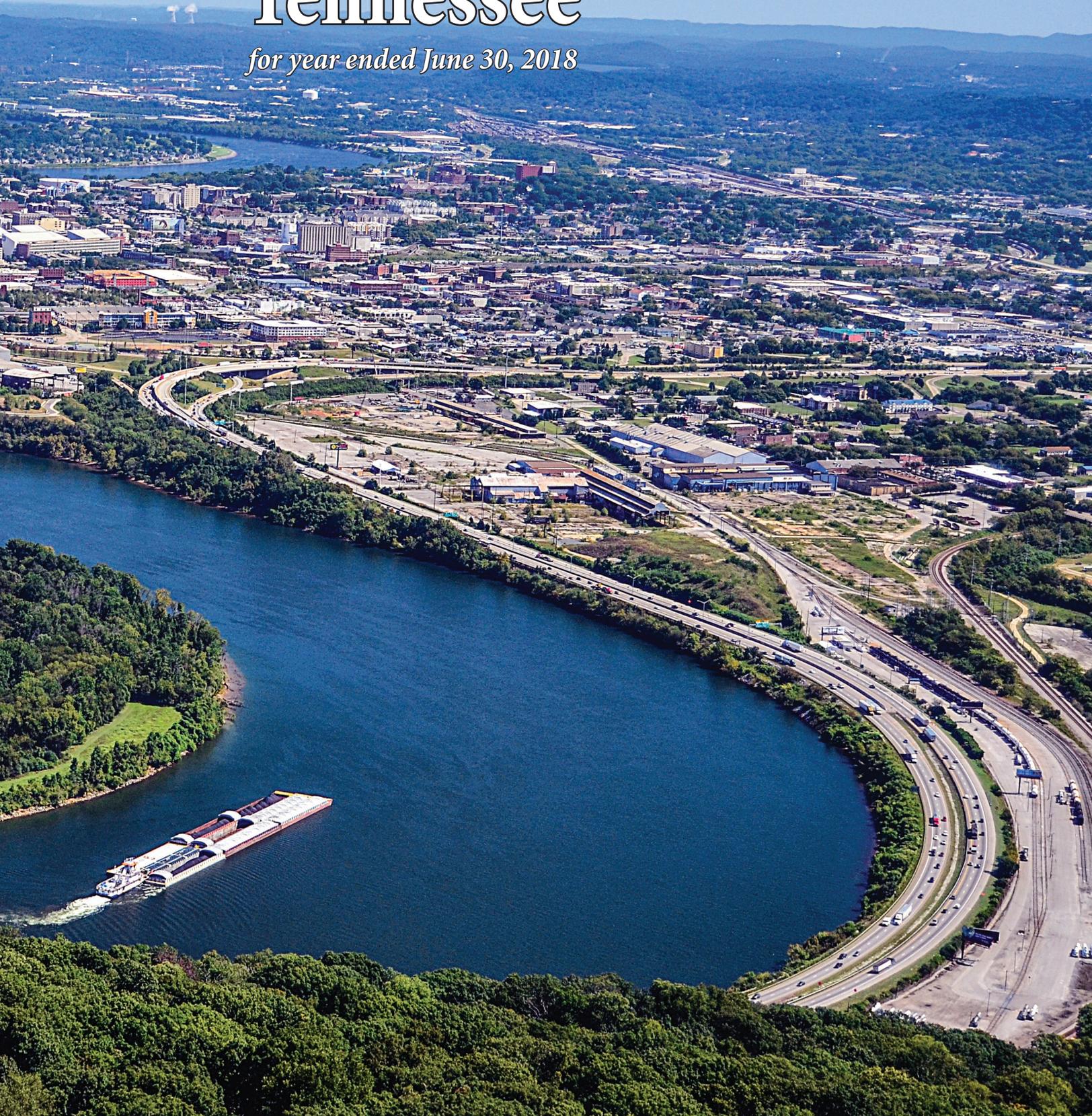


COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

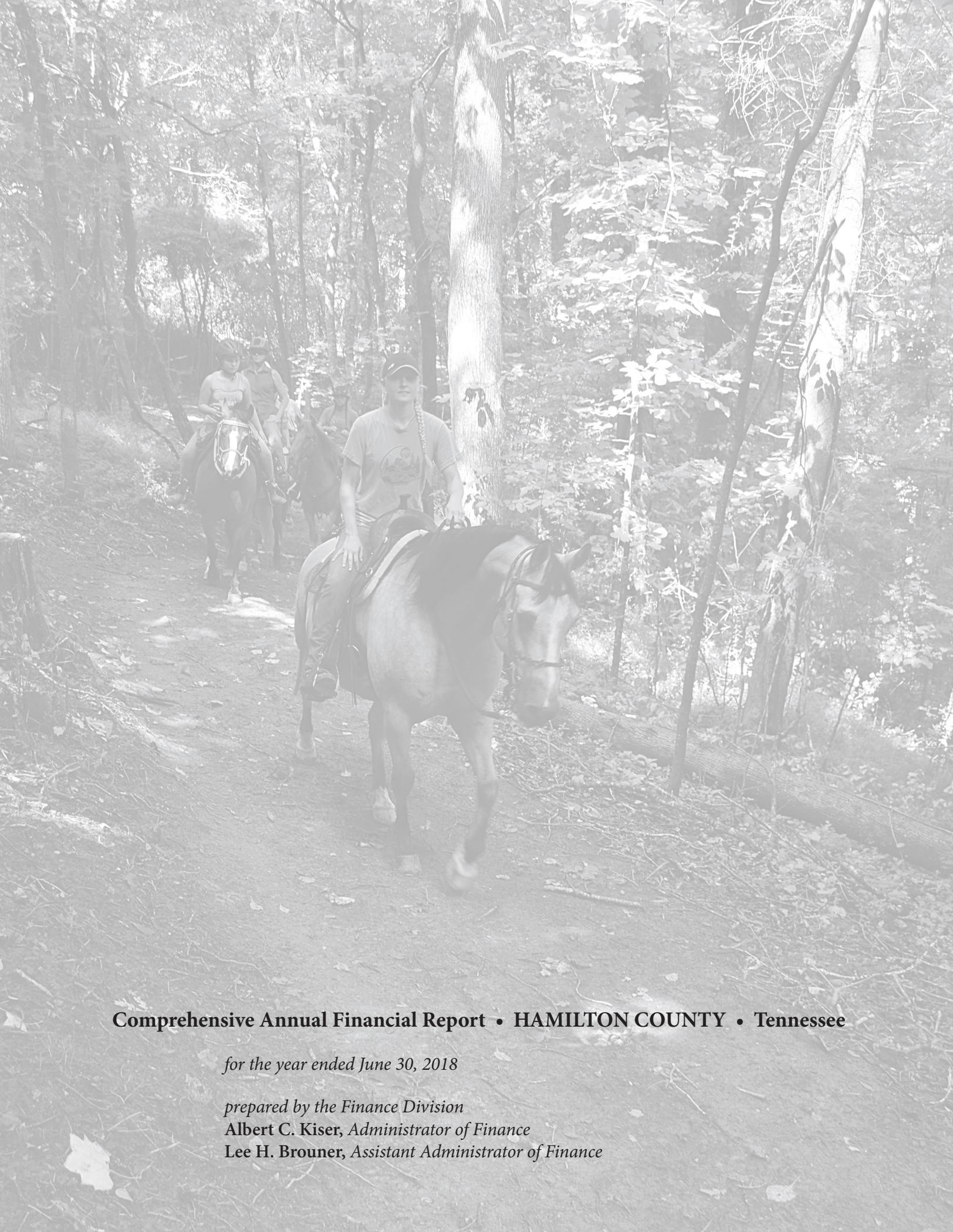
# Hamilton County

# Tennessee

*for year ended June 30, 2018*







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

*for the year ended June 30, 2018*

*prepared by the Finance Division*

*Albert C. Kiser, Administrator of Finance*

*Lee H. Brouner, Assistant Administrator of Finance*



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# HAMILTON COUNTY, TENNESSEE

OFFICE OF THE COUNTY MAYOR  
JIM M. COPPINGER

January 31, 2019

To the County Board of Commissioners  
And Citizens of Hamilton County

As Hamilton County's Mayor, we have continued our fiscally conservative governing philosophy. 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 have been able to borrow money at lower interest rates and are now moving forward with a number of projects, most notably school capital projects. We believe these projects will greatly benefit our taxpayers.



We have selected architects for some major school projects totaling \$125 million and are currently in the design process for all of the school projects. These ongoing projects include East Hamilton Middle School, Harrison Elementary School, Chattanooga School for the Liberal Arts and Howard Middle School. The Howard High Stadium and Track project has been put out for bid.

We are continuing the process of selecting a site for a multi-million dollar 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 7.5% or 25,150 people since 2010 according to the U.S. Census and we see no reason why that number will not continue to increase.

Additionally, we are addressing our jail issues by starting the process to build additions to our Silverdale Detention Facility.

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. 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 seven years. Since January 2011, we have created 15,458 jobs and brought over \$2.6 billion in investments into Hamilton County as 107 companies have expanded and 51 new businesses have located in Hamilton County. We continue to believe people worldwide continue to look at Hamilton County as one of the best places to create or invest in a business.

Companies such as Volkswagen, Mueller Water Projects, Nichols Fleet Equipment and FreightWaves and others have all expanded over the last year. Small businesses continue to be the backbone of our success; over 8,200 establishments or 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 continues to be one of Hamilton County's great business success stories. Working with the Chamber of Commerce who operates 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 55 diverse companies in the BDC, employing 243 people, 15 are technology-based companies. Furthermore, 17 of the companies in the BDC are minority or women-owned. This number speaks volumes about the diversity of Hamilton County. Five hundred and eighty-three companies have left 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 continues with support for our STEM School (Science, Technology, Engineering and Math.)

We continued our commitment to our local volunteer fire departments by starting construction of a new \$4.5 million fire hall for Walden's Ridge Emergency Services this fall.

Our conservative fiscal approach has allowed us to continue to present balanced budgets throughout my tenure as mayor. We strongly believe it is important to have a low property tax for future residential and commercial investment. We will always work to promote growth to create revenue.

Our initiatives to improve the quality of life for all of our citizens continue. The Read 20 program is a public-private partnership designed for early childhood learning to have young children reading at third grade level. This public-private partnership has delivered 979,518 books, worth almost \$11.8 million to young readers. Our Hamilton County Discount Prescription Card Program has been used over 458,000 times and saved our citizens \$13.8 million since it began 11 years ago.

Our Veterans Services Office continues to be well received and utilized by members of the veterans' community. We have had 13,036 interactions since the October 2016 inception and 4,168 claims have been submitted to the VA.

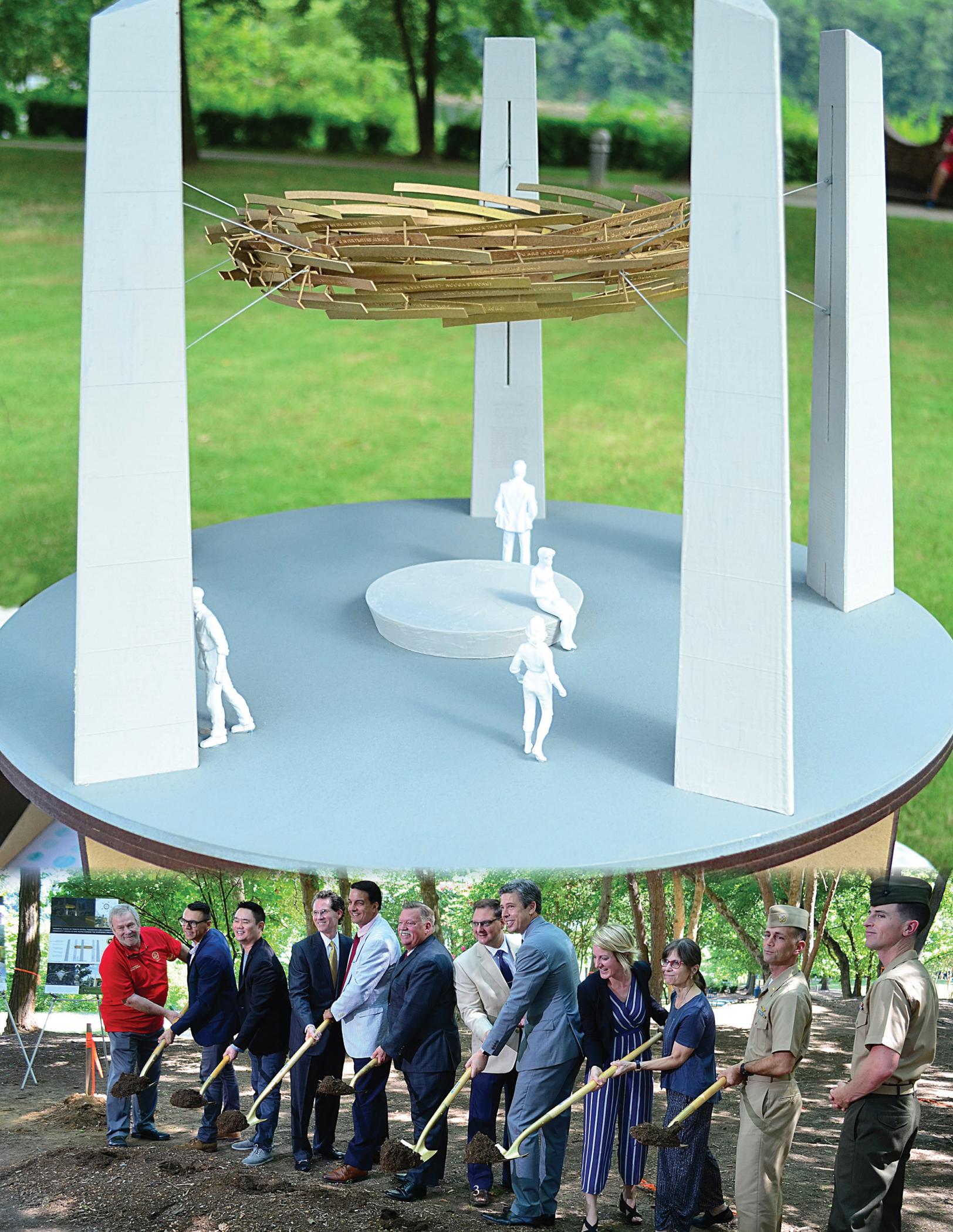
The Hamilton County Parks and Recreation Department continues to host over 150,000 visitors annually at our Enterprise South Nature Park. The park has continued to be a popular place for meetings and events, hosting over 50 gatherings during the past year. ESNP also welcomed a new venue this year with the summer debut of the 10 mile Horse Trails. The Chester Frost Park campgrounds hosted over 100,000 campers from 27 states during the last 12 months as well as hosting 65 fishing tournaments. Our Riverpark remains as popular as ever and once again this summer hosted the annual Heroes Run, honoring the "Fallen Five." The Riverpark has also initiated a new partnership with Rock Creek Outfitters, renting bicycles, paddleboards and kayaks to outdoor enthusiasts. Plans are now being explored to expand our relationship at other Hamilton County parks. Discussions have now begun for major developments in 2019 for Hamilton County parks.

