>Sheriff State Sex Offenders Fund</u>	<u>Total Constitutional Officers</u>
\$ 338,103	\$ 549,910	\$ 148,254	\$ 85,920	\$ 4,196,353
-	-	749,631	-	749,631
-	219,746	1,546	-	572,411
-	-	-	-	311,608
-	-	45,730	-	57,980
-	-	-	750	750
<u>\$ 338,103</u>	<u>\$ 769,656</u>	<u>\$ 945,161</u>	<u>\$ 86,670</u>	<u>\$ 5,888,733</u>
\$ 22,254	\$ 17,123	\$ 1,758	\$ 950	\$ 473,393
-	-	-	-	1,173,000
<u>22,254</u>	<u>17,123</u>	<u>1,758</u>	<u>950</u>	<u>1,646,393</u>
-	-	-	750	750
315,849	752,533	-	-	2,027,381
-	-	943,403	84,970	1,322,613
-	-	-	-	891,596
<u>315,849</u>	<u>752,533</u>	<u>943,403</u>	<u>85,720</u>	<u>4,242,340</u>
<u>\$ 338,103</u>	<u>\$ 769,656</u>	<u>\$ 945,161</u>	<u>\$ 86,670</u>	<u>\$ 5,888,733</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Circuit Court Clerk	Clerk and Master	County Clerk	Criminal Court Clerk
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	1,964,771	2,301,044	4,422,652	2,484,895
Fines, forfeitures and penalties	-	-	-	-
Investment earnings	3,301	9,225	5,675	3,480
Miscellaneous	<u>-</u>	<u>-</u>	<u>30,227</u>	<u>-</u>
Total revenues	<u>1,968,072</u>	<u>2,310,269</u>	<u>4,458,554</u>	<u>2,488,375</u>
EXPENDITURES				
Current:				
General government	-	-	2,829,403	-
Public safety:				
Criminal Court	-	-	-	2,742,443
Sheriff	-	-	-	-
Social services	<u>1,919,924</u>	<u>1,627,806</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,919,924</u>	<u>1,627,806</u>	<u>2,829,403</u>	<u>2,742,443</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,148</u>	<u>682,463</u>	<u>1,629,151</u>	<u>(254,068)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	250,000
Transfers out	-	(730,379)	(1,545,800)	-
Proceeds from the sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(730,379)</u>	<u>(1,545,800)</u>	<u>250,000</u>
Net change in fund balances	48,148	(47,916)	83,351	(4,068)
Fund balances, beginning	<u>27,660</u>	<u>863,704</u>	<u>875,648</u>	<u>298,308</u>
Fund balances, ending	<u>\$ 75,808</u>	<u>\$ 815,788</u>	<u>\$ 958,999</u>	<u>\$ 294,240</u>

<u>Register</u>	<u>Trustee</u>	<u>Sheriff Drug Fund</u>	<u>Sheriff State Sex Offenders Fund</u>	<u>Total Constitutional Officers</u>
\$ -	\$ -	\$ 96,946	\$ -	\$ 96,946
2,245,279	8,745,479	-	-	22,164,120
-	-	30,183	32,860	63,043
4,349	9,829	6,856	350	43,065
<u>57,233</u>	<u>-</u>	<u>332,721</u>	<u>-</u>	<u>420,181</u>
<u>2,306,861</u>	<u>8,755,308</u>	<u>466,706</u>	<u>33,210</u>	<u>22,787,355</u>
793,560	994,261	-	-	4,617,224
-	-	-	-	2,742,443
-	-	210,474	21,510	231,984
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,547,730</u>
<u>793,560</u>	<u>994,261</u>	<u>210,474</u>	<u>21,510</u>	<u>11,139,381</u>
<u>1,513,301</u>	<u>7,761,047</u>	<u>256,232</u>	<u>11,700</u>	<u>11,647,974</u>
-	-	-	-	250,000
(1,533,433)	(7,784,915)	-	-	(11,594,527)
<u>-</u>	<u>-</u>	<u>41,975</u>	<u>-</u>	<u>41,975</u>
<u>(1,533,433)</u>	<u>(7,784,915)</u>	<u>41,975</u>	<u>-</u>	<u>(11,302,552)</u>
(20,132)	(23,868)	298,207	11,700	345,422
<u>335,981</u>	<u>776,401</u>	<u>645,196</u>	<u>74,020</u>	<u>3,896,918</u>
<u>\$ 315,849</u>	<u>\$ 752,533</u>	<u>\$ 943,403</u>	<u>\$ 85,720</u>	<u>\$ 4,242,340</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, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CIRCUIT COURT CLERK				
Cash	\$ 3,593,714	\$ 9,626,257	\$ 11,989,687	\$ 1,230,284
Certificates of deposit	<u>3,297,773</u>	<u>736,997</u>	<u>1,233,307</u>	<u>2,801,463</u>
Total assets	<u>\$ 6,891,487</u>	<u>\$ 10,363,254</u>	<u>\$ 13,222,994</u>	<u>\$ 4,031,747</u>
Accrued items and other	\$ 6,780,084	\$ 8,817,975	\$ 11,697,735	\$ 3,900,324
Intergovernmental payables	<u>111,403</u>	<u>1,545,279</u>	<u>1,525,259</u>	<u>131,423</u>
Total liabilities	<u>\$ 6,891,487</u>	<u>\$ 10,363,254</u>	<u>\$ 13,222,994</u>	<u>\$ 4,031,747</u>
CLERK AND MASTER				
Cash	\$ 3,733,352	\$ 16,305,512	\$ 15,068,050	\$ 4,970,814
Certificates of deposit	<u>4,194,179</u>	<u>4,399,694</u>	<u>4,298,277</u>	<u>4,295,596</u>
Total assets	<u>\$ 7,927,531</u>	<u>\$ 20,705,206</u>	<u>\$ 19,366,327</u>	<u>\$ 9,266,410</u>
Accrued items and other	\$ 6,801,917	\$ 10,947,401	\$ 9,234,118	\$ 8,515,200
Intergovernmental payables	<u>1,125,614</u>	<u>9,757,805</u>	<u>10,132,209</u>	<u>751,210</u>
Total liabilities	<u>\$ 7,927,531</u>	<u>\$ 20,705,206</u>	<u>\$ 19,366,327</u>	<u>\$ 9,266,410</u>
COUNTY CLERK				
Cash	\$ 2,997,883	\$ 29,780,413	\$ 29,811,012	\$ 2,967,284
Accounts receivable	<u>994</u>	<u>10,518</u>	<u>10,246</u>	<u>1,266</u>
Total assets	<u>\$ 2,998,877</u>	<u>\$ 29,790,931</u>	<u>\$ 29,821,258</u>	<u>\$ 2,968,550</u>
Accrued items and other	\$ 236,805	\$ 998,498	\$ 1,029,726	\$ 205,577
Intergovernmental payables	<u>2,762,072</u>	<u>28,792,433</u>	<u>28,791,532</u>	<u>2,762,973</u>
Total liabilities	<u>\$ 2,998,877</u>	<u>\$ 29,790,931</u>	<u>\$ 29,821,258</u>	<u>\$ 2,968,550</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
CRIMINAL COURT CLERK				
Cash	\$ 75,220	\$ 4,949,362	\$ 4,988,813	\$ 35,769
Accounts receivable	<u>204,037</u>	<u>22,113</u>	<u>-</u>	<u>226,150</u>
 Total assets	 <u>\$ 279,257</u>	 <u>\$ 4,971,475</u>	 <u>\$ 4,988,813</u>	 <u>\$ 261,919</u>
Accrued items and other	279,257	\$ 3,431,268	\$ 3,448,606	\$ 261,919
Intergovernmental payables	<u>-</u>	<u>1,540,207</u>	<u>1,540,207</u>	<u>-</u>
 Total liabilities	 <u>\$ 279,257</u>	 <u>\$ 4,971,475</u>	 <u>\$ 4,988,813</u>	 <u>\$ 261,919</u>
 JUVENILE COURT CLERK				
Cash	\$ 31,464	\$ 740,220	\$ 725,124	\$ 46,560
Certificates of deposit	698,695	61,718	136,330	624,083
Investments	<u>60,033</u>	<u>-</u>	<u>-</u>	<u>60,033</u>
 Total assets	 <u>\$ 790,192</u>	 <u>\$ 801,938</u>	 <u>\$ 861,454</u>	 <u>\$ 730,676</u>
Accrued items and other	<u>\$ 790,192</u>	<u>\$ 801,938</u>	<u>\$ 861,454</u>	<u>\$ 730,676</u>
 Total liabilities	 <u>\$ 790,192</u>	 <u>\$ 801,938</u>	 <u>\$ 861,454</u>	 <u>\$ 730,676</u>
 REGISTER				
Cash	\$ 1,202,742	\$ 13,747,054	\$ 13,741,130	\$ 1,208,666
Accounts receivable	<u>6,139</u>	<u>32,505</u>	<u>35,700</u>	<u>2,944</u>
 Total assets	 <u>\$ 1,208,881</u>	 <u>\$ 13,779,559</u>	 <u>\$ 13,776,830</u>	 <u>\$ 1,211,610</u>
Intergovernmental payables	<u>\$ 1,208,881</u>	<u>\$ 13,779,559</u>	<u>\$ 13,776,830</u>	<u>\$ 1,211,610</u>
 Total liabilities	 <u>\$ 1,208,881</u>	 <u>\$ 13,779,559</u>	 <u>\$ 13,776,830</u>	 <u>\$ 1,211,610</u>

(continued)

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
SHERIFF				
Cash	\$ 19,201	\$ 225,559	\$ 52,893	\$ 191,867
Investments	<u>329,004</u>	<u>-</u>	<u>329,004</u>	<u>-</u>
Total assets	<u>\$ 348,205</u>	<u>\$ 225,559</u>	<u>\$ 381,897</u>	<u>\$ 191,867</u>
Accrued items and other	<u>\$ 348,205</u>	<u>\$ 225,559</u>	<u>\$ 381,897</u>	<u>\$ 191,867</u>
Total liabilities	<u>\$ 348,205</u>	<u>\$ 225,559</u>	<u>\$ 381,897</u>	<u>\$ 191,867</u>
TRUSTEE				
Cash	<u>\$ 1,024,386</u>	<u>\$ 29,981,169</u>	<u>\$ 29,945,014</u>	<u>\$ 1,060,541</u>
Total assets	<u>\$ 1,024,386</u>	<u>\$ 29,981,169</u>	<u>\$ 29,945,014</u>	<u>\$ 1,060,541</u>
Intergovernmental payables	<u>\$ 1,024,386</u>	<u>\$ 29,981,169</u>	<u>\$ 29,945,014</u>	<u>\$ 1,060,541</u>
Total liabilities	<u>\$ 1,024,386</u>	<u>\$ 29,981,169</u>	<u>\$ 29,945,014</u>	<u>\$ 1,060,541</u>
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	\$12,677,962	\$ 105,355,546	\$ 106,321,723	\$ 11,711,785
Certificates of deposit	8,190,647	5,198,409	5,667,914	7,721,142
Investments	389,037	-	329,004	60,033
Accounts receivable	<u>210,176</u>	<u>65,136</u>	<u>45,946</u>	<u>230,360</u>
Total assets	<u>\$21,468,816</u>	<u>\$ 110,619,091</u>	<u>\$ 112,364,587</u>	<u>\$ 19,723,320</u>
Accrued items and other	\$15,236,460	\$ 25,222,639	\$ 26,653,536	\$ 13,805,563
Intergovernmental payables	<u>6,232,356</u>	<u>85,396,452</u>	<u>85,711,051</u>	<u>5,917,757</u>
Total liabilities	<u>\$21,468,816</u>	<u>\$ 110,619,091</u>	<u>\$ 112,364,587</u>	<u>\$ 19,723,320</u>