My goal over the past seven years has been to make Hamilton County the standard for other communities to emulate. My promise to you remains the same pledge I made when I took office in January of 2011, we will continue to enhance public education, create jobs and new businesses while expanding existing Hamilton County businesses. I am committed to make Hamilton County a better place for you to work, live, play and retire.

Sincerely,



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





# children's

## Kennedy Outpatient Center



RESERVED  
PARKING



RESERVED  
PARKING



RESERVED  
PARKING



RESERVED  
PARKING



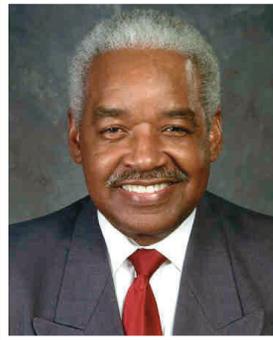
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**BOARD OF COMMISSIONERS - As of June 30, 2018**



**Chester Bankston**  
District 9  
*Commissioner*



**Gregory Beck**  
District 5  
*Commissioner*



**Tim Boyd**  
District 8  
*Commissioner*



**Randy Fairbanks**  
District 1  
*Chairman*



**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  
*Chairman, Pro Tempore*





**HAMILTON COUNTY, TENNESSEE**

**ALBERT C. KISER**

*Administrator of Finance*

January 31, 2019

**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, 2018. 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, 2018, 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 Communications 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

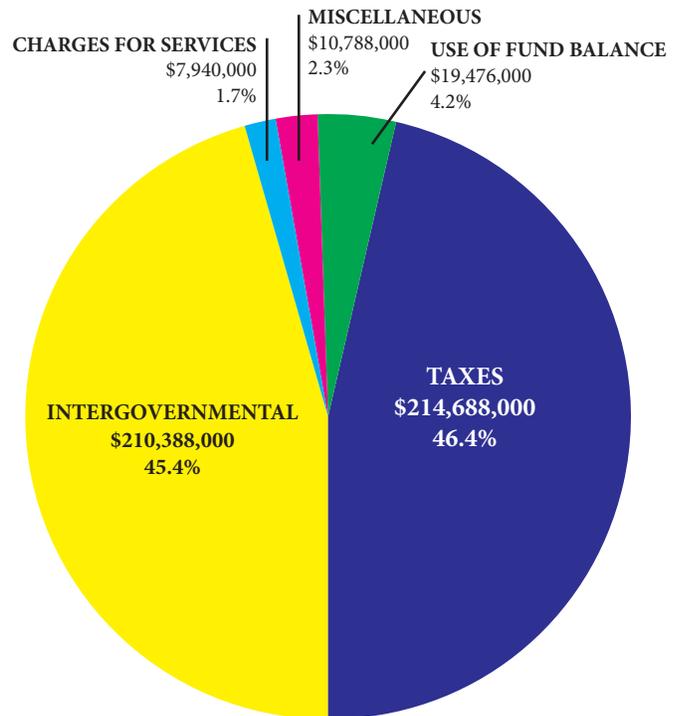
Hamilton County is located in the southeast region of the State of Tennessee, with the City of Chattanooga as its largest city. It is approximately 120 miles southwest of Knoxville, Tennessee; 360 miles east of Memphis, Tennessee; 120 miles southeast of Nashville, Tennessee, which is the State capital; 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 Communications 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 6,115 employees and serves a total student population of 43,681. The total HCDE operating budget for fiscal year 2018 was \$463.3 million. Hamilton County provided funding for 50.6%, or \$234.2 million of this operating budget through property taxes, sales taxes, and use of fund balance. State and federal appropriations and grants provided \$210.4 million; charges for services provided \$7.9 million; and investments and miscellaneous items provided \$10.8 million.

### HAMILTON COUNTY DEPARTMENT OF EDUCATION REVENUE BUDGET BY SOURCE FOR FISCAL YEAR ENDING JUNE 30, 2018



The Board of Commissioners adopted the original fiscal year 2018 annual operating budget for the County in June 2017. On September 6, 2017, the Board of Commissioners approved Resolution 917-11. This resolution resulted in an increase in the County-wide property tax levy rate and included amendments to the original fiscal year 2018 operating budgets of the General Fund, Debt Service Fund, and General Purpose School Fund of \$24.5 million, \$8 million, and \$1 million, respectively.

The County uses the annual budget 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 Bureau of Labor Statistics, the unemployment rate for Hamilton County as of June 30, 2018 was 4.0%, as compared to the state's rate of 4.1% and the national rate of 4.0%. 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.

## FUND BALANCE

Hamilton County's fund balances continue to remain healthy. At year end June 30, 2018, the fund balance for the General Fund grew to \$100 million, and total fund balances for the Department of Education ended the year at \$97.1 million. The County's 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.

## LONG-TERM FINANCIAL PLANNING

Hamilton County continues to operate in a conservative manner and strives to maintain its practice of limiting tax increases on its taxpayers. In September 2017, Hamilton County adopted a new certified tax rate of \$2.4976 resulting from the completion of the reappraisal of all taxable properties within the County. Following the adoption of the certified tax rate, the Hamilton County Board of Commissioners voted to increase the County's property tax millage rate by 26.76 cents (10.7%) to the current rate of \$2.7652. This tax increase represented the first increase in the millage rate since 2007.

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 fifteen-year general obligation bond debt. This rapid, fifteen-year debt amortization has proven effective in keeping the County's total debt load at a manageable level. This fifteen-year amortization results in principal retirement of approximately fifty percent (50%) within five years and eighty-three percent (83%) within ten years.

## 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

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

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>
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
2018	100,335	5,232	10,256



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.

As discussed earlier, the Hamilton County Board of Commissioners approved a 26.76 cent property tax increase in September 2017. 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 also help to finance 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.

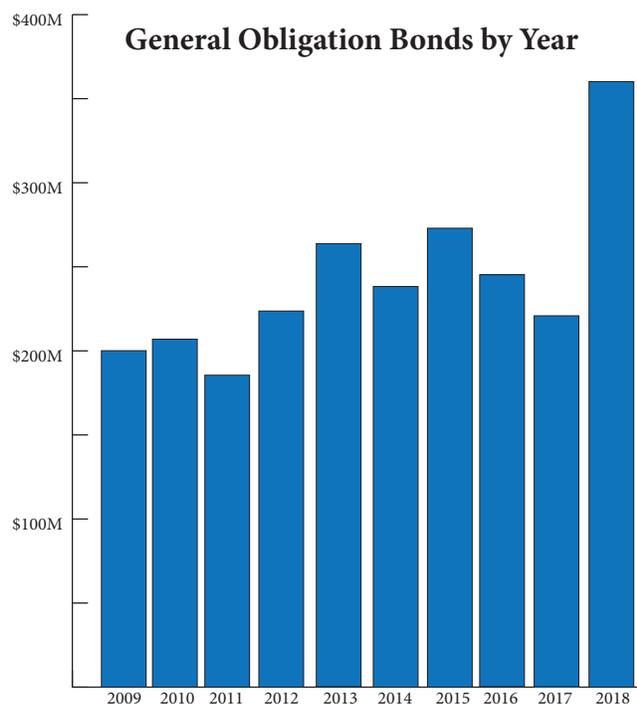
## ECONOMIC DEVELOPMENT

The County’s 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 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

## General Obligation Bond Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
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
2018	360,180,000	1.04%	996





**HAMILTON COUNTY  
EMS  
STATION #3**

to produce a new seven-passenger SUV, the Volkswagen Atlas. Volkswagen hired 900 additional employees for this expansion and currently employs 3,100. The number of employees working at ancillary suppliers and associated businesses supporting Volkswagen has increased significantly as a result of this expansion. In March 2018, Volkswagen announced that it would be making an additional \$340 million investment to produce a new five-passenger SUV.

Amazon.com opened a major distribution and fulfillment center at Enterprise South in 2010 at a cost of \$91 million. The center currently employs 2,450 people.

Enterprise South Industrial Park currently is home to 19 companies and more than 8,300 jobs in Hamilton County. Gestamp North America's current expansion will increase employment by 175 and increase the size of its 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 350 in two 200,000 square-foot buildings plus an adjacent office building. TAG constructed a new 200,000 square-foot building across Discovery Drive from its existing facility because of the growth in its business.

Hamilton County's job growth and economy have continued to steadily grow. To accommodate growth in businesses as well as residents, the Tennessee Department of Transportation (TDOT) is building a public highway that directly connects Interstate I-75 with Highway 58 through the VW plant site. The project is anticipated to be complete in 2020.

**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:

- HomeServe USA recently purchased a \$5.5 million, 46,000 square foot facility to accommodate its 325-person workforce.
- Mueller is expanding its existing plant that will add approximately 100 jobs over the next three years.
- M&M Industries is expanding its plant which will create 110 more jobs. The cost of expansion is estimated at \$427 million.
- 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. In January 2018, West Star signed a deal with a major jet-maker that is anticipated to bring more business to Chattanooga.

- Miller Industries has made a significant investment to expand its operations in Ooltewah, resulting in the creation of approximately 175 jobs over a five-year period.

**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 owned by the County and managed by the Chattanooga Area Chamber of Commerce. The BDC offers start-up businesses office or manufacturing space at highly competitive lease rates for up to 3 years. The BDC currently houses approximately 50 start-up companies. INCubator, a program of the Chattanooga Chamber of Commerce, is located in the BDC. It is the largest business INCubator in Tennessee and the third largest in the nation.

## **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 over 45 percent of the County property tax levy directed toward the operation of the school system.

The County also assists the school system through the issuance of debt to build, renovate and expand the school facilities. Since the turn of the century, the County has built 21 new schools and expended over \$418 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 renovations 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; HVAC replacement at the CCA School; a new stadium and track at Howard Middle School; a new elevator at Normal Park Elementary 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.

- ***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 the summer of 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.
- ***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.
- ***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 first public equestrian trails at the park opened in June 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.