DISCRETELY PRESENTED COMPONENT UNIT HAMILTON COUNTY DEPARTMENT OF EDUCATION

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

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

AGENCY FUND TYPES

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

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
ASSETS:				
Cash	\$ 22,935,083	8,564,610	\$ 403,078	\$ 31,902,771
Certificates of deposit	54,902	-	-	54,902
Investments	97,969,163	-	-	97,969,163
Receivables (net of allowances for uncollectibles):				
Property taxes	139,717,177	-	-	139,717,177
Accounts	2,035,453	-	-	2,035,453
Intergovernmental	19,198,273	-	-	19,198,273
Due from other HCDE funds	1,554,341	-	11,554,234	13,108,575
Due from primary government	125,000	-	-	125,000
Inventories	<u>61,278</u>	<u>1,106,111</u>	-	<u>1,167,389</u>
Total assets	<u>\$ 283,650,670</u>	<u>\$ 9,670,721</u>	<u>\$11,957,312</u>	<u>\$ 305,278,703</u>
LIABILITIES:				
Accounts payable	\$ 2,202,452	\$ 39,462	\$ 64,276	\$ 2,306,190
Accrued items and other	28,860,757	106,775	40,693	29,008,225
Intergovernmental payables	264,431	-	-	264,431
Due to other HCDE funds	55,079,320	2,431,217	999,289	58,509,826
Due to primary government	<u>189,722</u>	<u>314</u>	-	<u>190,036</u>
Total current liabilities	<u>86,596,682</u>	<u>2,577,768</u>	<u>1,104,258</u>	<u>90,278,708</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred property taxes	127,141,753	-	-	127,141,753
Unavailable property taxes	5,648,114	-	-	5,648,114
Other unavailable revenue	<u>496,632</u>	-	-	<u>496,632</u>
Total deferred inflows of resources	<u>133,286,499</u>	-	-	<u>133,286,499</u>
FUND BALANCES:				
Nonspendable	61,278	1,106,111	-	1,167,389
Restricted for centralized cafeteria	-	4,346,907	-	4,346,907
Restricted for education	2,321,717	-	-	2,321,717
Restricted for instruction	27,017	-	-	27,017
Committed for education	8,417,576	-	-	8,417,576
Committed for capital projects	-	-	10,853,054	10,853,054
Committed for instruction	3,115,984	-	-	3,115,984
Committed for centralized cafeteria	-	1,639,935	-	1,639,935
Assigned for education	15,604,299	-	-	15,604,299
Unassigned	<u>34,219,618</u>	-	-	<u>34,219,618</u>
Total fund balances	<u>63,767,489</u>	<u>7,092,953</u>	<u>10,853,054</u>	<u>81,713,496</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 283,650,670</u>	<u>\$ 9,670,721</u>	<u>\$11,957,312</u>	<u>\$ 305,278,703</u>

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

Differences in amounts reported for the Department of Education in the statement of net position:

Fund balances - total Department of Education governmental funds	\$ 81,713,496
--	---------------

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

Capital assets used in the Department of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.	382,468,636
---	-------------

Other long-term assets are not available for current period expenditures and therefore are deferred in the governmental funds.

Property taxes	5,648,114
Charges for services	113,847
Intergovernmental	496,632

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

41,511,034

Long-term payable to primary government is not due until the related long-term liability is due and payable.

(20,051)

Long-term liabilities applicable to the Department of Education's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

This item consists of the following:

Net pension asset	603,184
Net pension liability	(27,996,973)
Deferred outflows from pension contributions	15,089,054
Deferred outflows from differences in pension investment earnings	31,357,759
Deferred outflows from pension experience	1,236,657
Deferred inflows from pension experience	(33,964,604)
Deferred changes in proportion of net pension liability	2,371,326
Net OPEB liability	(32,547,884)
Compensated absences	(11,741,485)

Net position of the Department of Education	<u>\$ 456,338,742</u>
---	-----------------------

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	<u>General Purpose School</u>	<u>Centralized Cafeteria</u>	<u>Education Capital Projects</u>	<u>Total Department of Education Governmental Funds</u>
REVENUES				
Taxes	\$ 208,519,634	\$ -	\$ -	\$ 208,519,634
Intergovernmental	184,316,934	16,929,746	-	201,246,680
Charges for services	4,488,635	3,660,390	-	8,149,025
Investment earnings	952,153	26,145	296	978,594
Miscellaneous	<u>6,208,025</u>	<u>2,641</u>	<u>365,000</u>	<u>6,575,666</u>
Total revenues	<u>404,485,381</u>	<u>20,618,922</u>	<u>365,296</u>	<u>425,469,599</u>
EXPENDITURES				
Current:				
Education	390,246,798	18,499,414	-	408,746,212
Capital outlay	<u>293,980</u>	<u>-</u>	<u>5,591,957</u>	<u>5,885,937</u>
Total expenditures	<u>390,540,778</u>	<u>18,499,414</u>	<u>5,591,957</u>	<u>414,632,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,944,603</u>	<u>2,119,508</u>	<u>(5,226,661)</u>	<u>10,837,450</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,428,655	11,428,655
Transfers out	<u>(11,428,655)</u>	<u>-</u>	<u>-</u>	<u>(11,428,655)</u>
Net change in fund balances	2,515,948	2,119,508	6,201,994	10,837,450
Fund balances, beginning	<u>61,251,541</u>	<u>4,973,445</u>	<u>4,651,060</u>	<u>70,876,046</u>
Fund balances, ending	<u>\$ 63,767,489</u>	<u>\$ 7,092,953</u>	<u>\$10,853,054</u>	<u>\$ 81,713,496</u>

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017

Differences in amounts reported for governmental activities in the statement of activities:

Net change in fund balances - total Department of Education governmental funds	\$ 10,837,450
Amounts reported for the Department of Education in the statement of activities are different because:	
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(13,534,148)
Payments of advances from the primary government are reported as expenditures in the Department of Education's governmental activities in the period paid.	106,928
The net effect of capital asset transactions involving the primary government is to increase net position.	49,480,025
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position.	936,135
The loss on sale/abandonment of capital assets is not recognized in the Department of Education's governmental funds.	(464,011)
Other post employment benefits will not be funded therefore the expense is not recognized in the funds.	(3,607,604)
The net revenues of internal service funds are reported with governmental activities.	5,068,569
The net effect of the change in the net pension liability and related deferred inflows and outflows of resources is included in the statement of activities.	10,852,960
Compensated absences are measured by the amounts earned during the year in the statement of activities. However, expenditures for these items are measured by the amount of financial resources used in the governmental funds. Compensated absences increased by this amount during the year.	(296,349)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	
Property taxes	(1,211,339)
Intergovernmental	496,632
Charges for Services	<u>113,847</u>
Change in net position of governmental activities	<u>\$ 58,779,095</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	\$ 135,651,205	136,766,205	\$ 137,636,727	\$ 870,522
Local sales tax	<u>68,021,904</u>	<u>69,521,904</u>	<u>70,882,907</u>	<u>1,361,003</u>
Total taxes	<u>203,673,109</u>	<u>206,288,109</u>	<u>208,519,634</u>	<u>2,231,525</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	153,917,673	153,836,232	155,435,737	1,599,505
Food service	190,000	190,000	-	(190,000)
Federal funds received from State of Tennessee and other sources:				
Education	27,962,747	31,722,533	28,881,197	(2,841,336)
Food service	<u>17,529,138</u>	<u>17,529,138</u>	<u>16,929,746</u>	<u>(599,392)</u>
Total intergovernmental revenues	<u>199,599,558</u>	<u>203,277,903</u>	<u>201,246,680</u>	<u>(2,031,223)</u>
Charges for services:				
Education	3,816,256	4,116,256	4,488,635	372,379
Food service	<u>3,623,237</u>	<u>3,623,237</u>	<u>3,660,390</u>	<u>37,153</u>
Total charges for current services	<u>7,439,493</u>	<u>7,739,493</u>	<u>8,149,025</u>	<u>409,532</u>
Investment earnings:				
Education	250,065	250,065	952,153	702,088
Food service	<u>13,496</u>	<u>13,496</u>	<u>26,145</u>	<u>12,649</u>
Total investment earnings	<u>263,561</u>	<u>263,561</u>	<u>978,298</u>	<u>714,737</u>
Miscellaneous:				
Education	5,509,342	5,958,412	6,208,025	249,613
Food service	<u>-</u>	<u>-</u>	<u>2,641</u>	<u>2,641</u>
Total miscellaneous	<u>5,509,342</u>	<u>5,958,412</u>	<u>6,210,666</u>	<u>252,254</u>
Total revenues	<u>416,485,063</u>	<u>423,527,478</u>	<u>425,104,303</u>	<u>1,576,825</u>

(continued)

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

HAMILTON COUNTY, TENNESSEE

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	\$ 187,224,449	\$ 186,836,839	\$ 186,783,772	\$ 53,067
Special education program	35,719,129	35,142,384	34,459,004	683,380
Vocational education program	8,725,840	8,569,561	8,392,112	177,449
Attendance	1,740,410	1,838,515	1,711,739	126,776
Health services	4,009,150	4,067,513	3,879,238	188,275
Other student support	7,665,176	8,008,676	7,968,107	40,569
Regular instruction support	10,953,388	11,317,362	10,193,991	1,123,371
Special education support	3,054,780	3,137,384	3,135,746	1,638
Vocational education support	275,491	282,830	246,294	36,536
Board of education	6,212,706	6,305,535	6,097,110	208,425
Office of superintendent	1,053,761	1,100,822	1,009,214	91,608
Office of principal	25,595,876	25,734,648	25,469,821	264,827
Fiscal services	2,952,204	2,975,660	2,640,318	335,342
Human resources	1,335,412	1,398,829	1,312,493	86,336
Operation of plant	25,213,188	28,115,811	24,743,841	3,371,970
Maintenance of plant	8,421,381	8,622,979	7,998,524	624,455
Transportation	15,683,647	15,570,292	15,260,736	309,556
Central and other	2,443,340	2,453,263	2,256,580	196,683
Community services	36,922	36,672	15,179	21,493
Early childhood	2,824,511	2,824,636	2,786,877	37,759
Federal programs	27,400,524	31,398,869	28,108,299	3,290,570
Other self funded projects	5,918,725	7,298,011	6,825,510	472,501
Charter Schools	8,672,888	8,672,888	8,689,274	(16,386)
Education debt service	97,500	97,500	97,500	-
Food service	21,355,871	21,355,871	20,054,700	1,301,171
Total education	414,586,269	423,163,350	410,135,979	13,027,371
Capital outlay:				
Education	130,000	300,000	293,980	6,020
Total budgetary expenditures	414,716,269	423,463,350	410,429,959	13,033,391
OTHER FINANCING USES				
Transfers to other HCDE funds	(3,000,000)	(11,428,655)	(11,428,655)	-
Net change in fund balance	(1,231,206)	(11,364,527)	3,245,689	<u>\$ 14,610,216</u>
Fund balance allocation	1,231,206	11,364,527		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			5,045,115	
Less encumbrances at beginning of year			(3,655,348)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses (Education Capital Projects)			<u>6,201,994</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			10,837,450	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>70,876,046</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 81,713,496</u>	

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

	Department of Education Internal Service Fund
CURRENT ASSETS	
Cash	\$ 1,564,182
Receivables	1,335,861
Due from other HCDE funds	45,401,251
Prepaid items	<u>505,658</u>
Total current assets	<u>48,806,952</u>
LIABILITIES	
Current Liabilities	
Accounts payable	13,736
Accrued claims	<u>5,892,146</u>
Total current liabilities	<u>5,905,882</u>
Noncurrent Liabilities	
Accrued claims	<u>1,276,189</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	<u>113,847</u>
Total deferred inflows of resources	<u>113,847</u>
NET POSITION	
Unrestricted	<u>\$ 41,511,034</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Department of Education Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 65,345,573
Other	<u>1,527</u>
Total operating revenues	<u>65,347,100</u>
OPERATING EXPENSES	
Unemployment compensation	32,568
Claims and premiums	<u>60,243,908</u>
Total operating expenses	<u>60,276,476</u>
Operating income	5,070,624
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>(2,055)</u>
Change in net position	5,068,569
Net position, beginning	<u>36,442,465</u>
Net position, ending	<u>\$ 41,511,034</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Department of Education Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	\$ 61,765,442
Cash paid for unemployment compensation	(32,568)
Cash paid for claims and premiums	<u>(62,445,807)</u>
Net cash used in operating activities	<u>(712,933)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid for interest	<u>(2,055)</u>
Net cash used in investing activities	<u>(2,055)</u>
Net change in cash and cash equivalents	(714,988)
Beginning cash and cash equivalents	<u>2,279,170</u>
Ending cash and cash equivalents	<u>\$ 1,564,182</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	<u>\$ 5,070,624</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Change in receivables	(45,479)
Change in due from other HCDE funds	(3,540,861)
Change in prepaid items	(391,683)
Change in accounts payable	(119,024)
Change in accrued claims	(1,691,193)
Change in unearned revenue	<u>4,683</u>
Total adjustments	<u>(5,783,557)</u>
Net cash used in operating activities	<u>\$ (712,933)</u>

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

ASSETS

Cash	\$ 9,589,195
Accounts Receivable	<u>1,532</u>

Total Assets	<u>\$ 9,590,727</u>
--------------	---------------------

LIABILITES

Due to Others	<u>\$ 9,590,727</u>
---------------	---------------------

Total Liabilities	<u>\$ 9,590,727</u>
-------------------	---------------------

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

**HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2017**

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2017</u>
ASSETS				
Cash	\$ 8,676,858	\$ 14,282,387	\$ 13,370,050	\$ 9,589,195
Accounts receivable	<u>2,117</u>	<u>1,532</u>	<u>2,117</u>	<u>1,532</u>
 Total assets	 <u>\$ 8,678,975</u>	 <u>\$ 14,283,919</u>	 <u>\$ 13,372,167</u>	 <u>\$ 9,590,727</u>
LIABILITES				
Due to others	\$ <u>8,678,975</u>	\$ <u>14,283,919</u>	\$ <u>13,372,167</u>	\$ <u>9,590,727</u>
 Total liabilities	 <u>\$ 8,678,975</u>	 <u>\$ 14,283,919</u>	 <u>\$ 13,372,167</u>	 <u>\$ 9,590,727</u>

SCHEDULE OF PROPERTY TAXES RECEIVABLE

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Year of Levy	Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2017 *	\$ 277,200,075	\$ 10,389,419	\$ 266,810,656
2016	14,807,881	349,705	14,458,176
2015	3,286,682	416,751	2,869,931
2014	1,994,294	464,471	1,529,823
2013	264,357	199,325	65,032
2012	674,840	569,903	104,937
2011	731,666	731,666	-
2010	900,606	900,606	-
	<u>\$ 299,860,401</u>	<u>\$ 14,021,846</u>	<u>\$ 285,838,555</u>

DISTRIBUTION TO PRIMARY GOVERNMENT

County General	\$ 153,642,573	\$ 7,521,195	\$ 146,121,378
----------------	----------------	--------------	----------------

DISTRIBUTION TO COMPONENT UNIT

General Purpose School	146,217,828	6,500,651	139,717,177
	<u>\$ 299,860,401</u>	<u>\$ 14,021,846</u>	<u>\$ 285,838,555</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, 2017

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
PRIMARY GOVERNMENT			
GOVERNMENTAL FUNDS			
First Tennessee	08/31/17	0.68%	\$ 15,000
AGENCY FUNDS			
Constitutional Officers: Circuit Court Clerk	Various	Various	\$ 2,801,463
Clerk and Master	Various	Various	4,295,596
Juvenile Court Clerk	Various	Various	<u>624,083</u>
Total agency funds			<u>7,721,142</u>
Total primary government			<u>7,736,142</u>
COMPONENT UNITS			
GOVERNMENTAL FUNDS			
General Purpose School: First Tennessee	4/28/2018	1.280%	<u>54,902</u>
PROPRIETARY FUNDS			
"911" Emergency Communication: First Tennessee Bank	10/17/17	1.150%	8,621,319
First Tennessee Bank	06/22/18	1.300%	<u>1,038,408</u>
Total component units			<u>9,714,629</u>
Total certificates of deposit			<u>\$ 17,450,771</u>

SCHEDULE OF INVESTMENTS BY FUND

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Hamilton County government utilizes a centralized investment pool for investing certain excess cash balances for its funds, including the Hamilton County Department of Education, a discretely presented component unit. The Hamilton County Finance Division is responsible for investing the excess cash balances for these funds. At June 30, 2017, the centralized investment pool held the following investments.

	Maturity Date	Interest Rate	Face Value
Certificates of Deposit	7/5/2017	0.92%	70,000,000
Certificates of Deposit	7/11/2017	1.09%	10,030,055
Certificates of Deposit	8/3/2017	1.16%	10,019,335
Certificates of Deposit	9/14/2017	1.20%	5,000,000
Certificates of Deposit	9/20/2017	1.10%	5,000,000
Certificates of Deposit	10/16/2017	1.15%	245,000
Certificates of Deposit	11/2/2017	1.05%	245,000
Certificates of Deposit	11/5/2017	1.15%	245,000
Certificates of Deposit	11/6/2017	1.00%	245,000
Certificates of Deposit	11/6/2017	1.10%	735,000
Certificates of Deposit	11/6/2017	1.15%	735,000
Certificates of Deposit	11/6/2017	1.20%	245,000
Certificates of Deposit	11/13/2017	1.10%	245,000
Certificates of Deposit	12/11/2017	1.15%	245,000
Certificates of Deposit	12/11/2017	1.20%	735,000
Certificates of Deposit	12/11/2017	1.30%	245,000
Certificates of Deposit	12/15/2017	1.20%	245,000
Certificates of Deposit	12/18/2017	1.25%	245,000
Certificates of Deposit	12/15/2018	1.35%	245,000
Certificates of Deposit	12/17/2018	1.35%	245,000
Certificates of Deposit	12/19/2018	1.35%	245,000
Certificates of Deposit	12/19/2018	1.40%	490,000
Certificates of Deposit	12/24/2018	1.35%	245,000
Certificates of Deposit	12/28/2018	1.35%	245,000
Federal Home Loan Bank	2/16/2018	1.00%	5,000,000
Federal Home Loan Bank	12/27/2018	1.39%	5,000,000
Federal Home Loan Bank	6/28/2019	1.50%	10,000,000
Federal Home Loan Mortgage Corp.	7/14/2017	0.90%	10,000,000
Federal Home Loan Mortgage Corp.	11/24/2017	0.90%	5,000,000
Federal Home Loan Mortgage Corp.	2/26/2018	1.05%	10,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.92%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	0.95%	5,000,000
Federal Home Loan Mortgage Corp.	6/29/2018	1.10%	5,000,000
Federal Home Loan Mortgage Corp.	7/20/2018	1.00%	5,000,000
Federal Home Loan Mortgage Corp.	7/27/2018	1.05%	5,000,000
Federal Home Loan Mortgage Corp.	10/18/2018	1.07%	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	1.05%	5,000,000
Federal Home Loan Mortgage Corp.	12/14/2018	1.25%	5,000,000
Federal Home Loan Mortgage Corp.	12/21/2018	1.20%	5,000,000
Federal Home Loan Mortgage Corp.	1/25/2019	1.35%	5,000,000
Federal Home Loan Mortgage Corp.	3/15/2019	1.38%	5,000,000
Total investments in centralized investment pool			<u>\$ 206,419,390</u>

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE

June 30, 2017

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

	<u>Amount</u>
PRIMARY GOVERNMENT	
GOVERNMENTAL FUNDS	
General Fund	\$ 71,289,427
Debt Service	1,783,699
Capital Projects	11,409,130
Constitutional Officers	749,631
Governmental Law Library	95,331
Economic Crimes	<u>90,617</u>
	<u>85,417,835</u>
PROPRIETARY FUNDS	
Internal Service	<u>22,972,359</u>
	<u>22,972,359</u>
FIDUCIARY FUNDS	
Constitutional Officers Agency Funds	<u>60,033</u>
	<u>60,033</u>
Total primary government	<u>108,450,227</u>
COMPONENT UNITS	
GOVERNMENTAL FUNDS	
General Purpose School	<u>97,969,163</u>
Total component units	<u>97,969,163</u>
Total investments in centralized investment pool	<u>\$ 206,419,390</u>

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE

June 30, 2017

	Maturity Date	Interest Rate	Market Value
PRIMARY GOVERNMENT			
FIDUCIARY FUNDS			
PENSION TRUST FUND			
Mutual Funds	Various	Various	1,568,487
Domestic Corporate Bonds	Various	Various	404,454
Foreign Bonds / Notes	Various	Various	20,002
Domestic Equity Securities	Various	Various	166,092
Foreign Equity Securities	Various	Various	103,898
US Government Securities	Various	Various	140,954
Municipal Bonds	Various	Various	163,232
			<u>2,567,119</u>
OPEB TRUST FUND			
Mutual Funds	Various	Various	12,786,254
Domestic Corporate Bonds	Various	Various	2,406,586
Foreign Bonds / Notes	Various	Various	246,964
Domestic Equity Securities	Various	Various	2,895,761
Foreign Equity Securities	Various	Various	1,474,659
US Government Securities	Various	Various	1,068,539
Municipal Bonds	Various	Various	906,287
			<u>21,785,050</u>
Total fiduciary funds investments			<u>\$ 24,352,169</u>

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2017			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT						
General Improvement	03/01/98 B	\$ 6,100,000	Aug/Feb	5.100	\$320,000; due 08/01/2017	\$ 320,000
				5.100	\$335,000; due 08/01/2018	335,000
				5.100	\$355,000; due 08/01/2019	355,000
				5.100	\$370,000; due 08/01/2020	370,000
				5.100	\$395,000; due 08/01/2021	395,000
				5.100	\$415,000; due 08/01/2022	415,000
				5.100	\$435,000; due 08/01/2023	435,000
				5.100	\$460,000; due 08/01/2024	460,000
					<u>3,085,000</u>	
General Improvement	03/10/09	8,883,000	Sept/Mar	3.500	\$595,020; due 03/01/2018	595,020
						<u>595,020</u>
School	03/10/09	22,617,000	Sept/Mar	3.500	\$1,514,980; due 03/01/2018	1,514,980
						<u>1,514,980</u>
General Improvement (Recovery Zone Facility Bonds)	03/10/10 A	7,475,000	Sept/Mar	3.000	\$1,610,000; due 03/01/2021	1,610,000
				3.000	\$1,610,000; due 03/01/2022	1,610,000
				3.250	\$1,610,000; due 03/01/2023	1,610,000
				3.500	\$1,610,000; due 03/01/2024	1,610,000
				4.000	\$1,035,000; due 03/01/2025	1,035,000
					<u>7,475,000</u>	
General Improvement (taxable to bondholder)	03/10/10 B	16,115,000	Sept/Mar	4.000	\$1,610,000; due 03/01/2018	1,610,000
				4.125	\$1,610,000; due 03/01/2019	1,610,000
				4.250	\$1,610,000; due 03/02/2020	1,610,000
					<u>4,830,000</u>	
General Improvement (Recovery Zone Economic Development Bonds - taxable to bondholder)	03/10/10 C	4,980,000	Sept/Mar	3.700	\$330,000; due 03/01/2018	330,000
				4.000	\$330,000; due 03/01/2019	330,000
				4.150	\$330,000; due 03/01/2020	330,000
				4.350	\$330,000; due 03/01/2021	330,000
				4.600	\$330,000; due 03/01/2022	330,000
				4.700	\$330,000; due 03/01/2023	330,000
				4.850	\$330,000; due 03/01/2024	330,000
				5.000	\$370,000; due 03/01/2025	370,000
					<u>2,680,000</u>	

(continued)

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2017			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT--(continued)						
General Improvement	11/08/11 A	\$ 12,875,000	July/Jan	5.000	\$764,395; due 01/01/2018	\$ 764,395
				5.000	\$802,194; due 01/01/2019	802,194
				5.000	\$843,143; due 01/01/2020	843,143
				5.000	\$885,143; due 01/01/2021	885,143
				3.250	\$1,107,741; due 01/01/2026	1,107,741
				3.500	\$1,144,491; due 01/01/2027	1,144,491
						<u>5,547,107</u>
School	11/08/11 A	48,435,000	July/Jan	5.000	\$2,875,605; due 01/01/2018	2,875,605
				5.000	\$3,017,806; due 01/01/2019	3,017,806
				5.000	\$3,171,857; due 01/01/2020	3,171,857
				5.000	\$3,329,857; due 01/01/2021	3,329,857
				3.250	\$4,167,259; due 01/01/2026	4,167,259
				3.500	\$4,305,509; due 01/01/2027	4,305,509
		<u>20,867,893</u>				
General Improvement	11/08/11 B	7,923,000	July/Jan	5.000	\$1,146,333; due 01/01/2018	1,146,333
				5.000	\$1,155,833; due 01/01/2019	1,155,833
						<u>2,302,166</u>
School	11/08/11 B	4,587,000	July/Jan	5.000	\$663,667; due 01/01/2018	663,667
				5.000	\$669,167; due 01/01/2019	669,167
						<u>1,332,834</u>
Water & Wastewater Treatment Authority	11/08/11 B	8,025,000	July/Jan	5.000	\$365,000; due 01/01/2018	365,000
				5.000	\$385,000; due 01/01/2019	385,000
				4.000	\$410,000; due 01/01/2020	410,000
				3.000	\$425,000; due 01/01/2021	425,000
				3.000	\$435,000; due 01/01/2022	435,000
				3.000	\$450,000; due 01/01/2023	450,000
				3.000	\$460,000; due 01/01/2024	460,000
				3.250	\$475,000; due 01/01/2025	475,000
				3.375	\$490,000; due 01/01/2026	490,000
				3.500	\$510,000; due 01/01/2027	510,000
				3.500	\$530,000; due 01/01/2028	530,000
				3.625	\$545,000; due 01/01/2029	545,000
				3.750	\$565,000; due 01/01/2030	565,000
3.750	\$370,000; due 01/01/2031	370,000				
		<u>6,415,000</u>				