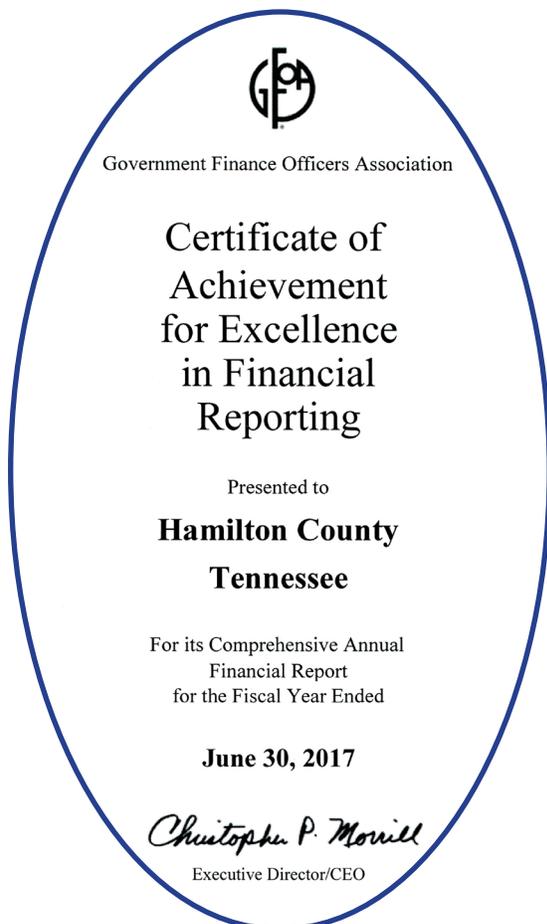
## AWARDS AND ACKNOWLEDGEMENTS

### 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, 2017. Hamilton County has received this award for 37 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 2018. This is the 16th 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 2019 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

### ACKNOWLEDGMENTS

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

Respectfully submitted,

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



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



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



**HAMILTON COUNTY  
GENERAL GOVERNMENT OFFICIALS**

*(as of June 30, 2018)*

Jim Coppinger, *County Mayor*  
Mike Compton, *Chief of Staff*  
Ken Jordan, *Equal Employment Opportunity Officer*

**Board of Commissioners**

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

**Audit Committee**

Randy Fairbanks  
James A. Fields  
Warren Mackey

**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*

**DEVELOPMENT**

Dan Saieed, *Director of Development*

**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*  
Ronnie Blaylock, *Director of Building Inspection*

# CITIZENS

**County Board of Commissioners**  
423-209-7200

**Legislative Staff**  
423-209-7200

**Magistrates**  
423-209-7656

**Appointed Boards**

**Auditing**  
423-209-6200

**Legal**  
423-209-6150

**County Mayor**  
423-209-6100

**Mayoral Staff**  
423-209-6100

**Constitutional Offices**

**Chief of Staff**  
423-209-6180

**Development**  
423-209-6810

**Medical Examiner**  
423-493-5175

**Equal Employment Opportunity**  
423-209-6146

**READ 20**  
423-209-6190

**Finance Division**  
423-209-6330

**Public Works Division**  
423-209-7800

**General Services Division**  
423-209-6862

**Health Services Division**  
423-209-8000

**Human Resources Division**  
423-209-6120

**Accounting**  
423-209-6330

**Building Inspection**  
423-209-7860

**Office of Emergency Management /**

**Administrative Services**  
423-209-8010

**Benefits**  
423-209-6120

**Financial Management**  
423-209-6370

**Support Services**  
423-209-6488

**Homeland Security**  
423-209-6919

**Case Management Services**  
423-209-8155

**Risk Management**  
423-209-6122

**Procurement & Fleet Management**  
423-209-6350

**Real Property**  
423-209-6444

**Recreation**  
423-842-0177

**Clinical Services**  
423-209-8218

**Wellness & Fitness Programs**  
423-209-6177

**Information Technology**  
423-209-6250

**Engineering**  
423-209-7810

**Corrections**  
423-847-4830

**Community Health Services**  
423-209-8088

**Mailroom**  
423-209-6933

**Geographic Info Systems**  
423-209-7760

**Highway**  
423-855-6100

**EMS**  
423-209-6900

**Environmental Health**  
423-209-8110

**Veterans Service Program**  
423-209-7884

**Telecommunications**  
423-209-6223

**Facilities Maintenance**  
423-209-7700

**Records Management**  
423-209-8980

**Assessor - 423-209-7300**

**Drug Court - 423-209-7573**

**Chancery Court Chancellors - 423-209-6600**

**Election Commission - 423-493-5100**

**Clerk and Master - 423-209-6600**

**Juvenile Court Judge - 423-209-5100**

**Circuit Court Judges - 423-209-6700**

**Juvenile Court Clerk - 423-209-5250**

**Circuit Court Clerk - 423-209-6700**

**Mental Health Court - 423-209-6195**

**County Clerk - 423-209-6500**

**Register of Deeds - 423-209-6560**

**Criminal Court Judges - 423-209-7500**

**Sessions Court Judges - 423-209-7660**

**Criminal Court Clerk - 423-209-7500**

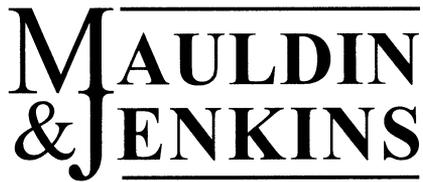
**Sheriff - 423-209-7000**

**District Attorney General - 423-209-7400**

**Trustee - 423-209-7270**

**District Public Defender - 423-209-6771**





## INDEPENDENT AUDITOR'S REPORT

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**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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represents 3 percent, 4 percent, and 3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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***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, 2018, 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the County's net other postemployment benefits (OPEB) liability and related disclosures. 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.

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*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 January 30, 2019, 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.

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 30, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 of Hamilton County at the close of fiscal year 2018 were \$783.7 million, an increase of \$169.3 million (27.6%) over the prior year.
- The government-wide liabilities of Hamilton County at the close of fiscal year 2018 were \$496.7 million, an increase of \$131.0 million (35.8%) over the prior year.
- The increases in government-wide assets and liabilities are the direct result of the issuance of \$167.3 million in general obligation bonds in March 2018. The proceeds from the 2018 bond issue will be used to fund school construction projects, renovation and expansion of correctional facilities, and to repay the \$55 million in outstanding draws from the County's revolving loan agreement.
- Government-wide revenues totaled \$271.9 million, an increase of \$38.6 million (16.5%) over the prior year. The majority of the increased revenue was in property taxes, which increased \$25 million as a direct result of a 10.7% increase in the County's property tax levy rate approved in September 2017.
- Government-wide expenses were \$227.2 million, a decrease of \$17.6 million (7.2%) from the prior year.
- Total bonded debt at June 30, 2018 for the County was \$360.2 million, of which \$262.5 million (72.9%) was assigned to the Hamilton County Department of Education for capital additions and improvements.

### Fund Financial Statements

- Revenues for governmental funds increased \$37.7 million, or 16.1% from last year. As mentioned above, the primary driver for the increased revenues was the 10.7% increase in the property tax levy rate approved in fiscal year 2018.
- Expenditures for governmental funds increased \$48.4 million, or 18.5% from last year. This includes an increase of \$58.6 million in expenditures for debt service, primarily due to repayment of the \$55 million balance on the short-term revolving loan agreement that was repaid from proceeds of the 2018 general obligation bond issue.
- Capital project expenditures were \$17.3 million, with \$2.7 million spent for school construction projects.
- Operating transfers from the General Fund increased by \$21.1 million (61.7%) 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. Required supplementary information includes various schedules and trend information relative to the County's employee pension plans and other postemployment benefits. 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 2018 of \$170.3 million increased \$44.7 million (35.6%) from the balance at the prior year end, as restated.

The Statement of Activities presents information showing how the government's net position changed during fiscal year 2018. 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, the Hamilton County "911" Emergency Communications District, and the Hamilton County Railroad Authority.

The government-wide financial statements can be found on pages A-1 to A-2 of this report.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## 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. 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 statement 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 on pages C-9 to C-12 of 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-3 to A-6 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 its internal service funds 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-8 to A-10 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 fiduciary fund financial statements can be found on pages A-11 and A-12 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-16 to A-68 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 and for the County's Other Post-Employment Benefits programs. Required Supplementary Information can be found on pages B-1 to B-16.

Other Supplementary Information includes detailed budgetary information for the General Fund, Debt Service Fund and certain other budgeted funds; 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. Budgetary Comparison Schedules can be found on pages C-1 to C-8; Combining and individual fund schedules can be found on pages C-9 to D-11; and the various financial and statistical tables can be found on pages E-1 to F-18.



# GOVERNMENT-WIDE FINANCIAL ANALYSIS

## NET POSITION

### Primary Government

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017 - restated</b>
<b>ASSETS</b>		
Current and Other Assets	\$ 511,624,000	\$ 332,908,000
Capital Assets	272,052,000	280,474,000
<b>TOTAL ASSETS</b>	<b>783,676,000</b>	<b>613,382,000</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pensions	29,292,000	31,623,000
Deferred loss on refunding	3,415,000	4,049,000
	<u>32,707,000</u>	<u>35,672,000</u>
<b>LIABILITIES</b>		
Long-term Liabilities	467,732,000	362,707,000
Other Liabilities	28,996,000	22,508,000
<b>TOTAL LIABILITIES</b>	<b>496,728,000</b>	<b>385,215,000</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred property tax revenue	145,258,000	134,157,000
Deferred inflows from pensions	4,133,000	4,144,000
	<u>149,391,000</u>	<u>138,301,000</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	182,639,000	221,545,000
Restricted	5,056,000	4,252,000
Unrestricted	<u>(17,431,000)</u>	<u>(100,259,000)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 170,264,000</u></b>	<b><u>\$ 125,538,000</u></b>

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial health. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$170.3 million at the close of the fiscal year ended June 30, 2018.

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 \$467.7 million include \$262.5 million of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in the negative unrestricted net position at both June 30, 2017 and 2018.

**CHANGES IN NET POSITION**  
Primary Government

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>REVENUES</b>		
Program Revenues		
Charges for Services	\$ 52,368,000	\$ 44,059,000
Operating Grants and Contributions	27,654,000	27,260,000
Capital Grants and Contributions	3,393,000	1,629,000
Total Program Revenues	<u>83,415,000</u>	<u>72,948,000</u>
General Revenues		
Property Taxes	164,229,000	139,114,000
Other Taxes	21,512,000	20,016,000
Other	2,793,000	1,237,000
Total General Revenues	<u>188,534,000</u>	<u>160,367,000</u>
<b>TOTAL REVENUES</b>	<u>271,949,000</u>	<u>233,315,000</u>
<b>EXPENSES</b>		
General Government	62,215,000	57,560,000
Public Safety	93,175,000	85,070,000
Highways and Streets	15,064,000	10,469,000
Health	22,331,000	21,163,000
Social Services	6,624,000	6,224,000
Culture and Recreation	9,841,000	8,751,000
Education	9,603,000	47,868,000
Interest on Long-Term Debt	8,370,000	7,725,000
<b>TOTAL EXPENSES</b>	<u>227,223,000</u>	<u>244,830,000</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 44,726,000</u>	<u>\$ (11,515,000)</u>
<b>Net Position, beginning as restated</b>	<u>125,538,000</u>	<u>157,506,000</u>
<b>Net Position, ending</b>	<u>\$ 170,264,000</u>	<u>\$ 145,991,000</u>

The County's revenues increased by \$38.6 million during the current fiscal year. The majority of the increased revenue came from property taxes, which increased \$25.1 million as a direct result of the 10.7% increase in the County's property tax levy rate that was approved in FY 2018. Total expenses for FY 2018 decreased by \$17.6 million in large part due to the decrease in expenditures for education capital projects as a significant number of school construction projects were completed in the prior year.

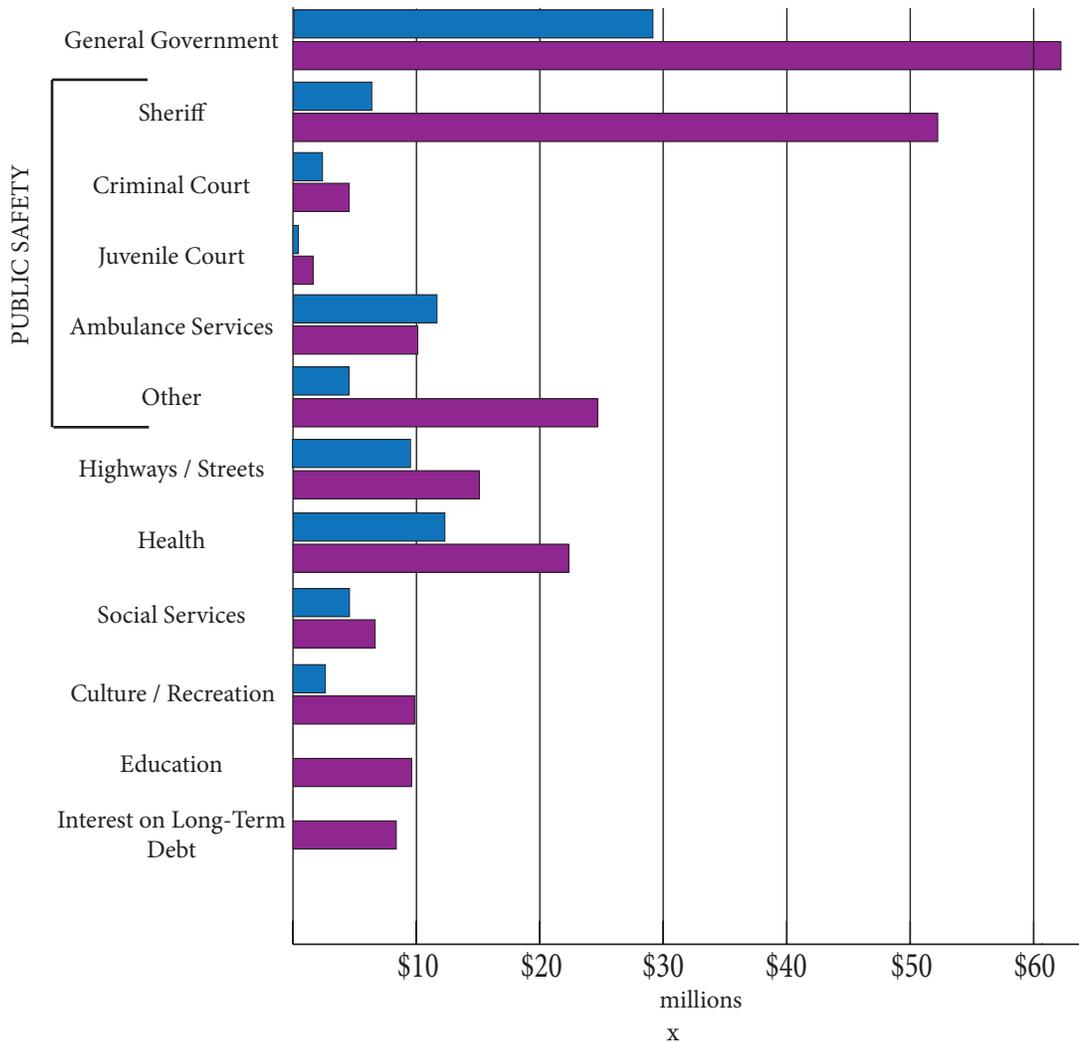
Net position at the beginning of FY 2018 was restated and decreased \$20.5 million as a result of the change in the accounting principle to comply with GASB 75. Further discussion regarding this change in accounting principle can be found at Note S on page A-68.