(continued)

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
DEBT REMAINING AT JUNE 30, 2017						
BONDED DEBT--(continued)						
General Improvement	04/10/13 A	\$ 10,061,000	Sept/Mar	4.000	\$670,623; due 03/01/2018	\$ 670,623
				4.000	\$670,623 a year; due 03/01/2019-22	2,682,492
				2.000	\$670,623; due 03/01/2023	670,623
				2.125	\$670,622; due 03/01/2024	670,622
				2.250	\$670,622; due 03/01/2025	670,622
				2.375	\$670,622; due 03/01/2026	670,622
				2.500	\$670,622; due 03/01/2027	670,622
				2.750	\$670,622; due 03/01/2028	670,622
						7,376,848
School	04/10/13 A	50,549,000	Sept/Mar	4.000	\$3,369,377; due 03/01/2018	3,369,377
				4.000	\$3,369,377 a year; due 03/01/2019-22	13,477,508
				2.000	\$3,369,377; due 03/01/2023	3,369,377
				2.125	\$3,369,378; due 03/01/2024	3,369,378
				2.250	\$3,369,378; due 03/01/2025	3,369,378
				2.375	\$3,369,378; due 03/01/2026	3,369,378
				2.500	\$3,369,378; due 03/01/2027	3,369,378
				2.750	\$3,369,378; due 03/01/2028	3,369,378
						37,063,152
General Improvement	04/10/13 B	6,701,100	Sept/Mar	4.000	\$943,922; due 03/01/2018	943,922
				4.000	\$936,489; due 03/01/2019	936,489
				4.000	\$929,800; due 03/01/2020	929,800
				4.000	\$921,624; due 03/01/2021	921,624
				3.000	\$920,138; due 03/01/2022	920,138
				3.000	\$909,732; due 03/01/2023	909,732
						5,561,705
School	04/10/13 B	38,378,900	Sept/Mar	4.000	\$5,406,078; due 03/01/2018	5,406,078
				4.000	\$5,363,511; due 03/01/2019	5,363,511
				4.000	\$5,325,200; due 03/01/2020	5,325,200
				4.000	\$5,278,376; due 03/01/2021	5,278,376
				3.000	\$5,269,862; due 03/01/2022	5,269,862
				3.000	\$5,210,268; due 03/01/2023	5,210,268
						31,853,295

(continued)

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT--(continued)						
General Improvement	05/07/15 A	\$ 11,442,000	Nov/May	5.000	\$762,800 a year; due 05/01/2018-30	\$ 9,916,400
						<u>9,916,400</u>
School	05/07/15 A	48,558,000	Nov/May	5.000	\$3,237,200 a year; due 05/01/2018-30	42,083,600
						<u>42,083,600</u>
General Improvement	05/07/15 B	7,194,600	Sept/Mar	2.000	\$465,554; due 03/01/2019	465,554
				5.000	\$454,811; due 03/01/2020	454,811
				5.000	\$459,585; due 03/01/2021	459,585
				5.000	\$1,488,579; due 03/01/2022	1,488,579
				5.000	\$1,544,684; due 03/01/2023	1,544,684
				4.000	\$1,603,177; due 03/01/2024	1,603,177
				4.000	\$1,178,210; due 03/01/2025	1,178,210
						<u>7,194,600</u>
School	05/07/15 B	22,940,400	Sept/Mar	2.000	\$1,484,446; due 03/01/2019	1,484,446
				5.000	\$1,450,189; due 03/01/2020	1,450,189
				5.000	\$1,465,415; due 03/01/2021	1,465,415
				5.000	\$4,746,421; due 03/01/2022	4,746,421
				5.000	\$4,925,316; due 03/01/2023	4,925,316
				4.000	\$5,111,823; due 03/01/2024	5,111,823
				4.000	\$3,756,790; due 03/01/2025	3,756,790
						<u>22,940,400</u>
TOTAL BONDED DEBT						<u>\$ 220,635,000</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE
June 30, 2017**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
OTHER DEBT OBLIGATIONS						
Qualified Zone Academy Bonds, Series 2003	Various	\$ 1,365,000	-	None	\$20,051; due 12/23/2017	\$ 20,051
						<u>20,051</u>
Revolving Credit Agreement *	12/17/15	55,000,000	Monthly	Variable	12/17/2017	55,000,000
						<u>55,000,000</u>
TOTAL BONDS, NOTES PAYABLE AND OTHER DEBT						<u>\$ 275,655,051</u>

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

DEBT SERVICE REQUIREMENTS TO MATURITY

HAMILTON COUNTY, TENNESSEE

June 30, 2017

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS			OTHER DEBT		
		Bond Principal	Interest	Total	Note Principal	Interest (1)	Total
2018	\$ 88,620,125	\$ 24,575,000	\$ 9,025,074	\$ 33,600,074	\$ 55,020,051	-	\$ 55,020,051
2019	32,546,561	24,595,000	7,951,561	32,546,561	-	-	-
2020	29,820,254	22,920,000	6,900,254	29,820,254	-	-	-
2021	28,990,446	23,115,000	5,875,446	28,990,446	-	-	-
2022	28,098,934	23,235,000	4,863,934	28,098,934	-	-	-
2023	27,342,699	23,435,000	3,907,699	27,342,699	-	-	-
2024	20,606,789	17,590,000	3,016,789	20,606,789	-	-	-
2025	17,668,361	15,315,000	2,353,361	17,668,361	-	-	-
2026	15,582,994	13,805,000	1,777,994	15,582,994	-	-	-
2027	15,294,069	14,000,000	1,294,069	15,294,069	-	-	-
2028	9,354,469	8,570,000	784,469	9,354,469	-	-	-
2029	4,999,819	4,545,000	454,819	4,999,819	-	-	-
2030	4,800,063	4,565,000	235,063	4,800,063	-	-	-
2031	<u>383,875</u>	<u>370,000</u>	<u>13,875</u>	<u>383,875</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 324,109,458</u>	<u>\$ 220,635,000</u>	<u>\$ 48,454,407</u>	<u>\$ 269,089,407</u>	<u>\$ 55,020,051</u>	<u>\$ -</u>	<u>\$ 55,020,051</u>

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



HAMILTON COUNTY, TENNESSEE
June 30, 2017

Statistical Section

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

Contents

Page

Financial Trends

F-1

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

Revenue Capacity

F-9

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

Debt Capacity

F-16

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

Demographic and Economic Information

F-19

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

Operating Information

F-21

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

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

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

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental activities				
Net investment in capital assets	\$ 221,544,634	\$ 243,547,592	\$ 244,360,829	\$ 238,660,378
Restricted	4,252,078	-	-	52,298
Unrestricted	<u>(79,805,614)</u>	<u>(86,040,888)</u>	<u>(94,151,918)</u>	<u>(89,414,839)</u>
Total governmental activities net position	<u>\$ 145,991,098</u>	<u>\$ 157,506,704</u>	<u>\$ 150,208,911</u>	<u>\$ 149,297,837</u>
Primary government				
Net investment in capital assets	\$ 221,544,634	\$ 243,547,592	\$ 244,360,829	\$ 238,660,378
Restricted	4,252,078	-	-	52,298
Unrestricted	<u>(79,805,614)</u>	<u>(86,040,888)</u>	<u>(94,151,918)</u>	<u>(89,414,839)</u>
Total primary government net position	<u>\$ 145,991,098</u>	<u>\$ 157,506,704</u>	<u>\$ 150,208,911</u>	<u>\$ 149,297,837</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 282,129,410	\$ 241,279,539	\$ 177,199,640	\$ 143,726,882	\$ 250,836,816	\$ 245,443,716
541,385	607,360	716,194	25,363,259	26,820,351	39,198,251
<u>(102,953,837)</u>	<u>(78,744,095)</u>	<u>(76,522,919)</u>	<u>(67,221,963)</u>	<u>(71,766,690)</u>	<u>(58,222,559)</u>
<u>\$ 179,716,958</u>	<u>\$ 163,142,804</u>	<u>\$ 101,392,915</u>	<u>\$ 101,868,178</u>	<u>\$ 205,890,477</u>	<u>\$ 226,419,408</u>
\$ 282,129,410	\$ 241,279,539	\$ 177,199,640	\$ 143,726,882	\$ 250,836,816	\$ 245,443,716
541,385	607,360	716,194	25,363,259	26,820,351	39,198,251
<u>(102,953,837)</u>	<u>(78,744,095)</u>	<u>(76,522,919)</u>	<u>(67,221,963)</u>	<u>(71,766,690)</u>	<u>(58,222,559)</u>
<u>\$ 179,716,958</u>	<u>\$ 163,142,804</u>	<u>\$ 101,392,915</u>	<u>\$ 101,868,178</u>	<u>\$ 205,890,477</u>	<u>\$ 226,419,408</u>