# GOVERNMENT-WIDE FINANCIAL ANALYSIS - continued

## EXPENSES AND PROGRAM REVENUES

Primary Government  
for fiscal year ended June 30, 2018

	PROGRAM REVENUES	EXPENSES
General Government	\$ 29,083,000	\$ 62,215,000
Public Safety		
Sheriff	6,350,000	52,235,000
Criminal Court	2,352,000	4,522,000
Juvenile Court	432,000	1,639,000
Ambulance Services	11,630,000	10,103,000
Other	4,537,000	24,676,000
Highways and Streets	9,559,000	15,064,000
Health	12,267,000	22,331,000
Social Services	4,578,000	6,624,000
Culture and Recreation	2,627,000	9,841,000
Education	-	9,603,000
Interest on long-term debt	-	8,370,000
<b>TOTAL</b>	<b>\$ 83,415,000</b>	<b>\$ 227,223,000</b>

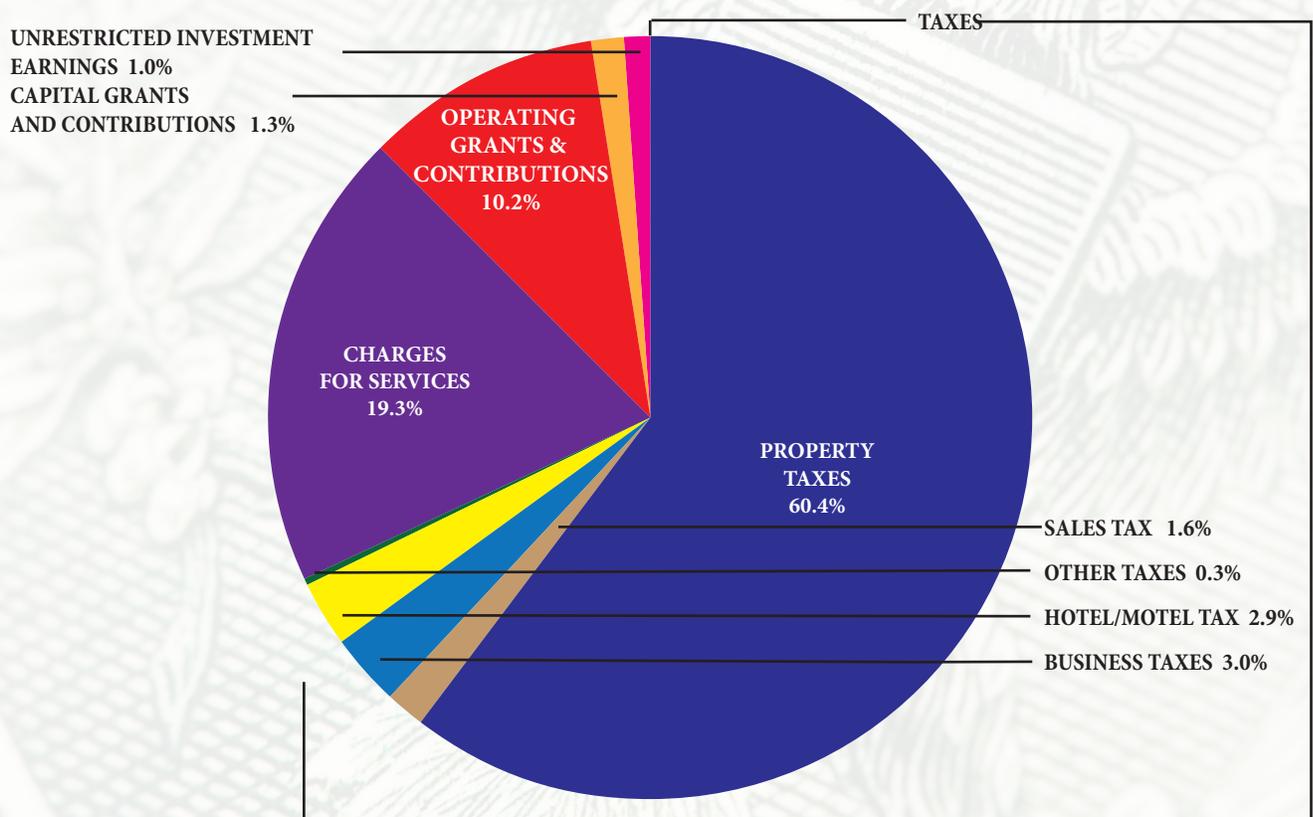


## REVENUES BY SOURCE

Primary Government  
for fiscal year ended June 30, 2018

	2018	PERCENTAGE	2017	PERCENTAGE
Taxes				
Property Taxes	\$ 164,229,000	60.4%	\$ 139,114,000	59.6%
Sales Tax	4,468,000	1.6%	3,214,000	1.4%
Business Taxes	8,199,000	3.0%	8,328,000	3.6%
Hotel/Motel Taxes	7,928,000	2.9%	7,639,000	3.3%
Other Taxes	917,000	0.3%	835,000	0.4%
Charges for Services	52,368,000	19.3%	44,059,000	18.9%
Operating Grants and Contributions	27,654,000	10.2%	27,260,000	11.7%
Capital Grants and Contributions	3,393,000	1.3%	1,629,000	0.7%
Unrestricted Investment Earnings	2,793,000	1.0%	1,073,000	0.5%
Gain/(loss) on disposal of property	-	0.0%	164,000	0.1%
<b>TOTAL</b>	<b>\$ 271,949,000</b>	<b>100%</b>	<b>\$ 233,315,000</b>	<b>100%</b>

Property tax revenues grew \$25.1 million over 2017. The growth was the result of a 10.7% increase in the property tax levy rate in conjunction with continued efforts to promote economic development in the County to grow the tax base.





# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## 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 2018, the County's governmental funds reported combined ending fund balances of \$288.5 million, an increase of \$156.3 million (118.3%). This increase in total governmental fund balances can be isolated to the Capital Projects Fund, which increased \$141.3 million from the prior year balance as a direct result of the issuance of \$167.3 million of general obligation bonds in March 2018.

The fund balance of the governmental funds consists of a restricted portion of \$153.7 million (consisting primarily of bond proceeds restricted for Capital Projects), an assigned portion of \$38.2 million, and an unassigned portion of \$95.2 million. The remainder of fund balance is not available for new spending and is split into committed and nonspendable. Committed is \$0.2 million to liquidate contracts and purchase orders. Nonspendable is \$1.2 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, 2018, was

\$100.3 million, consisting of a nonspendable portion of \$1.2 million; assigned fund balance of \$3.9 million; and an unassigned fund balance of \$95.2 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 39.7% of the total General Fund expenditures and transfers out, while total fund balance represents 41.8% of that same amount.

Unassigned fund balance of the County's General Fund increased by \$6.7 million during the current fiscal year, and total fund balance increased \$6.2 million during this time period.

General Fund revenues totaled \$233.1 million and increased over the prior year by \$33.1 million (16.5%). As mentioned previously, the increase in revenue is a direct result of the 10.7% increase in the property tax levy rate approved in fiscal year 2018. General Fund expenditures increased \$5.1 million (2.9%) over the prior year, while General Fund transfers out increased \$21.1 million (61.7%). The increase in transfers out was the result of one-time transfers from the General Fund of \$14 million into the Capital Projects Fund and \$8 million in the Debt Service Fund.

The Debt Service fund has a total fund balance of \$10.3 million, an increase of \$8.1 million. The growth in the Debt Service fund balance resulted from the one-time transfer of \$8 million from the General Fund in order to build the reserve in this fund.

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 issuances of general obligation bonds.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The fund balance of the Capital Projects Fund increased by \$141.3 million from the balance at June 30, 2017, and closed the current year with a balance of \$172.6 million. This increase was the direct result of the issuance of \$167.3 million in general obligation bonds in March 2018, along with the above-mentioned transfer of \$14 million from the General Fund. The proceeds from the 2018 bond issue were used in March 2018 to repay \$55 million in outstanding draws from the revolving credit agreement, and the proceeds will be used over the next two to three years to fund several major capital additions and improvements for the Department of Education and to fund capital improvements at the Silverdale Jail.

### 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 increased \$6.2 million in fiscal year 2018 and totaled \$34.4 million at the end of the fiscal year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The Hamilton County Board of Commissioners approved and adopted its 2018 annual operating budget in June 2017. The original General Fund operating budget was balanced without a use of fund balance.

In September 2017, the Board of Commissioners voted to increase the County property tax levy by 26.76 cents (10.7%) and amend the original fiscal year 2018 operating budgets for the General Fund, Debt Service Fund and Department of Education by \$24.5 million, \$8 million, and \$1 million, respectively (\$33.5 million in total).

Subsequent to the September amendment, the Board of Commissioners approved a total of \$5.2 million in additional amendments to General Fund operating expenditures during fiscal year 2018 and total amendments of \$1.9 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.

Actual revenues for the General Fund were less than budgeted revenues by \$4.0 million (1.7%). This variance is largely due to a shortfall of tax collections of \$5.0 million.

Total expenditures were less than budgeted expenditures by \$11.8 million (6.0%). A large part of this favorable variance resulted from conservative spending by the General Government, Public Safety, Highways and Streets, and Health. A detailed Budgetary Comparison Schedule for the General Fund is presented on pages C-1 through C-5 of this report.





# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2018, amounts to \$272.1 million (net of accumulated depreciation of \$287.4 million). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, intangibles and construction in progress. The County transferred \$9.6 million in assets to the Department of Education in fiscal year 2018. For the year, the County's investment in capital assets decreased by \$8.4 million (3.0%). 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:

- Bonny Oaks Corporate Center (BOCC) - \$3.0 million
- School construction and renovations - \$2.9 million
- Purchase of 25 new vehicles and 5 ambulances - \$1.7 million
- ESNP Equestrian Trails - \$329,000
- EMS Station #3, Discovery Drive - \$277,000
- Walden's Ridge Volunteer Fire Department - \$182,000
- Jail - \$75,000

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### CAPITAL ASSET ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2018

#### NET OF DEPRECIATION

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Land	\$ 73,705,000	\$ 922,000	\$ (867,000)	\$ 73,760,000
Construction in progress	9,204,000	6,702,000	(11,189,000)	4,717,000
Buildings	154,845,000	3,721,000	—	158,566,000
Improvements other than buildings	42,701,000	457,000	—	43,158,000
Machinery and equipment	44,662,000	2,741,000	(2,390,000)	45,013,000
Infrastructure	225,218,000	6,829,000	(4,717,000)	227,330,000
Intangibles	6,749,000	249,000	(80,000)	6,918,000
Depreciation	(276,610,000)	(14,090,000)	3,290,000	(287,410,000)
	<u>\$ 280,474,000</u>	<u>\$ 7,531,000</u>	<u>\$ (15,953,000)</u>	<u>\$ 272,052,000</u>



# MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

## LONG-TERM DEBT

At the end of fiscal year 2018, the County had general obligation bonds outstanding of \$360.2 million. Of the bonded debt, \$262.5 million (72.9%) was issued for Hamilton County Department of Education capital improvements.

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

## OVERALL FINANCIAL HEALTH

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, and we will continue to comply with this recommendation.

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 our 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.

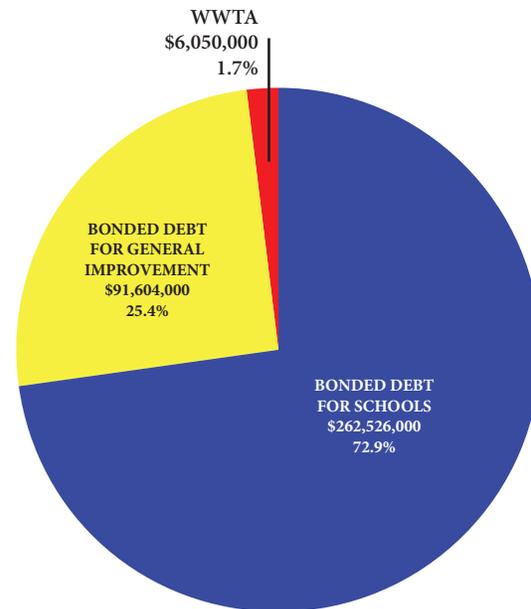
## ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND PROPERTY TAX RATES

The following factors were considered in preparing the County’s budget for fiscal year 2019:

- The property tax millage rate for fiscal year 2019 remained the same as the fiscal year 2018 rate — \$2.7652 per \$100 of assessed value. Property tax revenues for FY 2019 are budgeted to increase 2.2% over the prior year. The growth projection is based on the current property assessments provided by the Assessor of Property.
- Intergovernmental revenues account for 31.2% of the County’s total revenue. The

## General Obligation Bonds Outstanding

General Improvement	\$	91,604,000	25.4%
Schools		262,526,000	72.9%
WWTA		6,050,000	1.7%
<b>Total General Obligation Bond Debt</b>	<b>\$</b>	<b>360,180,000</b>	



intergovernmental revenues consist primarily of funding received from the State of Tennessee and from the Federal government. 88.5% 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 2.7% in fiscal year 2019.

- Transfers-in from other funds includes excess fees paid to the General Fund from various constitutional offices and appropriations from the General Fund to the Debt Service Fund to cover scheduled principal and interest payments due. Total revenues from transfers increased from the FY 2018 budget by \$10.8 million (19.6%), which was the direct result of the increase in required principal and interest payments by the Debt Service Fund resulting from the 2018 Bond Issue.
- The General Government (all departments other than the Hamilton County Department of Education - HCDE) granted employees an across-the-board pay raise of 3% (with a minimum raise of \$1,500 for employees earning



less than \$50,000), and HCDE employees received a 1.5% step increase and raises of 2.5%. Total expenses for salaries increased over the prior year by \$9.7 million (3%).

- Total costs budgeted for employee benefits increased from the FY 2018 budget by \$2.2 million (1.6%).
- Expenditures for Debt Service principal and interest payments increased \$17.7 million (51.4%) over the prior year. In March 2018, the County issued two sets of tax-exempt bonds – the 2018A Bond Issue with a face value of \$167.3 million, and the 2018B Refunding Bond Issue with a face value of \$4.3 million. The County is scheduled to repay \$35.8 million of debt principal in fiscal year 2019, which is \$11.2 million more than the principal due in fiscal year 2018.
- The Hamilton County Department of Education (HCDE), a discretely presented component unit of Hamilton County, adopted a fiscal year 2019 budget of \$440.3 million (58.4% of the total budget for Hamilton County). This cost does not include the debt service obligation attributed to the HCDE that is appropriated in the General Fund.
- HCDE's combined budget growth is \$13.5 million (3.2%) over fiscal year 2018. 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 \$5.0 million (3.2%) and is calculated by the State based on multiple parameters, including student enrollment. In fiscal year 2019, the school district is projecting an increase in student enrollment of approximately 270 students.

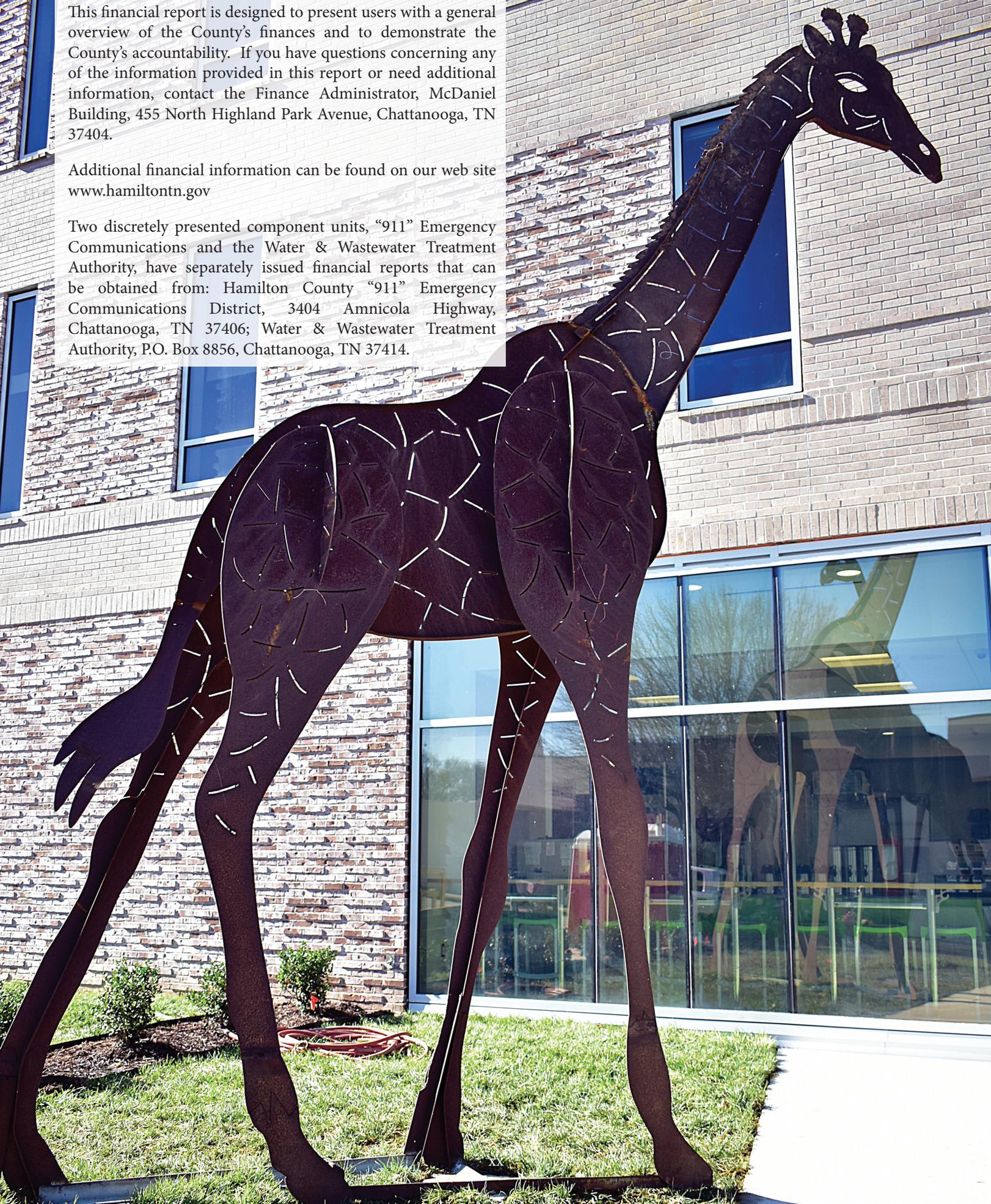
- Increases in the expenditure budget of HCDE were attributable primarily to school-based personnel. These included a 1.5% salary step, where applicable, and a 2.5% COLA increase. Salary step increases are calculated annually based on years of service in accordance with the contract with the educational association. Instructional positions were added this year due to increase support for guidance personnel, the arts program, increased support for students with limited English proficiency, and additional response to intervention (RTI). With over 80% of School District funds being spent on personnel, the District closely aligns its staffing levels with the State's Basic Education Program and class size mandates.

## REQUESTS FOR INFORMATION

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

Additional financial information can be found on our web site [www.hamiltontn.gov](http://www.hamiltontn.gov)

Two discretely presented component units, "911" Emergency Communications and the Water & Wastewater Treatment Authority, have separately issued financial reports that can be obtained from: Hamilton County "911" Emergency Communications 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, 2018**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and cash equivalents	\$ 88,150,555	\$ 83,612,030
Investments	235,222,539	97,442,991
Receivables, net of allowance for uncollectibles	173,743,300	180,066,780
Receivables, restricted	-	485,464
Due from component units	1,038,160	-
Inventories	1,380,591	1,455,051
Restricted cash	-	9,341,531
Prepaid items	215,438	1,098,504
Advance to component units, net of allowance for uncollectibles	6,050,000	-
Net pension asset	2,012,799	3,409,406
Investment in joint venture	3,810,800	-
Land and other nondepreciable assets	78,477,189	27,061,805
Other capital assets, net of accumulated depreciation	193,574,886	467,745,614
Total assets	<u>783,676,257</u>	<u>871,719,176</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension investment return	86,131	139,885
Pension contributions subsequent to measurement date	15,581,447	15,711,457
Pension experience differences	970,886	1,134,123
Pension changes in assumptions	8,779,034	12,207,323
Deferred changes in proportion to the net pension liability	-	2,887,577
OPEB contributions subsequent to measurement date	3,875,212	6,516,549
Deferred loss on refunding	3,414,471	-
Total deferred outflows of resources	<u>32,707,181</u>	<u>38,596,914</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	28,577,285	35,534,205
Noncurrent accrued claims	418,303	1,289,198
Due to primary government	-	1,038,160
Long-term liabilities:		
Due within one year	38,267,849	9,978,810
Due in more than one year	385,140,520	21,525,474
Net pension liability	22,555,114	-
Net OPEB liability	21,768,886	121,273,631
Advance from primary government	-	12,550,000
Total liabilities	<u>496,727,957</u>	<u>203,189,478</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred gain on bond refunding	-	160,790
Unearned property tax revenue	145,257,974	119,883,785
Pension investment gain	-	6,938
Pension experience differences	3,299,309	29,529,356
Deferred changes in proportion to the net pension liability	-	1,833,620
OPEB investment differences	833,293	-
Total deferred inflows of resources	<u>149,390,576</u>	<u>151,414,489</u>
<b>NET POSITION</b>		
Net investment in capital assets	182,639,417	468,907,367
Restricted for:		
General government	2,499,615	-
Public safety	1,332,166	-
Social services	1,224,822	-
Centralized cafeteria	-	6,026,597
Net pension asset	-	618,896
WWTA PSLP program	-	10,848,317
Unrestricted	(17,431,115)	69,310,946
Total net position	<u>\$ 170,264,905</u>	<u>\$ 555,712,123</u>

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

**STATEMENT OF ACTIVITIES**

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Components Units
<b>PRIMARY GOVERNMENT</b>						
Government activities:						
General government	\$ 62,215,233	\$ 22,655,115	\$ 3,034,766	\$ 3,392,780	\$ (33,132,572)	
Public safety:						
Sheriff	52,234,591	663,063	5,687,504	-	(45,884,024)	
Criminal Court	4,522,390	2,351,890	-	-	(2,170,500)	
Juvenile Court	1,638,962	432,503	-	-	(1,206,459)	
Ambulance Services	10,102,862	11,629,623	-	-	1,526,761	
Other	24,675,914	2,528,809	2,008,041	-	(20,139,064)	
Highways and streets	15,064,154	3,191,092	6,368,199	-	(5,504,863)	
Health	22,331,435	3,525,835	8,741,238	-	(10,064,362)	
Social services	6,623,453	4,577,597	-	-	(2,045,856)	
Culture and recreation	9,841,274	812,386	1,814,640	-	(7,214,248)	
Education	9,602,529	-	-	-	(9,602,529)	
Interest on long-term debt	8,370,300	-	-	-	(8,370,300)	
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 227,223,097</b>	<b>\$ 52,367,913</b>	<b>\$ 27,654,388</b>	<b>\$ 3,392,780</b>	<b>(143,808,016)</b>	
<b>COMPONENT UNITS</b>						
Department of Education	\$ 427,733,869	\$ 8,101,772	\$ 44,881,087	\$ 9,330,642		\$ (365,420,368)
"911" Emergency Communications	12,721,702	-	8,169,177	7,266,584		2,714,059
Water & Wastewater Treatment Authority	18,124,516	21,199,523	-	7,924,625		10,999,632
Railroad Authority	149,840	142,040	-	-		(7,800)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 458,729,927</b>	<b>\$ 29,443,335</b>	<b>\$ 53,050,264</b>	<b>\$ 24,521,851</b>		<b>(351,714,477)</b>
General revenues:						
Property taxes					164,229,212	162,685,710
Sales taxes					4,468,331	76,601,434
Business taxes					8,199,195	-
Hotel/Motel taxes					7,927,669	-
Other taxes					916,809	-
Unrestricted investment earnings					2,793,319	2,228,671
Grants and contributions not restricted to specific programs					-	170,752,893
<b>Total general revenues</b>					<b>188,534,535</b>	<b>412,268,708</b>
Change in net position					44,726,519	60,554,231
Net position, beginning as restated					125,538,386	495,157,892
<b>Net position, ending</b>					<b>\$ 170,264,905</b>	<b>\$ 555,712,123</b>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 33,634,133	\$ 3,733,054	\$ 31,671,033	\$ 5,917,718	\$ 74,955,938
Investments	58,567,609	6,979,777	145,340,482	766,589	211,654,457
Receivables, net of allowance for uncollectible	170,418,745	163,991	1,286,913	1,521,527	173,391,176
Due from other funds	1,920,832	-	346	13,271	1,934,449
Due from component units	1,038,160	-	-	-	1,038,160
Inventories	1,062,890	-	-	-	1,062,890
Prepaid items	93,417	-	-	193	93,610
Total assets	<u>\$ 266,735,786</u>	<u>\$ 10,876,822</u>	<u>\$ 178,298,774</u>	<u>\$ 8,219,298</u>	<u>\$ 464,130,680</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,957,739	\$ 5,000	\$ 5,548,716	\$ -	\$ 10,511,455
Accrued items and other	9,053,371	-	-	1,806,309	10,859,680
Intergovernmental payables	8,728	-	89,661	-	98,389
Due to other funds	13,617	615,894	11,383	1,181,000	1,821,894
Total liabilities	<u>14,033,455</u>	<u>620,894</u>	<u>5,649,760</u>	<u>2,987,309</u>	<u>23,291,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	145,257,974	-	-	-	145,257,974
Unavailable property taxes	6,427,483	-	-	-	6,427,483
Other unavailable revenue	681,622	-	-	-	681,622
Total deferred inflows of resources	<u>152,367,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,367,079</u>
<b>FUND BALANCES</b>					
Nonspendable for inventories	1,062,890	-	-	-	1,062,890
Nonspendable for prepaid items	93,417	-	-	193	93,610
Restricted for general government	-	-	-	2,499,615	2,499,615
Restricted for public safety	649	-	-	1,331,517	1,332,166
Restricted for social services	-	-	-	1,224,822	1,224,822
Restricted for capital projects	-	-	148,664,560	-	148,664,560
Committed for public safety	18,303	-	-	175,842	194,145
Assigned for general government	2,874,333	-	-	-	2,874,333
Assigned for public safety	375,570	-	-	-	375,570
Assigned for debt service	-	10,255,928	-	-	10,255,928
Assigned for highways and streets	581,554	-	-	-	581,554
Assigned for health	65,444	-	-	-	65,444
Assigned for culture and recreation	29,350	-	-	-	29,350
Assigned for capital projects	-	-	23,984,454	-	23,984,454
Unassigned	95,233,742	-	-	-	95,233,742
Total fund balances	<u>100,335,252</u>	<u>10,255,928</u>	<u>172,649,014</u>	<u>5,231,989</u>	<u>288,472,183</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 266,735,786</u>	<u>\$ 10,876,822</u>	<u>\$ 178,298,774</u>	<u>\$ 8,219,298</u>	<u>\$ 464,130,680</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, 2018**