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

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Expenses				
Governmental activities:				
General Government	\$ 57,560,303	\$ 66,599,969	\$ 61,957,402	\$ 54,450,998
Public Safety:				
Sheriff	32,646,937	31,342,346	30,250,034	29,934,441
Criminal Court	4,114,771	4,048,753	2,724,085	4,181,671
Juvenile Court	1,526,597	1,633,352	1,495,996	8,112,975
Ambulance Services	9,960,981	9,966,416	9,514,960	9,513,721
Other	36,820,123	37,949,711	37,115,919	30,292,964
Highways and streets	10,469,195	11,666,094	12,396,414	8,542,153
Health	21,162,827	21,983,102	21,133,493	21,478,078
Social Services	6,223,637	6,914,723	6,274,516	6,624,641
Culture and recreation	8,751,277	8,898,519	7,921,387	7,018,607
Education	47,868,365	24,300,782	28,300,691	32,510,412
Interest on long-term debt	7,725,168	8,264,495	7,232,360	7,770,919
Total governmental activities expenses	<u>244,830,181</u>	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</u>
Total primary government expenses	<u>244,830,181</u>	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</u>
Program Revenues				
Governmental activities:				
Charges for services				
General Government	20,689,500	20,749,436	20,414,588	19,044,471
Public Safety:				
Sheriff	668,901	550,006	785,553	1,234,909
Criminal Court	2,484,895	1,759,490	2,578,618	2,715,418
Juvenile Court	472,625	436,100	389,769	381,798
Ambulance Services	6,565,594	7,956,293	7,440,280	7,059,718
Other	2,584,732	3,182,933	2,272,222	2,278,610
Highways and streets	3,153,073	2,966,389	2,719,713	2,803,123
Health	2,264,843	2,311,092	1,915,656	1,806,662
Social Services	4,306,940	4,373,514	4,397,525	4,322,084
Culture and recreation	867,973	659,701	538,507	697,461
Education				
Operating grants and contributions	27,259,713	28,271,264	28,079,517	27,009,289
Capital grants and contributions	1,629,141	14,573,339	6,678,478	3,340,173
Total governmental activities program revenues	<u>72,947,930</u>	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</u>
Total primary government program revenues	<u>72,947,930</u>	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</u>
Net (Expenses) Revenues				
Governmental activities	<u>(171,882,251)</u>	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</u>
Total primary government net expense	<u>(171,882,251)</u>	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	139,114,401	133,609,320	131,896,902	131,026,476
Sales taxes	3,213,807	3,221,704	2,710,878	3,011,186
Business taxes	8,327,648	7,227,282	6,273,817	6,338,605
Hotel/Motel taxes	7,638,833	7,304,030	6,498,427	5,823,474
Other taxes	835,238	1,031,115	975,611	971,162
Gain/Loss on joint venture	-	(9,262)	11,842	32,625
Unrestricted investment earnings	1,073,293	899,950	551,529	525,199
Gain/Loss on disposal of property	163,425	(207,641)	98,899	1,659,848
Total general revenues	<u>160,366,645</u>	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</u>
Total primary government	<u>160,366,645</u>	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</u>
Change in Net Position				
Governmental activities	<u>(11,515,606)</u>	<u>7,297,793</u>	<u>911,074</u>	<u>1,650,711</u>
Total primary government	<u>\$ (11,515,606)</u>	<u>\$ 7,297,793</u>	<u>\$ 911,074</u>	<u>\$ 1,650,711</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 55,107,145	\$ 58,143,030	\$ 71,919,720	\$ 60,945,951	\$ 50,151,407	\$ 42,045,548
28,915,718	28,342,846	29,218,502	28,205,975	28,107,384	24,640,408
4,185,439	3,874,884	4,126,994	4,199,909	4,108,437	3,973,378
8,022,995	8,816,800	8,947,936	7,804,678	8,701,955	8,581,230
28,986,494	23,104,366	22,343,290	22,613,585	21,720,861	20,122,892
41,630,920	35,477,004	35,313,682	35,685,195	36,181,342	27,865,271
14,995,362	15,369,248	18,405,626	16,709,116	18,635,187	15,801,736
20,031,449	20,231,080	22,159,904	22,289,607	22,234,163	21,746,737
7,145,934	6,199,607	8,932,771	9,922,024	9,048,831	8,357,336
8,069,498	9,079,005	11,018,276	10,867,943	10,953,584	10,369,561
2,452,772	4,097,398	19,312,528	51,348,798	94,734,470	17,923,690
8,558,921	8,863,280	8,343,186	8,744,210	8,127,516	7,437,956
<u>228,102,647</u>	<u>221,598,548</u>	<u>260,042,415</u>	<u>279,336,991</u>	<u>312,705,137</u>	<u>208,865,743</u>
<u>228,102,647</u>	<u>221,598,548</u>	<u>260,042,415</u>	<u>279,336,991</u>	<u>312,705,137</u>	<u>208,865,743</u>
19,360,899	17,742,600	16,164,972	16,003,648	15,611,825	15,357,585
1,045,569	1,133,673	1,267,582	1,252,013	1,194,102	1,279,627
2,463,580	2,250,415	2,265,859	2,365,764	2,206,055	2,616,360
420,352	342,337	360,824	387,503	507,980	553,234
29,900,324	21,180,453	22,093,664	21,513,200	20,584,282	20,228,681
9,455,129	8,908,857	8,918,963	9,413,644	4,837,997	2,848,975
2,789,369	2,515,109	2,490,007	2,554,986	2,346,478	2,228,804
1,825,028	1,893,258	2,229,402	2,375,089	2,369,463	2,435,325
4,310,818	4,079,181	4,476,458	4,394,572	4,519,884	4,374,293
600,408	632,217	606,726	605,779	602,550	603,712
25,125,782	27,124,454	25,675,026	24,716,541	27,141,888	28,400,517
<u>3,506,316</u>	<u>11,819,153</u>	<u>23,786,966</u>	<u>3,894,488</u>	<u>68,688,249</u>	<u>8,033,704</u>
<u>100,803,574</u>	<u>99,621,707</u>	<u>110,336,449</u>	<u>89,477,227</u>	<u>150,610,753</u>	<u>88,960,817</u>
<u>100,803,574</u>	<u>99,621,707</u>	<u>110,336,449</u>	<u>89,477,227</u>	<u>150,610,753</u>	<u>88,960,817</u>
<u>(127,299,073)</u>	<u>(121,976,841)</u>	<u>(149,705,966)</u>	<u>(189,859,764)</u>	<u>(162,094,384)</u>	<u>(119,904,926)</u>
<u>(127,299,073)</u>	<u>(121,976,841)</u>	<u>(149,705,966)</u>	<u>(189,859,764)</u>	<u>(162,094,384)</u>	<u>(119,904,926)</u>
127,585,203	128,640,070	128,028,643	124,907,475	122,782,141	118,523,153
2,992,738	2,691,376	12,827,069	12,931,526	12,940,031	13,361,357
6,284,366	5,728,456	5,825,899	5,066,223	4,992,580	4,980,398
5,469,608	5,571,577	5,250,752	4,523,689	4,235,794	4,492,971
947,753	940,809	873,942	852,642	816,315	732,465
-	-	24,279	496,928	-	-
593,559	623,836	797,443	864,264	1,841,224	5,757,035
-	(366,650)	(4,397,324)	(63,805,282)	(6,042,632)	-
<u>143,873,227</u>	<u>143,829,474</u>	<u>149,230,703</u>	<u>85,837,465</u>	<u>141,565,453</u>	<u>147,847,379</u>
<u>143,873,227</u>	<u>143,829,474</u>	<u>149,230,703</u>	<u>85,837,465</u>	<u>141,565,453</u>	<u>147,847,379</u>
<u>16,574,154</u>	<u>21,852,633</u>	<u>(475,263)</u>	<u>(104,022,299)</u>	<u>(20,528,931)</u>	<u>27,942,453</u>
<u>\$ 16,574,154</u>	<u>\$ 21,852,633</u>	<u>\$ (475,263)</u>	<u>\$ (104,022,299)</u>	<u>\$ (20,528,931)</u>	<u>\$ 27,942,453</u>

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

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Undesignated	-	-	-	-
Nonspendable	1,025,249	1,390,633	1,807,295	1,461,681
Restricted	10,488	14,461	12,835	676,543
Committed	21,524	-	51,669	635,790
Assigned	4,564,021	4,644,426	4,703,014	4,388,787
Unassigned	<u>88,557,749</u>	<u>86,345,767</u>	<u>84,819,249</u>	<u>104,942,810</u>
Total General Fund	<u>\$ 94,179,031</u>	<u>\$ 92,395,287</u>	<u>\$ 91,394,062</u>	<u>\$ 112,105,611</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Undesignated, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Debt service funds	-	-	-	-
Nonspendable	750			
Restricted	4,241,590	3,896,918	3,326,363	3,699,234
Committed	208,494	25,174,169	53,325,270	22,323,862
Assigned	33,505,600	23,180,634	14,206,721	923,069
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(432,212)</u>
Total all other governmental funds	<u>\$ 37,956,434</u>	<u>\$ 52,251,721</u>	<u>\$ 70,858,354</u>	<u>\$ 26,513,953</u>

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ -	\$ -	\$ -	\$ 2,201,425	\$ 2,240,047	\$ 2,350,255
-	-	-	85,718,733	81,829,708	74,751,577
1,827,632	1,309,794	1,281,429	-	-	-
-	-	-	-	-	-
-	384,773	1,537,756	-	-	-
3,691,467	3,721,297	3,100,039	-	-	-
<u>105,650,072</u>	<u>99,015,009</u>	<u>90,048,014</u>	-	-	-
<u>\$ 111,169,171</u>	<u>\$ 104,430,873</u>	<u>\$ 95,967,238</u>	<u>\$ 87,920,158</u>	<u>\$ 84,069,755</u>	<u>\$ 77,101,832</u>
\$ -	\$ -	\$ -	\$ 16,661,834	\$ 18,080,304	\$ 61,761,770
-	-	-	5,764,206	4,772,420	5,607,353
-	-	-	(30,688,283)	(19,622,546)	(15,833,094)
-	-	-	297,560	227,025	240,340
541,385	607,360	716,194	-	-	-
12,509,279	34,122,497	3,564,407	-	-	-
17,771,050	5,427,722	5,529,977	-	-	-
-	(31,943,966)	(46,775,161)	-	-	-
<u>\$ 30,821,714</u>	<u>\$ 8,213,613</u>	<u>\$ (36,964,583)</u>	<u>\$ (7,964,683)</u>	<u>\$ 3,457,203</u>	<u>\$ 51,776,369</u>

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

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues				
Taxes	\$ 160,837,882	\$ 153,813,194	\$ 150,086,536	\$ 147,308,652
Licenses, fees, and permits	850,809	841,036	683,952	776,100
Intergovernmental	27,854,854	40,583,287	33,995,494	30,757,104
Charges for services	35,889,597	37,065,288	35,182,223	63,906,651
Fines and penalties	1,979,801	1,833,329	1,860,362	1,921,990
Investment earnings	900,151	773,982	486,521	461,792
Miscellaneous	<u>5,641,605</u>	<u>6,849,982</u>	<u>5,725,894</u>	<u>4,651,714</u>
Total revenues	<u>233,954,699</u>	<u>241,760,098</u>	<u>228,020,982</u>	<u>249,784,003</u>
Expenditures				
General government	55,057,500	50,521,960	50,747,842	50,362,251
Public Safety:				
Sheriff	34,632,708	32,324,992	31,559,793	29,259,072
Criminal Court	4,241,548	4,116,558	2,834,843	4,068,093
Juvenile Court	1,578,937	1,467,125	1,407,321	8,217,867
Ambulance Services	10,282,834	9,829,870	9,277,506	29,926,931
Other	39,361,851	38,965,775	38,997,956	37,731,583
Highways and streets	11,832,004	10,968,407	11,075,618	10,287,522
Health	23,126,860	22,688,745	22,437,799	21,540,074
Social Services	6,822,417	6,581,931	6,729,372	6,714,942
Culture and recreation	8,080,138	7,343,145	7,589,563	7,358,539
Capital Outlay:				
General government	12,684,474	38,401,652	32,471,558	11,510,232
Education	19,175,930	36,577,612	21,901,273	7,514,503
Debt service:				
Principal	24,501,928	28,477,143	59,324,643	26,665,621
Interest	<u>10,548,716</u>	<u>11,176,478</u>	<u>9,551,882</u>	<u>9,748,185</u>
Total expenditures	<u>261,927,845</u>	<u>299,441,393</u>	<u>305,906,969</u>	<u>260,905,415</u>
Excess of revenues over/(under) expenditures	<u>(27,973,146)</u>	<u>(57,681,295)</u>	<u>(77,885,987)</u>	<u>(11,121,412)</u>
Other Financing Sources (Uses)				
Transfers in	49,613,268	53,458,157	76,042,323	47,201,886
Transfers out	(49,613,268)	(53,458,157)	(76,042,323)	(47,201,886)
Issuance of debt	-	-	60,000,000	-
Issuance of line of credit	15,000,000	40,000,000	30,000,000	5,000,000
Premium from bonds	-	-	10,716,640	-
Proceeds from sale of refunding bonds	-	-	30,135,000	-
Premium on refunding bonds	-	-	5,725,718	-
Payment to refunded bonds escrow agent	-	-	(35,860,718)	-
Sale of capital assets	<u>461,602</u>	<u>75,888</u>	<u>802,199</u>	<u>2,750,091</u>
Total other financing sources (uses)	<u>15,461,602</u>	<u>40,075,888</u>	<u>101,518,839</u>	<u>7,750,091</u>
Net change in fund balances	<u>\$ (12,511,544)</u>	<u>\$ (17,605,407)</u>	<u>\$ 23,632,852</u>	<u>\$ (3,371,321)</u>
Debt service as a percentage of noncapital expenditures	15.5%	16.9%	26.1%	15.1%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 143,132,173	\$ 144,261,287	\$ 151,836,030	\$ 148,111,703	\$ 144,276,429	\$ 140,393,598
793,667	731,556	519,985	570,241	481,224	797,046
29,029,942	36,063,983	45,514,101	28,211,594	88,237,432	36,434,220
64,816,716	54,163,275	55,056,770	53,818,065	48,899,791	44,286,784
1,476,871	1,594,138	1,523,798	1,645,613	1,743,208	1,833,694
521,109	508,669	635,415	721,590	1,460,315	4,787,729
<u>4,869,399</u>	<u>7,228,358</u>	<u>7,715,385</u>	<u>5,231,714</u>	<u>3,656,393</u>	<u>5,609,073</u>
<u>244,639,877</u>	<u>244,551,266</u>	<u>262,801,484</u>	<u>238,310,520</u>	<u>288,754,792</u>	<u>234,142,144</u>
47,663,878	46,958,454	46,162,369	44,204,640	45,220,838	43,766,409
27,896,776	27,592,036	27,915,703	27,098,751	27,233,714	26,485,549
4,122,911	3,809,165	3,778,962	3,866,689	3,809,610	3,655,426
7,902,056	7,647,160	8,794,247	7,634,147	8,470,204	8,401,507
28,412,229	22,716,010	21,746,243	22,072,669	21,292,132	20,091,509
34,370,090	33,902,939	34,323,045	34,836,832	28,981,590	26,738,109
12,569,217	12,689,019	11,521,034	11,906,366	12,922,294	12,059,582
20,020,045	19,633,044	22,015,989	22,318,932	22,054,237	21,474,905
7,100,228	7,157,261	8,879,493	9,843,579	9,025,813	8,262,557
7,348,349	7,149,295	9,823,405	9,382,528	9,312,831	8,953,438
19,944,142	16,284,473	49,800,770	27,279,773	78,016,936	14,924,623
32,030,140	23,105,086	6,330,913	21,897,496	40,495,222	80,904,133
22,149,648	22,930,469	23,755,338	23,884,805	46,909,239	18,674,736
<u>9,687,025</u>	<u>8,652,232</u>	<u>9,072,871</u>	<u>9,547,473</u>	<u>8,722,581</u>	<u>5,369,261</u>
<u>281,216,734</u>	<u>260,226,643</u>	<u>283,920,382</u>	<u>275,774,680</u>	<u>362,467,241</u>	<u>299,761,744</u>
<u>(36,576,857)</u>	<u>(15,675,377)</u>	<u>(21,118,898)</u>	<u>(37,464,160)</u>	<u>(73,712,449)</u>	<u>(65,619,600)</u>
67,988,512	65,894,981	65,892,738	66,275,753	87,257,125	56,145,380
(67,988,512)	(65,894,981)	(65,892,738)	(66,275,753)	(87,257,125)	(56,145,380)
60,610,000	61,310,000	-	28,570,000	31,500,000	97,000,000
-	-	-	-	-	-
4,632,435	7,342,693	-	216,242	690,409	4,493,337
45,080,000	-	-	-	-	-
6,519,742	-	-	-	-	-
(51,163,429)	-	-	-	-	-
<u>244,508</u>	<u>664,515</u>	<u>166,078</u>	<u>1,106,435</u>	<u>170,797</u>	<u>284,250</u>
<u>65,923,256</u>	<u>69,317,208</u>	<u>166,078</u>	<u>29,892,677</u>	<u>32,361,206</u>	<u>101,777,587</u>
<u>\$ 29,346,399</u>	<u>\$ 53,641,831</u>	<u>\$ (20,952,820)</u>	<u>\$ (7,571,483)</u>	<u>\$ (41,351,243)</u>	<u>\$ 36,157,987</u>
13.9%	14.3%	14.4%	14.8%	23.3%	11.6%

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

Fiscal Year Ended June 30	Levy Year	Real Property		
		Residential Property	Commercial Property	Other Multi-Use Property
2009	2008	\$ 3,892,376,937	\$ 2,347,954,299	\$ 104,523,805
2010	2009	4,585,377,106	2,743,690,312	114,177,025
2011	2010	4,640,933,356	2,723,942,772	108,325,420
2012	2011	4,681,094,025	2,698,950,897	108,689,970
2013	2012	4,718,378,925	2,700,654,267	113,267,860
2014	2013	4,702,746,714	2,800,636,391	134,546,620
2015	2014	4,769,391,038	2,828,250,473	134,609,987
2016	2015	4,840,478,821	2,898,914,219	134,968,174
2017	2016	4,923,156,375	2,981,616,796	120,392,604
2018	2017	5,437,069,856	3,476,977,280	132,251,360

Source: Hamilton County Assessor of Property

Notes: Property in Hamilton County is reassessed once every four years. The County assesses property at 25% of actual value for residential property, 40% of actual value for commercial property and 30% of actual value for other multi-use property and personalty property. The public utilities assessments are made by the State of Tennessee for all counties and cities in the state. The Electric Power Board (EPB) is not included in these totals. The assessed and estimated values for the EPB for fiscal year 2018 are \$424,414,290 and \$771,662,345 respectively. Assessments for tax exempt properties are excluded from total taxable assessed value. The Hamilton County Tax Assessor does not maintain assessments for these properties. The current levy year assessed value for Public Utilities is not available. The amount reported is an estimate.

	<u>Personalty Property</u>	<u>Public Utilities Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>
\$	556,193,467	\$ 306,586,243	\$ 7,207,634,751	\$ 3.1540	\$ 24,199,213,935
	616,574,058	340,109,973	8,399,928,474	2.7652	28,254,952,916
	600,198,491	304,075,212	8,377,475,251	2.7650	28,288,200,746
	602,424,839	315,421,659	8,406,581,390	2.7650	28,415,629,965
	634,320,306	323,769,821	8,490,391,179	2.7650	28,705,784,323
	628,761,261	317,189,690	8,583,880,676	2.7652	28,930,431,362
	635,961,929	332,475,202	8,700,688,629	2.7652	29,321,263,755
	632,734,311	330,679,765	8,837,775,290	2.7652	29,769,445,051
	661,655,590	330,127,803	9,016,949,168	2.7652	30,353,494,803
	710,444,679	330,000,000	10,086,743,175	2.7652	33,849,709,421

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

Fiscal Year Ended June 30	County Direct Rates				Chattanooga	East Ridge
	General Government	Department of Education	District Road	Total Direct Rate		
2008	1.5759	1.5655	0.0126	3.1540	2.2020	1.0770
2009	1.5759	1.5655	0.0126	3.1540	2.2020	1.2870
2010	1.3816	1.3726	0.0110	2.7652	1.9390	1.1227
2011	1.3816	1.3726	0.0110	2.7652	2.3090	1.4200
2012	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2013	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2014	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2015	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2016	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227
2017	1.5050	1.2503	0.0099	2.7652	2.2770	1.3381

Source: Hamilton County Trustee's Office

Overlapping Rates							
<u>Red Bank</u>	<u>Lookout Mountain</u>	<u>Signal Mountain</u>	<u>Collegedale</u>	<u>Soddy-Daisy</u>	<u>Lakesite</u>	<u>Ridgeside</u>	<u>Walden</u>
1.2600	1.8000	1.7750	1.2000	0.7800	0.2900	1.6000	0.5000
1.2600	1.8000	1.7750	1.3200	0.7800	0.2900	1.8000	0.5000
1.1001	1.4700	1.5134	1.1500	0.6860	0.2400	1.6070	0.4300
1.1001	1.4700	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
1.3500	1.6200	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
1.3561	1.6200	1.5684	1.3713	1.3524	0.2352	1.9063	0.4290
1.3500	1.6600	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
1.3500	1.7430	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
1.3500	1.8300	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
1.1826	1.8300	1.5665	1.2594	1.3524	0.2150	2.7310	0.3853

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	\$ 424,414,290	1	4.35%	\$ 214,401,205	1	3.11%
Volkswagen Chattanooga	236,671,697	2	2.43%	-		-
Tennessee Valley Authority	169,328,148	3	1.74%	124,099,022	2	1.80%
CBL Properties	107,469,948	4	1.10%	72,720,787	4	1.05%
Blue Cross Blue Shield of Tennessee	91,799,837	5	0.94%	-		-
Tennessee-American Water Co.	63,449,003	6	0.65%	48,115,280	5	0.70%
McKee Foods Corporation	62,071,658	7	0.64%	44,143,405	6	0.64%
Bellsouth Telecommunications	59,183,211	8	0.61%	73,700,075	3	1.07%
Walmart	45,436,758	9	0.47%	-		-
Norfolk Southern	40,479,944	10	0.41%	-		-
Chattanooga Gas Co.	-		-	38,924,574	7	0.56%
UnumProvident Corporation	-		-	36,046,459	8	0.52%
E. I. DuPont	-		-	30,430,470	9	0.44%
Kenco Group	-		-	29,433,150	10	0.43%
	<u>\$ 1,300,304,494</u>		<u>13.34%</u>	<u>\$ 712,014,427</u>		<u>10.32%</u>

Source: Hamilton County Trustee & Hamilton County Assessor of Property

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

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
2008	\$ 211,448,308	\$ 201,229,831	95.167%	\$ 10,074,014	\$ 211,303,845	99.932%
2009	217,659,937	205,689,580	94.500%	11,165,728	216,855,308	99.630%
2010	222,870,484	210,841,565	94.603%	10,783,234	221,624,799	99.441%
2011	223,245,685	210,215,791	94.163%	11,620,025	221,835,816	99.368%
2012	223,736,777	211,687,655	94.615%	10,483,716	222,171,371	99.300%
2013	225,823,440	213,711,111	94.636%	10,779,256	224,490,367	99.410%
2014	228,590,172	217,614,995	95.199%	8,723,546	226,338,541	99.015%
2015	231,397,863	221,090,224	95.545%	6,873,742	227,963,966	98.516%
2016	235,238,229	224,830,856	95.576%	6,907,798	231,738,654	98.512%
2017	240,208,002	231,560,395	96.400%	-	231,560,395	96.400%

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

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income	Total Debt Per Capita
	General Obligation Bonds	Notes Payable	Net Deferred Premium	Short-Term Obligation			
2008	\$ 188,260,000	\$ 12,649,202	\$ 7,155,506	\$ 25,000,000	\$ 233,064,708	1.85%	\$ 706
2009	200,110,000	10,389,963	6,996,505	46,560,000	264,056,468	2.09%	793
2010	206,960,000	8,030,725	6,478,763	43,060,000	264,529,488	2.15%	785
2011	185,550,000	5,677,713	5,641,678	64,616,000	261,485,391	2.02%	777
2012	223,705,000	4,170,834	12,891,039	28,556,000	269,322,873	1.98%	790
2013	263,545,000	2,614,726	20,111,397	-	286,271,123	1.97%	828
2014	238,300,000	6,193,607	18,050,485	-	262,544,092	1.78%	753
2015	272,965,000	668,964	29,918,021	-	303,551,985	2.00%	864
2016	245,030,000	40,126,979	26,759,635	-	311,916,614	2.00%	881
2017	220,635,000	55,020,051	23,664,248	-	299,319,299	1.83%	837

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Note Principal</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Bonded Debt Per Capita</u>
2008	\$ 188,260,000	\$ 37,649,202	0.93%	\$ 684
2009	200,110,000	56,949,963	0.91%	772
2010	206,960,000	51,090,725	0.91%	765
2011	185,550,000	70,293,713	0.90%	760
2012	223,705,000	32,726,834	0.89%	752
2013	263,545,000	2,614,727	0.92%	770
2014	238,300,000	6,193,607	0.83%	701
2015	272,965,000	669,043	0.92%	779
2016	245,030,000	40,126,979	0.94%	805
2017	220,635,000	55,020,051	0.70%	771

Schedule XI
Hamilton County, TN
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Chattanooga	\$ 157,549,257	58.310%	\$ 91,866,972
Town of East Ridge	8,329,198	3.794%	316,010
Town of Red Bank	309,000	2.113%	6,529
Town of Lookout Mountain	-	1.213%	-
Town of Signal Mountain	1,641,873	2.988%	49,059
Town of Collegedale	1,590,407	3.260%	51,847
Town of Soddy Daisy	-	2.641%	-
Town of Walden	-	0.847%	-
Other debt			
City of Chattanooga	180,546,517	58.310%	105,276,674
Town of East Ridge	-	3.794%	-
Town of Red Bank	459,200	2.113%	9,703
Town of Lookout Mountain	-	1.213%	-
Town of Signal Mountain	-	2.988%	-
Town of Collegedale	306,754	3.260%	10,000
Town of Soddy Daisy	-	2.641%	-
Town of Walden	-	0.847%	-
Subtotal, overlapping debt			197,586,794
Hamilton County direct debt			275,655,051
Total direct and overlapping debt			\$ 473,241,845

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

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

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
2007	330,168	\$ 12,598,201	\$ 38,157	3.9%
2008	332,848	12,664,312	38,048	5.8%
2009	337,175	12,315,482	36,525	9.8%
2010	336,463	13,243,679	38,520	8.7%
2011	340,855	14,367,924	39,921	8.3%
2012	345,545	15,301,630	41,974	8.5%
2013	348,673	15,220,417	43,652	7.2%
2014	351,220	15,738,925	44,812	6.1%
2015	354,098	16,451,482	46,460	4.9%
2016	357,738	16,375,582	45,775	4.1%

Sources: Personal income and per capita income information provided by the Chamber of Commerce: Bureau of Economic Analysis (BEA). For 2016, personal income and per capita income were interpolated based on percentage increases reported by Metropolitan areas in the BEA. Personal income and per capita income were updated to actuals as reported by BEA for 2010-2015. 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