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

Fund balances - total governmental funds \$ 288,472,183

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. 272,052,075

Certain revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 7,109,105

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. 34,433,962

Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable. 6,050,000

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. 3,810,800

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	\$ (360,180,000)
Original issue premiums	(47,790,972)
Deferred loss on refunding	3,414,471
Net pension asset	2,012,799
Net pension liability	(22,555,114)
Deferred outflows from pension contributions	15,581,447
Deferred outflows from differences in pension investment earnings	86,131
Deferred outflows from pensions experience	970,886
Deferred outflows from pensions changes in assumptions	8,779,034
Deferred inflows from pensions experience	(3,299,309)
Net OPEB liability	(21,768,886)
Deferred outflows from OPEB contributions	3,875,212
Deferred inflows from differences in OPEB investment earnings	(833,293)
Landfill post closure costs	(140,000)
Compensated absences	(15,297,397)
Accrued interest payable	<u>(4,518,229)</u>

(441,663,220)

Net position of governmental activities \$ 170,264,905

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, 2018**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 177,770,581	\$ -	\$ -	\$ 7,942,645	\$ 185,713,226
Licenses and permits	965,887	-	-	-	965,887
Intergovernmental	27,155,834	615,245	3,392,780	13,424	31,177,283
Charges for services	18,558,654	627,997	245,101	24,141,986	43,573,738
Fines, forfeitures and penalties	1,853,026	-	-	77,386	1,930,412
Investment earnings	1,238,767	35,161	1,022,139	127,153	2,423,220
Miscellaneous	5,554,432	49,790	-	341,899	5,946,121
Total revenues	<u>233,097,181</u>	<u>1,328,193</u>	<u>4,660,020</u>	<u>32,644,493</u>	<u>271,729,887</u>
<b>EXPENDITURES</b>					
Current:					
General government	44,777,489	-	-	12,813,906	57,591,395
Public safety:					
Sheriff	52,447,640	-	-	211,012	52,658,652
Criminal Court	1,473,516	-	-	2,686,609	4,160,125
Juvenile Court	1,583,178	-	-	-	1,583,178
Ambulance Services	10,225,294	-	-	-	10,225,294
Other	24,550,530	-	-	21,524	24,572,054
Highways and streets	12,208,999	-	-	-	12,208,999
Health	22,968,081	-	-	-	22,968,081
Social services	3,394,854	-	-	3,459,595	6,854,449
Culture and recreation	8,055,565	-	-	-	8,055,565
Debt service:					
Principal	-	79,595,051	3,107,257	-	82,702,308
Interest and fiscal charges	-	9,624,254	-	-	9,624,254
Capital outlay:					
General government	3,001,495	-	11,426,991	-	14,428,486
Education	-	-	2,729,611	-	2,729,611
Total expenditures	<u>184,686,641</u>	<u>89,219,305</u>	<u>17,263,859</u>	<u>19,192,646</u>	<u>310,362,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>48,410,540</u>	<u>(87,891,112)</u>	<u>(12,603,839)</u>	<u>13,451,847</u>	<u>(38,632,564)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	12,942,922	95,984,180	14,000,000	250,000	123,177,102
Transfers out	(55,315,537)	-	(55,000,000)	(12,942,922)	(123,258,459)
Sale of capital assets	118,296	-	-	22,230	140,526
Proceeds from issuance of bonds	-	-	167,300,000	-	167,300,000
Proceeds from sale of refunding bonds	-	-	4,295,000	-	4,295,000
Premium from bonds	-	-	27,593,678	-	27,593,678
Premium on refunding bonds	-	-	89,178	-	89,178
Payment to refunded bonds escrow agent	-	-	(4,367,743)	-	(4,367,743)
Total other financing sources (uses)	<u>(42,254,319)</u>	<u>95,984,180</u>	<u>153,910,113</u>	<u>(12,670,692)</u>	<u>194,969,282</u>
Net change in fund balances	6,156,221	8,093,068	141,306,274	781,155	156,336,718
Fund balances, beginning	<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>
Fund balances, ending	<u>\$ 100,335,252</u>	<u>\$ 10,255,928</u>	<u>\$ 172,649,014</u>	<u>\$ 5,231,989</u>	<u>\$ 288,472,183</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, 2018**

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

Net change in fund balances - total governmental funds \$ 156,336,718

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. 20,034,557

Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities. (14,089,645)

The issuance of long-term debt provides current financial resources to governmental funds. Also, governmental funds report the effect of premiums and deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (199,277,856)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. 87,070,051

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. 71,065

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	(811,737)
Landfill post closure costs	10,000
Amortization of deferred charges on refunding	(634,577)
Amortization of bond issuance premium	3,556,132
Change in accrued interest payable	(1,667,601)

The net revenues of internal service funds are reported with governmental activities. 6,193,473

The net effect of various transactions involving capital assets is to decrease net position. (4,764,742)

The net effect of capital asset transactions involving the Hamilton County Department of Education is to decrease net position. (9,602,529)

The net effect of the change in the net OPEB obligation is included in the governmental activities in the statement of activities. 741,856

The net effect of the change in the net pension liability is included in the governmental activities in the statement of activities. 899,987

Certain governmental revenues will not be collected for several months after the fiscal year and are reported as deferred inflows in the governmental funds. 709,612

The net effect of the change in the Carter Street joint venture is included in the governmental activities in the statement of activities. (48,245)

Change in net position of governmental activities \$ 44,726,519

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, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 158,255,987	\$ 182,755,987	\$ 177,770,581	\$ (4,985,406)
Licenses and permits	889,100	889,100	965,887	76,787
Intergovernmental revenues	27,709,147	29,202,432	27,155,834	(2,046,598)
Charges for services	16,681,650	17,052,780	18,558,654	1,505,874
Fines, forfeitures and penalties	2,071,400	2,071,400	1,853,026	(218,374)
Investment earnings	593,500	593,500	1,238,767	645,267
Miscellaneous	4,503,664	4,579,012	5,554,432	975,420
Total revenues	<u>210,704,448</u>	<u>237,144,211</u>	<u>233,097,181</u>	<u>(4,047,030)</u>
<b>EXPENDITURES</b>				
Current:				
General government	45,451,092	47,119,517	44,825,051	2,294,466
Public safety	91,174,346	94,766,142	91,401,392	3,364,750
Highways and streets	13,643,046	13,853,963	12,569,636	1,284,327
Health	24,697,090	25,203,689	22,873,395	2,330,294
Social services	2,298,725	2,398,725	2,394,151	4,574
Culture and recreation	8,696,476	8,767,586	8,032,844	734,742
Capital outlay	3,434,636	4,532,830	2,720,638	1,812,192
Total budgetary expenditures	<u>189,395,411</u>	<u>196,642,452</u>	<u>184,817,107</u>	<u>11,825,345</u>
Excess of revenues over expenditures	<u>21,309,037</u>	<u>40,501,759</u>	<u>48,280,074</u>	<u>7,778,315</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,946,500	11,946,500	12,942,922	996,422
Transfers out	(33,315,537)	(55,315,537)	(55,315,537)	-
Sale of capital assets	60,000	60,000	118,296	58,296
Total other financing sources (uses)	<u>(21,309,037)</u>	<u>(43,309,037)</u>	<u>(42,254,319)</u>	<u>1,054,718</u>
Net change in fund balance	-	(2,807,278)	6,025,755	<u>\$ 8,833,033</u>
Fund balance allocation	-	2,807,278		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			1,638,571	
Less encumbrances at beginning of year			<u>(1,508,105)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			6,156,221	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>94,179,031</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 100,335,252</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, 2018**

	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 13,194,617
Investments	23,568,082
Accounts receivable	352,124
Inventory	317,701
Prepaid insurance	<u>121,828</u>
Total current assets	<u>37,554,352</u>
Total assets	<u>37,554,352</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	35,021
Accrued items and other	5,391
Accrued claims	2,548,752
Due to other funds	112,555
Unearned revenue	<u>368</u>
Total current liabilities	<u>2,702,087</u>
Noncurrent liabilities	
Accrued claims	<u>418,303</u>
Total liabilities	<u>3,120,390</u>
<b>NET POSITION</b>	
Unrestricted	<u>\$ 34,433,962</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, 2018**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 40,761,141
Other	<u>1,403,887</u>
Total operating revenues	<u>42,165,028</u>
OPERATING EXPENSES	
Unemployment compensation	18,055
Claims and premiums	28,844,932
Pharmacy	5,156,965
Clinic	1,681,344
Administration	<u>721,715</u>
Total operating expenses	<u>36,423,011</u>
Operating income	5,742,017
NONOPERATING REVENUES	
Investment earnings	<u>370,099</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	<u>81,357</u>
Change in net position	6,193,473
Net position, beginning	<u>28,240,489</u>
Net position, ending	<u>\$ 34,433,962</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, 2018**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from insurance premiums	\$ 39,066,838
Cash received from unemployment compensation	653,947
Cash received from pharmacy	5,391,901
Cash paid for claims and premiums	(28,797,443)
Cash paid for administration	(716,324)
Cash paid for clinic	(1,681,344)
Cash paid for pharmacy	<u>(5,041,099)</u>
Net cash provided by (used in) operating activities	<u>8,876,476</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(23,568,083)
Proceeds from sale of investments	22,972,360
Interest on investments	<u>370,099</u>
Net cash provided by (used in) investing activities	<u>(225,624)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers in	<u>81,357</u>
Net cash provided by (used in) non-capital financing activities	<u>81,357</u>
Net change in cash and cash equivalents	8,732,209
Beginning cash and cash equivalents	<u>4,462,408</u>
Ending cash and cash equivalents	<u>\$ 13,194,617</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 5,742,017</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Change in accounts receivable	(336,619)
Change in due from other funds	3,186,591
Change in inventory	115,866
Change in prepaid items	(1,306)
Change in accounts payable	10,318
Change in due to other funds	105,055
Change in accrued items and other	5,759
Change in accrued claims	<u>48,795</u>
Total adjustments	<u>3,134,459</u>
Net cash provided by operating activities	<u>\$ 8,876,476</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, 2018**

	OPEB & Pension Trust Funds	Constitutional Officers Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 42,285	\$ 15,088,517
Certificates of deposit	-	7,730,613
Investments	-	43,232
Investments, at fair value:		
US Government Securities	2,465,874	-
Municipal Bonds	850,972	-
Mutual Funds	16,343,954	-
Domestic Equity Securities	3,505,416	-
Domestic Corporate Bonds	2,433,922	-
Foreign Bonds / Notes	560,232	-
Foreign Equity Securities	<u>1,758,448</u>	<u>-</u>
Total investments, at fair value	<u>27,918,818</u>	<u>-</u>
Receivables:		
Interest	61,316	-
Accounts	<u>-</u>	<u>292,160</u>
Total receivables	<u>61,316</u>	<u>292,160</u>
Total assets	<u>28,022,419</u>	<u>23,154,522</u>
<b>LIABILITIES</b>		
Accrued items and other	20,925	16,618,463
Intergovernmental payables	<u>-</u>	<u>6,536,059</u>
Total liabilities	<u>20,925</u>	<u>23,154,522</u>
<b>NET POSITION</b>		
Assets held in trust for benefits	<u>\$ 28,001,494</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, 2018**