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Blue Cross Blue Shield of Tennessee	5,970	1	3.03%	4,801	1	2.50%
Hamilton County Department of Education	4,548	2	2.31%	4,296	2	2.24%
Erlanger Health System	4,451	3	2.26%	3,621	3	1.88%
Tennessee Valley Authority	3,519	4	1.79%	3,500	4	1.82%
Volkswagen Chattanooga	3,100	5	1.57%	-	-	-
McKee Foods Corporation	2,900	6	1.47%	3,200	5	1.67%
UnumProvident Corporation	2,800	7	1.42%	2,800	6	1.46%
Memorial Health Care System	2,516	8	1.28%	2,609	7	1.36%
Amazon.comdedc LLC	2,289	9	1.16%	-	-	-
City of Chattanooga	2,279	10	1.16%	2,317	8	1.21%
CIGNA Health Care System	-	-	-	1,850	9	0.96%
Hamilton County Government	-	-	-	1,781	10	0.93%
Total	<u>34,372</u>		<u>17.45%</u>	<u>30,775</u>		<u>16.03%</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, 2017

<u>Function/Program</u>	<u>Full-time Equivalent Employees</u>									
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Government	623	622	637	649	654	659	718	751	754	769
Public Safety ¹	726	713	698	662	656	652	500	534	447	384
Highways and Streets	94	88	90	95	98	97	98	97	125	130
Health ²	252	259	265	269	269	267	267	277	291	262
Social Services ³	-	-	-	-	-	-	-	58	108	108
Culture and Recreation	84	83	82	90	85	91	92	88	98	81
Total	<u>1,779</u>	<u>1,765</u>	<u>1,772</u>	<u>1,765</u>	<u>1,762</u>	<u>1,766</u>	<u>1,675</u>	<u>1,805</u>	<u>1,823</u>	<u>1,734</u>

Source: Hamilton County Human Resources Department

Notes: Full time equivalents (FTE)

Full time - 1 full time equivalent - these are permanent employees who earn pension and leave time

Skimp - .63 full time equivalent - these are permanent employees who do not work more than 1,300 hours a year, earn leave time but do not participate in pension

Part time - .5 full time equivalent - these are permanent employees who do not work more than 1,040 hours a year and do not participate in pension nor earn leave time

Temporary - .5 full time equivalent - these employees do not have permanent status, do not work more than 1,040 hours a year and do not participate in pension nor earn leave time

¹ The 2012 increase in the number of employees in Public Safety was due to the consolidation of the City and County 911 service.

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

³ Social Services department was dissolved in June 2011.

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

<u>Function/Program</u>	<u>2017</u>	<u>2016</u>
General Government		
County Clerk (DMV) - transactions processed	384,941	395,979
Register - documents recorded	69,783	67,189
Recycling - tons collected	2,171	2,099
1 Election Commission - registered voters	115,112	186,384
Election Commission - votes cast in last election	21,517	29,100
Purchasing - bids posted	121	184
Public Safety		
Building Inspections - permits issued	1,306	1,193
Building Inspections - inspections and investigations	14,405	12,020
2 Building Inspections - applications for new/existing septic system	624	593
Jail - average number inmates housed	558	539
Sheriff's Dept - physical arrests	7,522	7,895
Juvenile Court Judge - cases heard	5,552	5,625
Criminal Court Judge - cases heard	3,313	3,389
Ambulance Services - responded calls	24,417	23,257
Police Protection (Sworn, Correctional, Civilian and Others)	413	390
Highways and Streets		
Engineering Services - projects administered	34	31
3 Highways & Streets - bridges maintained	67	67
Health		
Health Dept - patients seen	25,397	29,995
Community Services (formerly Social Services)		
4 Emergency Assistance Program of Financial Services - households served	314	371
4 Emergency Assistance Program of Financial Services - number of services	473	512
Chancery Court Judge - cases heard	2,581	2,489
Circuit Court Judge - cases heard	5,343	5,077
Culture & Recreation		
Number of Facilities Maintained	32	32
5 Number of Programs Offered	26	34
Education		
Public School Enrollment	43,669	43,319
Private School Enrollment	10,335	10,241

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

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

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

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

⁴ Note on Emergency Assistance Program - From 2015 - 2016 the number of households served and services rendered both increased due to program policy revision's.

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

Fiscal Year							
<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
361,666	400,000	411,547	368,604	326,795	328,766	347,946	366,029
66,254	69,147	65,559	65,953	63,309	67,824	73,441	79,036
2,104	2,239	2,189	3,006	3,910	3,137	3,157	2,235
207,044	206,444	220,480	216,003	210,160	207,961	205,382	184,792
83,193	53,685	142,161	50,562	87,817	51,805	148,480	74,417
137	132	168	144	147	173	164	190
1,069	1,149	1,424	983	950	909	998	1,420
12,684	12,540	12,216	12,000	11,445	11,210	15,051	22,214
438	378	351	333	702	1,166	467	2,250
535	635	522	519	514	525	555	592
6,872	6,175	8,080	7,865	8,016	7,558	7,002	6,654
5,385	5,346	5,522	6,496	6,463	6,325	7,287	7,618
3,512	3,522	4,137	3,762	3,932	4,355	3,583	3,907
22,632	21,462	22,278	22,942	22,944	22,247	21,580	21,382
387	387	373	395	371	378	401	361
58	73	77	89	72	74	56	70
67	67	67	67	67	67	81	81
31,490	33,004	34,892	37,274	40,055	59,096	43,467	44,452
370	351	319	367	432	503	488	448
446	443	403	450	528	620	607	645
2,073	2,330	2,430	2,297	2,300	2,241	2,383	2,253
5,471	5,514	3,578	3,371	3,461	3,846	3,016	2,925
32	32	32	32	32	32	32	34
22	14	14	13	17	17	17	15
43,511	42,141	42,525	42,435	42,236	41,950	41,372	40,578
10,474	10,372	10,456	10,377	10,439	10,606	10,514	10,813

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

	Fiscal Year			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Function/Program</u>				
General Government				
Libraries	9	9	9	9
Recycling Stations	5	5	5	5
Telecommunications locations supported ¹	119	212	212	212
Election Commission ballot boxes	127	127	127	127
Public Safety				
Volunteer Fire Stations	18	18	18	18
Ambulance Stations	15	15	15	15
Sheriff Patrol vehicles ²	276	285	260	262
Highways and Streets				
Miles of paved streets	2,631	2,665	2,665	2,665
Health				
Healthcare Systems	4	4	4	5
Culture & Recreation				
Number of Parks	122	122	122	122
Golf Courses	21	21	21	21
Recreation Centers	16	16	16	16
Theaters	17	17	17	17
Bowling Alleys	4	4	3	3

Sources: CAFR from prior years and various department personnel

¹ The County Telecommunications Department discontinued servicing the Hamilton County Department of Education in January 2017.

² The fluctuation in the number of Sheriff patrol cars is due to cars being received in one year but not stripped and surplus until the next fiscal year.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
9	9	9	9	9	9
5	6	6	6	6	6
224	224	223	208	202	202
127	127	125	125	125	125
18	18	18	18	17	17
15	15	15	15	15	15
241	247	271	262	244	225
2,665	2,624	2,622	2,380	2,380	2,380
5	5	5	5	5	5
122	122	122	90	90	98
21	21	21	21	21	21
16	15	15	15	16	17
17	17	17	17	15	15
3	3	3	3	3	3

Schedule XVII
Hamilton County, TN
Salaries and Surety Bonds of Principal Officers
Fiscal Year ended June 30, 2017

Official Title	<u>Salary</u>	<u>Bond</u>
County Mayor	\$ 163,446	\$ 100,000
Superintendent of Schools	160,000	400,000
Medical Examiner	188,967	N/A
County Attorney	159,534	N/A
Finance Administrator	139,227	N/A
County Auditor	117,618	N/A
County Commissioners:		
Chester Bankston, <i>Chairman</i>	27,786	N/A
Gregory Beck, <i>Chairman, Pro Tempore</i>	25,286	N/A
Tim Boyd	22,786	N/A
Randy Fairbanks	22,786	N/A
James A. Fields	22,786	N/A
Joe Graham	22,786	N/A
Warren Mackey	22,786	N/A
Greg Martin	22,786	N/A
Sabrena Smedley	22,786	N/A
Constitutional Offices		
Assessor of Property	\$ 120,013	\$ 50,000
Circuit Court Clerk	114,013	100,000
Clerk and Master	114,013	100,000
County Clerk	114,013	100,000
Criminal Court Clerk	114,013	100,000
Juvenile Court Judge	170,520	100,000
Juvenile Court Clerk	114,013	100,000
Register	114,013	100,000
Sheriff	125,414	100,000
Trustee	114,013	13,056,188

Note: Hamilton County Department of Education eliminated surety bonds in fiscal year 2017 and now has a blanket bond for \$400,000 that covers all elected officials, school directors, bookkeepers and finance directors.

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF JUSTICE				
Justice for Families Program	16.021	2014-FJ-AX-0029	\$ 61,371	\$ 61,371
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0162	-	17,450
2014 Justice Assistance Grant Program	16.738	2014-DJ-BX-1123	-	4,415
2016 Justice Assistance Grant Program	16.738	2016-DJ-BX-1123	-	42,324
Total JAG Program			-	46,739
Public Safety Partnership and Community Policing Grants	16.710	2013ULWX0019	-	273,065
Public Safety Partnership and Community Policing Grants	16.710	2016ULWX0038	-	43,800
Total Public Safety			-	316,865
Total U.S. Department of Justice			61,371	442,425
U.S. DEPARTMENT OF AGRICULTURE				
Passed through the Tennessee Commission on Children and Youth Supplemental Nutrition program for Women, Infants and Children	10.557	GG-15-43833-00	77,156	1,651,330
Total U.S. Department of Agriculture			77,156	1,651,330
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Tennessee Department of Human Services Child Support Program Title IV-D	93.563	GG-14-36014-03	\$ -	\$ 201,451
	93.563	GG-13-39307-04	-	343,882
Total Child Support			-	545,333
Social Services Block Grant	93.667	Z-17-49306	-	58,293
Social Services Block Grant	93.667	Z-16-49307	300,243	197,841
Total Social Services Block Grant			300,243	256,134

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS--(continued)
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through the Tennessee Department of Health				
		GG-16-47101-00		
Maternal, Infant and Early Childhood Home Visiting Program	93.505	GG-15-42354-00	-	374,890
Welcome Baby Project	93.505	GG-17-50185-00	-	1,148
Welcome Baby Project	93.505	GG-16-46131-00	-	6,720
Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.505	GG-15-40658-00	-	<u>40,232</u>
Total Affordable Care Act Cluster			-	<u>422,990</u>
Public Health Emergency Preparedness	93.069	GG-16-46676-00	-	542,010
Project Grants and Cooperative Agreements: Tuberculosis Control	93.116	GG-16-41300-00	-	288,150
Centers for Disease Control and Prevention: Injury Prevention and Control Research and State and Community-Based Programs	93.136	GG-15-44305-00	-	24,760
Grant to Health Center Program	93.224	H80CS00023-12-00	-	1,474,664
Immunization Cooperative Agreements	93.268	GG-17-54231-00		
	93.268	GG-16-49120-00	-	178,907
Preventive Health and Health Services Block Grant	93.758	GG-16-46184-00	-	87,267
	93.758	GG-17-49612-00	-	<u>34,433</u>
Total Preventive Health and Health Services Block Grant			-	<u>121,700</u>
HIV Care Formula Grants	93.917	GG-17-53478-00		
	93.917	GG-16-48861-00	-	193,641
Preventive Health Services Grant:	93.977	GG-17-52496-00		
Sexually Transmitted Diseases Control	93.977	GG-16-48467-00	-	188,020
Assistance Programs for Chronic Disease Prevention and Control	93.945	GG-14-40752-00	-	67,844
	93.940			
	93.944	GG-15-44022-00		
HIV Prevention Activities - Health Department Based	93.977	GG-16-48467-00	-	134,954
Maternal and Child Health Services Cluster:				
Maternal & Child Health Services Block Grant - States and Localities	93.994	GG-15-42152-00	-	53,209
Maternal & Child Health Services Block Grant	93.994	GU-16-44804-00	-	13,100
		GG-16-45363-00		
Prevention and Treatment of Substance Abuse Block Grant	93.994	GG-15-43214-00	-	202,198
Family Planning Services and Maternal & Child Health Services Block Grant to the State	93.994	GG-13-38855-00	-	<u>351,206</u>
Total Maternal and Child Health Services Cluster			-	<u>619,713</u>
Total U.S. Department of Health and Human Services			<u>300,243</u>	<u>5,058,820</u>