	OPEB & Pension Trust Funds
	<u>                    </u>
ADDITIONS	
Contributions:	
Employer	\$ 1,705,941
Other	<u>3,588</u>
Total contributions	<u>1,709,529</u>
Investment earnings:	
Net change in fair value of investments	1,084,359
Interest and dividends	<u>1,010,360</u>
Net investment earnings	<u>2,094,719</u>
Total additions	<u>3,804,248</u>
DEDUCTIONS	
Benefits	113,061
Administrative expense	<u>160,606</u>
Total deductions	<u>273,667</u>
Change in net position	3,530,581
Net position, beginning	<u>24,470,913</u>
Net position, ending	<u>\$ 28,001,494</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, 2018**

	Hamilton County Department of Education	"911" Emergency Communications District	Water & Wastewater Treatment Authority (WWTA)	Railroad Authority	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 64,116,667	\$ 6,250,996	\$ 13,219,707	\$ 24,660	\$ 83,612,030
Investments	88,722,584	8,720,407	-	-	97,442,991
Receivables, net of allowance for uncollectible	176,344,985	160,151	3,561,644	-	180,066,780
Receivables, restricted	-	-	485,464	-	485,464
Due from primary government	-	-	-	-	-
Net pension asset	2,790,510	618,896	-	-	3,409,406
Inventories	1,347,328	-	107,723	-	1,455,051
Restricted cash	-	-	9,341,531	-	9,341,531
Prepaid items	69,390	-	1,029,114	-	1,098,504
Land and other nondepreciable assets	20,219,791	64,564	6,777,450	-	27,061,805
Capital assets, net of accumulated depreciation	<u>359,097,543</u>	<u>7,249,154</u>	<u>101,398,917</u>	<u>-</u>	<u>467,745,614</u>
Total assets	<u>712,708,798</u>	<u>23,064,168</u>	<u>135,921,550</u>	<u>24,660</u>	<u>871,719,176</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension investment return	139,885	-	-	-	139,885
Pension contributions subsequent to measurement date	15,338,535	372,922	-	-	15,711,457
Pension experience differences	898,799	235,324	-	-	1,134,123
Pension changes in assumptions	12,068,614	138,709	-	-	12,207,323
Deferred changes in proportion to the net pension liability	2,887,577	-	-	-	2,887,577
OPEB contributions subsequent to measurement date	<u>6,516,549</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,516,549</u>
Total deferred outflows of resources	<u>37,849,959</u>	<u>746,955</u>	<u>-</u>	<u>-</u>	<u>38,596,914</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	32,960,277	622,535	1,951,393	-	35,534,205
Noncurrent accrued claims payable	1,289,198	-	-	-	1,289,198
Due to primary government	2,804	764,695	270,661	-	1,038,160
Noncurrent liabilities:					
Due within one year	8,866,185	-	1,112,625	-	9,978,810
Due in more than one year	9,448,837	-	12,076,637	-	21,525,474
Net pension liability	121,273,631	-	-	-	121,273,631
Advance from primary government	<u>-</u>	<u>-</u>	<u>12,550,000</u>	<u>-</u>	<u>12,550,000</u>
Total liabilities	<u>173,840,932</u>	<u>1,387,230</u>	<u>27,961,316</u>	<u>-</u>	<u>203,189,478</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred gain on bond refunding	-	-	160,790	-	160,790
Unearned property tax revenue	119,883,785	-	-	-	119,883,785
Pension investment gain	-	6,938	-	-	6,938
Pension experience differences	29,227,076	302,280	-	-	29,529,356
Deferred changes in proportion to the net pension liability	<u>1,833,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,833,620</u>
Total deferred inflows of resources	<u>150,944,481</u>	<u>309,218</u>	<u>160,790</u>	<u>-</u>	<u>151,414,489</u>
<b>NET POSITION</b>					
Net investment in capital assets	379,317,334	7,313,718	82,276,315	-	468,907,367
Restricted for:					
Centralized cafeteria	6,026,597	-	-	-	6,026,597
Net pension asset	-	618,896	-	-	618,896
WWTA PSLP program	-	-	10,848,317	-	10,848,317
Unrestricted	<u>40,429,413</u>	<u>14,182,061</u>	<u>14,674,812</u>	<u>24,660</u>	<u>69,310,946</u>
Total net position	<u>\$ 425,773,344</u>	<u>\$ 22,114,675</u>	<u>\$ 107,799,444</u>	<u>\$ 24,660</u>	<u>\$ 555,712,123</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, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>HAMILTON COUNTY DEPARTMENT OF EDUCATION</b>				
Regular instruction	\$ 234,100,997	\$ 492,265	\$ 6,773,486	\$ 5,092,139
Exceptional instruction	36,912,922	792,821	6,389,851	803,064
Vocational instruction	9,041,713	-	467,490	196,774
Support services:				
Pupil services	14,828,603	-	2,039,219	322,313
Instructional staff	14,190,326	-	9,184,124	311,263
Technology	3,326,475	-	-	64,738
Board of education	6,220,619	-	1,110	135,253
Administration	28,634,642	-	-	641,555
Business and fiscal services	2,951,046	-	-	66,530
Human resources	1,375,589	-	-	31,285
Plant operation and maintenance	35,571,648	-	-	774,532
Pupil transportation	17,189,271	-	180,444	373,685
Central and other	185,032	-	-	10,289
Operation of noninstructional services:				
Community services	41,555	3,321,430	575,774	3,068
Early childhood education	2,989,180	-	2,775,202	65,003
Child Nutrition	20,174,251	3,495,256	16,494,387	439,151
<b>TOTAL DEPARTMENT OF EDUCATION</b>	<u>427,733,869</u>	<u>8,101,772</u>	<u>44,881,087</u>	<u>9,330,642</u>
<b>"911" EMERGENCY COMMUNICATIONS DISTRICT</b>				
Emergency communications operations	12,721,702	-	8,169,177	7,266,584
<b>WATER &amp; WASTEWATER TREATMENT AUTHORITY</b>				
Water and wastewater treatment operations	18,124,516	21,199,523	-	7,924,625
<b>RAILROAD AUTHORITY</b>				
Railroad authority operations	149,840	142,040	-	-
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 458,729,927</u>	<u>\$ 29,443,335</u>	<u>\$ 53,050,264</u>	<u>\$ 24,521,851</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 as restated  
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
\$ (221,743,107)				\$ (221,743,107)
(28,927,186)				(28,927,186)
(8,377,449)				(8,377,449)
(12,467,071)				(12,467,071)
(4,694,939)				(4,694,939)
(3,261,737)				(3,261,737)
(6,084,256)				(6,084,256)
(27,993,087)				(27,993,087)
(2,884,516)				(2,884,516)
(1,344,304)				(1,344,304)
(34,797,116)				(34,797,116)
(16,635,142)				(16,635,142)
(174,743)				(174,743)
3,858,717				3,858,717
(148,975)				(148,975)
254,543				254,543
<u>(365,420,368)</u>				
	\$ 2,714,059			2,714,059
		\$ 10,999,632		10,999,632
			\$ (7,800)	(7,800)
				<u>(351,714,477)</u>
162,685,710	-	-	-	162,685,710
76,601,434	-	-	-	76,601,434
170,752,893	-	-	-	170,752,893
1,929,009	94,477	205,185	-	2,228,671
<u>411,969,046</u>	<u>94,477</u>	<u>205,185</u>	<u>-</u>	<u>412,268,708</u>
46,548,678	2,808,536	11,204,817	(7,800)	60,554,231
<u>379,224,666</u>	<u>19,306,139</u>	<u>96,594,627</u>	<u>32,460</u>	<u>495,157,892</u>
<u>\$ 425,773,344</u>	<u>\$ 22,114,675</u>	<u>\$ 107,799,444</u>	<u>\$ 24,660</u>	<u>\$ 555,712,123</u>



## NOTES TO BASIC FINANCIAL STATEMENTS

### HAMILTON COUNTY, TENNESSEE

June 30, 2018

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## NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE  
JUNE 30, 2018

### 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, 3074 Hickory Valley Road, Bldg. 200-1, Chattanooga, TN 37421.

**Emergency Communication District Board (911)** – The “911” Emergency Communication Board was approved by resolution of the Hamilton County Board of Commissioners after the passage of Chapter 867 of the 1984 Tennessee Public Acts which authorized Emergency Communications Districts. The nine-member board is appointed by the County Mayor, is approved by the Hamilton County Board of Commissioners, and is legally separate from Hamilton County. The Board of Commissioners must approve any bonds or indebtedness of the district. Complete financial statements may be obtained from: Hamilton County “911” Emergency Communication District, 3404 Amnicola Highway, Chattanooga, TN 37406.

**Hamilton County Water & Wastewater Treatment Authority** – The Water & Wastewater Treatment Authority (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, 2018, 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 employee medical, 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 Post-Employment Benefits". The fund accounts for resources held in trust for a defined benefit post-employment 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 and performance bonds.

## **(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 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, 2018, 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.

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive/(Negative)
General Fund				
Constitutional Offices	\$ 26,988,418	\$ 27,797,124	\$ 26,196,864	\$ 1,600,260
Supported Agencies	4,450,909	4,450,909	4,380,550	70,359
Unassigned	52,912,798	76,350,188	73,763,495	2,586,693
Finance	9,258,930	9,753,891	8,995,868	758,023
Public Works	25,244,456	25,954,104	24,151,269	1,802,835
General Services	40,983,024	25,771,953	24,647,458	1,124,495
Human Resources	1,923,791	1,923,791	1,783,993	139,798
Health	23,008,542	23,515,141	21,184,847	2,330,294
Sheriff	35,281,957	53,782,765	52,444,419	1,338,346
Juvenile Court Clerk	2,658,123	2,658,123	2,583,881	74,242
Total General Fund	222,710,948	251,957,989	240,132,644	11,825,345
Debt Service	34,336,149	89,336,149	89,219,305	116,844
Hotel Motel	8,200,000	8,200,000	7,932,036	267,964
Sheriff Special Revenue	481,486	481,486	187,487	293,999
Primary Government	\$ 265,728,583	\$ 349,975,624	\$ 337,471,472	\$ 12,504,152

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

**d) Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when purchased. The payments are being recorded as expenditures on the fund level for the governmental funds.

**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 include 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 and OPEB. They 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 and OPEB 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 four types of deferred inflows: deferred property taxes, unavailable revenue, deferred inflows related to pensions and deferred inflows related to OPEB. 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 and OPEB 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, 2017
Levy date	October 1, 2017
Tax bills mailed	October 1, 2017
Delinquency date	March 1, 2018
Tax sale – 2014 delinquent property taxes	June 7, 2018

**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, 2018, the County had no material excess of expenditures over appropriations in individual funds.

**Net Position/Fund Balance Deficit**

At June 30, 2018, the County has a deficit of \$17,431,115 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, 2018, the County conveyed \$9,602,529 in capital assets to the Department of Education. At June 30, 2018, the County’s long-term liabilities include general obligation bonds of \$262,526,247 issued for the Department of Education capital projects.

**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, 2018, all deposits were insured or collateralized, as required by government policy.

The County's cash and cash equivalents consist of 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 Agricultural Mortgage Corp.	9/10/2018	1.875%		\$ 10,000,000	\$ 10,000,000
Federal Agricultural Mortgage Corp.	11/22/2019	2.420%		5,000,000	5,000,000
Federal Agricultural Mortgage Corp.	2/12/2020	2.400%		10,000,000	10,000,000
Federal Farm Credit Bank	12/27/2018	1.390%	Aaa	5,000,000	5,000,000
Federal Farm Credit Bank	2/20/2020	2.150%	Aaa	5,000,000	5,000,000
Federal Farm Credit Bank	10/21/2019	2.480%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	6/28/2019	1.500%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	9/27/2019	1.500%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	10/23/2019	1.600%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	12/13/2019	1.800%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	1/10/2020	1.900%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	2/6/2020	2.050%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	7/9/2018	1.865%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	1/16/2019	2.190%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	3/18/2019	2.106%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	4/26/2019	2.250%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	6/11/2019	2.340%	Aaa	10,000,000	10,000,000
Federal Home Loan Bank	6/14/2019	2.329%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	6/14/2019	2.332%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	3/5/2020	2.654%	Aaa	5,000,000	5,000,000
Federal Home Loan Bank	4/30/2020	2.540%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	7/20/2018	1.000%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	7/27/2018	1.050%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	10/18/2018	1.070%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	1.050%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	12/14/2018	1.250%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	12/21/2018	1.200%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	3/15/2019	1.375%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	7/26/2019	1.600%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	9/27/2019	1.500%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	10/30/2019	1.650%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	11/27/2019	1.750%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	11/27/2019	1.700%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	12/27/2019	1.875%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	1/25/2019	1.350%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	2.110%	Aaa	5,000,000	5,000,000
Federal Home Loan Mortgage Corp.	4/30/2020	2.450%	Aaa	5,000,000	5,000,000
Federal National Mortgage Association	7/9/2018	1.800%	Aaa	10,000,000	10,000,000
United States Treasury	7/31/2018	1.780%	Aaa	5,000,000	5,000,000
United States Treasury	8/31/2018	1.650%	Aaa	5,000,000	5,000,000
United States Treasury	8/31/2018	1.650%	Aaa	10,000,000	10,000,000
United States Treasury	7/31/2018	1.570%	Aaa	10,000,000	10,000,000
United States Treasury	8/31/2018	1.850%	Aaa	5,000,000	5,000,000
United States Treasury	7/31/2018	1.570%	Aaa	5,000,000	5,000,000
United States Treasury	10/31/2018	2.000%	Aaa	5,000,000	5,000,000
Total investments measured at fair value				\$ 280,000,000	\$ 280,000,000