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS--(continued)

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through the Tennessee Emergency Management Agency				
Emergency Management Performance Grants	97.042	None	\$ -	\$ 158,276
Port Security Grant Program	N/A	EMW-2015-PU-00233	-	76,847
Homeland Security Grant Program	97.067	EMW-2015-SS-00023 EMW-2016-SS-00032	65,080 -	50,274 46,080
Total Homeland Security Grant Program			<u>65,080</u>	<u>96,354</u>
Public Assistance Disaster Grant	N/A	N/A	-	38,352
Public Assistance Disaster Grant	N/A	N/A	-	6,750
			<u>-</u>	<u>45,102</u>
Total U.S. Department of Homeland Security			<u>65,080</u>	<u>376,579</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through the Tennessee Department of Transportation				
Highway and Planning Construction	20.205	STP-M-9202(106)	-	962,498
Alcohol Open Container Requirements	20.607	154AL-15-64	-	23,198
National Priority Safety Programs	20.616	47353	-	22,869
National Priority Safety Programs	N/A	M5HVE-16-10	-	9,101
Total National Priority Safety Programs			<u>-</u>	<u>31,970</u>
State and Community Highway Safety	20.600	None	-	72,209
Total Highway Safety Cluster			<u>-</u>	<u>104,179</u>
Total U.S. Department of Transportation			<u>-</u>	<u>1,089,875</u>
Total Expenditures of Federal Awards-Primary Government			<u>\$ 503,850</u>	<u>\$ 8,619,029</u>

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS--(continued)

Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
COMPONENT UNITS				
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster:				
Passed through Tennessee Department of Agriculture:				
Food Donation (Noncash - Food Commodities)	10.555	None	\$ -	\$ 1,944,616
Passed through Tennessee Department of Education:				
School Breakfast Program	10.553	None	-	4,005,556
National School Lunch Program	10.555	None	-	12,349,462
Total Child Nutrition Cluster			-	18,299,634
Equipment Grant - HHFKA 201 Fund	10.579	None	-	25,000
Fresh Fruit and Vegetable Program	10.582	None	-	140,543
Total U.S. Department of Agriculture			-	18,465,177
U.S. DEPARTMENT OF EDUCATION				
Passed through Tennessee Department of Education:				
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	None	-	13,040,153
Focus Hixson Middle	84.010	None	-	94,624
Total Title I			-	13,134,777
Title II Part A Teacher and Principal Training and Recruiting	84.367	None	-	2,056,217
English Language Acquisition Grants	84.365	None	-	268,108
Career and Technical Education- Basic Grants to States	84.048	None	-	777,188
CTE Incentive Grant	84.048A	None	-	2,500
Total Career and Technical Education			-	779,688
Homeless Mckinney Vento	84.196A	None	-	64,089
Twenty-First Century Community Learning Centers	84.287	None	-	555,638
Impact Aid	84.041	None	-	16,490
Special Education Cluster:				
Special Education- Grants to States	84.027	None	-	9,372,436
Special Education- Preschool Grants	84.173	None	-	193,911
Total Special Education Cluster			-	9,566,347
School Improvement Grants	84.377	None	-	1,142,605
Read to be Ready Summer Program	93.575	None	-	174,185
National Science Foundation Project Inspire	47.076	None	-	163,416
Total U.S. Department of Education			-	27,921,560
Total Expenditures of Federal Awards-Component Units			-	46,386,737
Total Expenditures of Federal Awards- Reporting Entity			\$ 503,850	\$ 55,005,766

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
STATE GRANTS				
Board of Probation and Payroll	N/A	41921	\$ -	\$ 277,445
Juvenile Detention Unit	N/A	39565	-	9,000
Governor's Highway Child Safety Program	N/A	N/A	-	6,150
Child Welfare Research and Demonstration - Casa Program	93.608	DGA25171	-	18,000
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	GG-16-41300-00	-	96,050
TN Dept. of Mental Health & Substance Abuse Services-Recovery Court Program	N/A	504995	-	399,062
TN Dept. of Health - Immunization Cooperative Agreements	93.268	GG-17-54231-00		
	93.268	GG-16-49120-00	-	84,192
TN Dept. of Health - Family Planning Services and Maternal & Child Health Services Block Grant to the State	93.994	GG-13-38855-00	-	26,435
TN Dept. of Health - Grant to Health Center Program	93.224	H80CS00023-12-00	-	120,931
TN Dept. of Health - HIV Prevention Activities - Health Department Based	93.940			
	93.944	GG-15-44022-00		
	93.977	GG-16-48467-00	-	47,416
TN Dept. of Health - Preventive Health Services Grant:	93.977	GG-17-52496-00		
Sexually Transmitted Diseases Control	93.977	GG-16-48467-00	-	59,375
TN Dept. of Health - Prevention and Treatment of Substance Abuse Block Grant	93.994	GG-16-45363-00		
	93.994	GG-15-43214-00	-	92,551
TN Dept. of Health - Safety Net Primary Care Services	N/A	GG-17-51802-00	-	13,575
TN Dept. of Health - Safety Net Dental Services	N/A	GG-17-52166-00	-	10,350
TN Dept. of Health - Grant in Aid	N/A	GG-17-51810-00	-	460,194
TN Dept. of Health - Environmental Health Programs	N/A	GU-09-26086-00	-	274,118
TN Dept. of Health - HUGS	N/A	GG-14-35571-00	-	347,339
TN Dept. of Health - Dental Prevention	N/A	GG-1751750-00	-	338,565
TN Dept. of Health - Fetal Infant Mortality Review	N/A	GG-17-43902-00	-	221,241
TN Dept. of Health - TENNdercare Community Outreach	N/A	GG-17-50185-00	-	333,267
TN Dept. of Transportation	N/A	Z17LIT033	-	176,824
TN Dept. of Transportation	N/A	Z16LIT033	-	108,900
TN Dept. of Economic & Community Development	N/A	50516	-	9,871
TN Dept. of Environment & Conservation - Equestrian Trails	N/A	48021	-	42,184
TN Dept. of Environment & Conservation - Recycling & Waste Oil	N/A	N/A	-	24,982
TN Dept. of Education - Tennessee Arts Commission	N/A	N/A	-	5,605
TN Dept. of Education - Family Resource Centers	N/A	N/A	-	26,718
TN Dept. of Education - Coordinated School Health	N/A	N/A	-	178,848
TN Dept. of Education - Safe Schools	N/A	N/A	-	160,192
TN Dept. of Education - Read to be Ready Coaching Network	N/A	N/A	-	5,000
TN Dept. of Education - Pre-K Pilot and Expansion	N/A	N/A	-	2,675,517
Total Expenditures of State Awards			-	6,649,897
Total Expenditures of Federal and State Awards			\$ 503,850	\$ 61,655,663



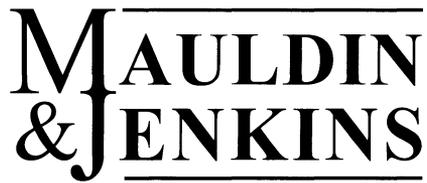
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2017

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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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. INDIRECT COST RATE

The County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County Tennessee (the "County") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2017. Our report includes a reference to other auditors who audited the financial statements of the Hamilton County "911" Emergency Communications District as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Our report also includes a reference to the implementation of GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, as of July 1, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

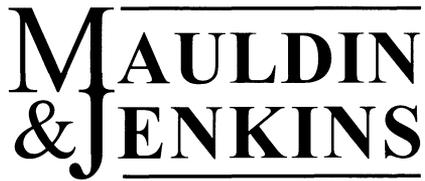
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Purpose of this Report

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

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
December 29, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Hamilton County Tennessee's (the "County's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hamilton County, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as 2017 – 001 that we consider to be a material weakness.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Chattanooga, Tennessee
December 29, 2017

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial
Statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? X yes ___ no

Significant deficiency(ies) identified? ___ yes X none reported

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
10.557	Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between
Type A and Type B programs: \$1,650,173

Auditee qualified as low-risk auditee? X yes ___ no

HAMILTON COUNTY, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION II
FINANCIAL STATEMENT FINDINGS**

None

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

2017 – 001. Eligibility Determination

Program: CFDA 10.557

Program Title: Supplemental Nutrition Program for Women, Infants, and Children

Criteria: Internal controls should be in place to ensure compliance with eligibility requirements.

Condition: Internal controls were not sufficient to ensure compliance with requirements related to determining eligibility for the Supplemental Nutrition Program for Women, Infants, and Children.

Context/Cause: During our Single Audit testing, we noted the County relies on the State's computer system to properly determine eligibility. Copies of proof of eligibility are not maintained, and there is no review of eligibility determinations by a member of management.

Questioned Costs: None

Effects: The County could incorrectly determine eligibility requirements are met resulting in a misuse and/or loss of funds.

Recommendation: We recommend the County implement a management review process of eligibility determinations or maintain supporting documentation of proof of eligibility.

Auditee's Response: The County agrees with this finding. Procedures will be put in place to ensure eligibility is properly determined for the Supplemental Nutrition Program for Women, Infants, and Children.

HAMILTON COUNTY, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

None reported



HAMILTON COUNTY, TENNESSEE

MANAGEMENT'S CORRECTIVE ACTION PLAN For the Fiscal Year Ended June 30, 2017

We have reviewed the finding as outlined in Section III, Federal Awards Findings and Questioned Costs, as documented on page G-12. The response of County management is as follows:

The County Health Department complies with all Federal and State guidelines associated with the WIC program, including the verification of requirements for eligibility. This issue deals with maintaining copies of each participant's proof of eligibility, which is not required by Federal or State guidelines. We will consider the relative cost benefits of retaining such information in the future.





COVER PHOTO:

Portion of the newest section of the Tennessee Riverwalk, passing in front of Cameron Harbour Homes near Blue Goose Hollow

INSIDE FRONT & BACK COVERS:

The Water Fountain at Miller Plaza in Downtown Chattanooga

PAGE 3 — Participants in the 2017 Heroes Run, listening to the Mayors of Hamilton County and the City of Chattanooga as well as the CEO of Erlanger Hospital, prior to beginning of the run

PAGE 4 — Some of the cycles for rent at Rock Creek Outfitters Shop at the Tennessee Riverpark's Fry Center

PAGE 5 — Sunset at the Chattanooga Pier

PAGE 6 — The Fountain and Carousel Building at Coolidge Park

PAGE 9 — Wolftever Creek Elementary School

PAGE 11 — The Blue Trees Project along a portion of the Tennessee Riverwalk

PAGE 13 — New addition to Sale Creek Middle/High School

PAGE 15 — Athletes crossing the Walnut Street Bridge during the run portion of the 2017 IronMan 70.3 World Championships

PAGE 16 — Dancers at the 2017 Latin Festival

PAGES 18 AND 19 — UTC Rowers out on the Tennessee River for an afternoon of practice

PAGE 20 — Highway Department employees at work on paving project on Signal Mountain

PAGE v — "American Queen" Riverboat on one of her visits to Ross' Landing

PAGE vii — A portion of the County wetlands which are a part of Enterprise South Nature Park and maintained with the assistance of Volkswagen's Environmental Team

PAGE xii — Roald Dahl's Willy Wonka performed at the Signal Mountain Playhouse

PAGE xiii — Section of the Tennessee Riverwalk

PAGE xiv — Daniela Ryf of Switzerland crosses the finish line to claim her third IronMan 70.3 World Championship crown

PAGE xv — Portion of the EPB Christmas windows

PAGE xvii — New addition to Dallas Bay Volunteer Fire Department Station #2

PAGE xix — Holmberg Glass Bridge and view of the Tennessee Aquarium, which celebrated it's 25th Anniversary this year

PAGE xx — "Children Playing in a Tree" sculpture at the Bonny Oaks Arboretum

BACK COVER: Water Fountain at the Bonny Oaks Arboretum

Special thanks to Shelia Cannon of the Hamilton County Finance Division for her photo contributions to the 2017 CAFR.

**HAMILTON COUNTY
FINANCE DIVISION**

455 North Highland Park Avenue
Chattanooga, Tennessee 37404
423-209-6330
www.hamiltontn.gov