Investments not subject to level disclosure:

Investments carried at cost:

Certificates of Deposits	9/5/2019	1.20%	\$ 15,000
Certificates of Deposits	8/15/2018	1.90%	20,000,000
Certificates of Deposits	10/2//2018	1.94%	10,000,000
Certificates of Deposits	10/8//2018	1.94%	5,000,000
Certificates of Deposits	4/11/2019	2.11%	5,000,000
Certificates of Deposits	4/30/2019	1.64%	53,355
Certificates of Deposits	12/5/2018	1.35%	245,000
Certificates of Deposits	12/17/2018	1.35%	245,000
Certificates of Deposits	12/19/2018	1.40%	245,000
Certificates of Deposits	12/19/2018	1.35%	245,000
Certificates of Deposits	12/19/2018	1.40%	245,000
Certificates of Deposits	12/24/2018	1.35%	245,000
Certificates of Deposits	12/28/2018	1.35%	245,000
Certificates of Deposits	11/15/2019	1.75%	245,000
Certificates of Deposits	11/15/2019	1.75%	245,000
Certificates of Deposits	11/18/2019	1.80%	245,000
Certificates of Deposits	11/18/2019	1.75%	245,000
Certificates of Deposits	11/18/2019	1.75%	245,000
Certificates of Deposits	11/18/2019	1.75%	245,000
Certificates of Deposits	11/22/2019	1.80%	245,000
Certificates of Deposits	11/22/2019	1.80%	245,000
Certificates of Deposits	11/22/2019	1.90%	245,000
Total investments carried at cost			<u>\$ 43,988,355</u>

Total Investments

\$ 323,988,355

As of June 30, 2018, total investments for the primary government (excluding Pension Trust Funds and OPEB Trust Fund) were \$235,222,539 and investments for the Department of Education, a discretely presented component unit, were \$88,722,584. In addition to the investments listed in the previous table, the County holds \$7,730,613 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:

<b>Investment</b>	<b>Interest Rate</b>	<b>Credit Rating</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Fair Value</b>
U.S. Treasury Note	1.375-3.125%	Aaa	\$ -	\$ 181,522	\$ 181,522
Agency Securities – FFCB	2.050-2.670%	Aaa	-	38,229	38,229
Agency Securities – FHLB	1.840%	Aaa	-	14,102	14,102
Agency Securities – FHLMC	2.375%	Aaa	-	24,672	24,672
Agency Securities – FNMA	2.125-2.625%	Aaa	-	48,426	48,426
Municipal Bonds	2.201-5.295%	A1	35,281	-	35,281
Municipal Bonds	2.942%	A2	34,266	-	34,266
Municipal Bonds	3.450-3.512%	Aa1	35,115	-	35,115
Municipal Bonds	2.383-5.500%	Aa2	28,961	-	28,961
Domestic Corporate Bonds	4.125-5.500%	A1	16,206	-	16,206
Domestic Corporate Bonds	2.250-4.400%	A2	48,968	-	48,968
Domestic Corporate Bonds	2.875-5.600%	A3	60,435	-	60,435
Domestic Corporate Bonds	4.300%	Aa2	10,073	-	10,073
Domestic Corporate Bonds	2.875-4.862%	Baa1	73,746	-	73,746
Domestic Corporate Bonds	2.300-4.500%	Baa2	58,215	-	58,215
Domestic Corporate Bonds	3.250-5.875%	Baa3	44,673	-	44,673
Foreign Bonds/Notes	2.998-3.364%	A1	29,358	-	29,358
Foreign Bonds/Notes	3.125%	A2	9,839	-	9,839
Foreign Bonds/Notes	1.750-1.800%	Aa2	14,366	-	14,366
Foreign Bonds/Notes	2.650%	Aa3	9,872	-	9,872
Mutual Funds	Various	Not rated	1,627,054	-	1,627,054
Domestic Equity Securities	Various	Not rated	167,597	-	167,597
Foreign Equity Securities	Various	Not rated	100,374	-	100,374
			<u>\$2,404,399</u>	<u>\$ 306,951</u>	<u>\$ 2,711,350</u>

Investments in Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association 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:

<b>Investment</b>	<b>Interest Rate</b>	<b>Credit Rating</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Fair Value</b>
U.S. Treasury Note	1.375-3.125%	Aaa	\$ -	\$1,219,235	\$ 1,219,235
Agency Securities – FFCB	1.320-2.670%	Aaa	-	263,537	263,537
Agency Securities – FHLB	1.840%	Aaa	-	47,008	47,008
Agency Securities – FHLMC	2.375%	Aaa	-	98,688	98,688
Agency Securities – FNMA	1.625-2.625%	Aaa	-	530,455	530,455
Municipal Bonds	2.201-5.295%	A1	115,680	-	115,680
Municipal Bonds	2.942%	A2	48,952	-	48,952
Municipal Bonds	2.197-5.552%	Aa1	282,156	-	282,156
Municipal Bonds	1.796-5.500%	Aa2	173,886	-	173,886
Municipal Bonds	6.040%	Aa3	96,675	-	96,675
Domestic Corporate Bonds	1.900-5.500%	A1	164,199	-	164,199
Domestic Corporate Bonds	2.250-4.400%	A2	307,179	-	307,179
Domestic Corporate Bonds	2.875-5.600%	A3	404,161	-	404,161
Domestic Corporate Bonds	4.300%	Aa2	55,405	-	55,405
Domestic Corporate Bonds	2.875-4.862%	Baa1	426,214	-	426,214
Domestic Corporate Bonds	2.300-4.500%	Baa2	454,856	-	454,856
Domestic Corporate Bonds	3.250-5.875%	Baa3	309,592	-	309,592
Foreign Bonds/Notes	2.998-3.364%	A1	200,444	-	200,444
Foreign Bonds/Notes	3.125-5.100%	A2	121,751	-	121,751
Foreign Bonds/Notes	1.750-1.800%	Aa2	100,559	-	100,559
Foreign Bonds/Notes	2.650%	Aa3	74,043	-	74,043
Mutual Funds	Various	Not rated	14,716,900	-	14,716,900
Domestic Equity Securities	Various	Not rated	3,337,819	-	3,337,819
Foreign Equity Securities	Various	Not rated	1,658,074	-	1,658,074
			<u>\$23,048,545</u>	<u>\$2,158,923</u>	<u>\$25,207,468</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 Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association 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, 2018, 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	\$166,212,313	\$10,281,848	\$ 995,512	\$7,077,963	\$(14,148,891)	\$170,418,745
Debt service	-	-	163,991	-	-	163,991
Capital projects	-	-	466,432	820,481	-	1,286,913
Nonmajor	-	-	1,521,527	-	-	1,521,527
Internal service	-	-	352,124	-	-	352,124
	<u>\$166,212,313</u>	<u>\$10,281,848</u>	<u>\$3,499,586</u>	<u>\$7,898,444</u>	<u>\$(14,148,891)</u>	<u>\$173,743,300</u>

<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>
Component Units:						
Hamilton County						
Department of Education	\$158,383,125	\$ -	\$3,417,502	\$21,155,053	\$ (6,610,695)	\$176,344,985
“911” Emergency Communication	-	-	160,151	-	-	160,151
WWTA	-	-	4,085,539	-	(38,431)	4,047,108
	<u>\$158,383,125</u>	<u>\$ -</u>	<u>\$7,663,192</u>	<u>\$21,155,053</u>	<u>\$ (6,649,126)</u>	<u>\$180,552,244</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 seven years 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, 2018.

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 \$140,000 at June 30, 2018, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of \$140,000 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, 2018. 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, 2018. The total contractual commitments outstanding as of June 30, 2018, aggregated approximately \$11,928,831. These commitments are not reported in the government-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. 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, 2018, there are two Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the Industrial Revenue Bond series issued at June 30, 2018, is \$27,643,267.

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, 2018, 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	\$ 1,063,056	\$ 301,311	\$ 1,052	\$ 1,365,419
Clerk and Master	719,055	159,688	-	878,743
County Clerk	1,672,950	499,826	2,270	2,175,046
Criminal Court Clerk	1,360,698	362,639	1,278	1,724,615
Juvenile Court Clerk	2,504,257	72,384	7,240	2,583,881
Register	405,194	55,874	-	461,068
Sheriff	31,523,525	20,858,075	1,147,898	53,529,498
Trustee	421,413	640,597	179	1,062,189
Election Commission	1,255,420	266,840	-	1,522,260
Assessor of Property	3,161,805	416,156	44,030	3,621,991
	<u>\$ 44,087,373</u>	<u>\$ 23,633,390</u>	<u>\$1,203,947</u>	<u>\$ 68,924,710</u>

## NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, 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	\$ 73,705,089	\$ 921,742	\$ (867,164)	\$ 73,759,667
Construction in progress	9,204,514	6,701,657	(11,188,649)	4,717,522
Total non-depreciable assets	<u>82,909,603</u>	<u>7,623,399</u>	<u>(12,055,813)</u>	<u>78,477,189</u>
Depreciable Assets:				
Buildings	154,845,188	3,720,502	-	158,565,690
Improvements other than buildings	42,700,814	457,118	-	43,157,932
Machinery and equipment	44,661,570	2,741,137	(2,389,964)	45,012,743
Infrastructure	225,218,543	6,829,345	(4,717,136)	227,330,752
Intangibles	6,748,981	249,176	(79,852)	6,918,305
Total depreciable assets	<u>474,175,096</u>	<u>13,997,278</u>	<u>(7,186,952)</u>	<u>480,985,422</u>
Less Accumulated Depreciation for:				
Buildings	(74,127,332)	(3,373,233)	-	(77,500,565)
Improvements other than buildings	(19,995,171)	(2,226,636)	-	(22,221,807)
Machinery and equipment	(35,541,676)	(2,771,167)	2,350,909	(35,961,934)
Infrastructure	(142,626,631)	(5,391,099)	858,613	(147,159,117)
Intangibles	(4,319,455)	(327,510)	79,852	(4,567,113)
Total accumulated depreciation	<u>(276,610,265)</u>	<u>(14,089,645)</u>	<u>3,289,374</u>	<u>(287,410,536)</u>
Depreciable Assets, net	<u>197,564,831</u>	<u>(92,367)</u>	<u>(3,897,578)</u>	<u>193,574,886</u>
Governmental activities capital assets, net	<u>\$ 280,474,434</u>	<u>\$ 7,531,032</u>	<u>\$(15,953,391)</u>	<u>\$ 272,052,075</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	\$ 20,219,791	\$ -	\$ -	\$ 20,219,791
Construction in progress	9,406,127	3,751,145	(6,315,258)	6,842,014
Total non-depreciable assets	<u>29,625,918</u>	<u>3,751,145</u>	<u>(6,315,258)</u>	<u>27,061,805</u>
Depreciable Assets:				
Buildings	598,235,019	9,503,824	-	607,738,843
Improvements other than buildings	23,381,090	151,851	-	23,532,941
Machinery and equipment	40,336,147	1,341,920	(723,992)	40,954,075
Utility plant	131,585,650	14,921,470	(961,340)	145,545,780
Total depreciable assets	<u>793,537,906</u>	<u>25,919,065</u>	<u>(1,685,332)</u>	<u>817,771,639</u>
Less Accumulated Depreciation for:				
Buildings	(247,101,541)	(12,244,912)	-	(259,346,453)
Improvements other than buildings	(18,171,262)	(403,400)	-	(18,574,662)
Machinery and equipment	(24,908,627)	(2,610,451)	779,823	(26,739,255)
Utility plant	(41,983,175)	(3,451,920)	69,440	(45,365,655)
Total accumulated depreciation	<u>(332,164,605)</u>	<u>(18,710,683)</u>	<u>849,263</u>	<u>(350,026,025)</u>
Depreciable Assets, net	<u>461,373,301</u>	<u>7,208,382</u>	<u>(836,069)</u>	<u>467,745,614</u>
Component units capital assets, net	<u>\$ 490,999,219</u>	<u>\$ 10,959,527</u>	<u>\$(7,151,327)</u>	<u>\$ 494,807,419</u>

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
Ambulance Services	\$ 673,475
Criminal Court	54,098
General Government	2,885,190
Health	310,977
Highway and Streets	5,405,137
Juvenile Court	177,237
Other Public Safety	1,286,812
Culture and Recreation	2,327,937
Sheriff	<u>968,782</u>
Total	<u>\$ 14,089,645</u>

Discretely Presented Component Units:	
Department of Education	\$ 13,617,091
Water & Wastewater Treatment Authority	3,850,039
“911” Emergency Communications	<u>1,243,553</u>
Total	<u>\$ 18,710,683</u>

Hamilton County donated \$9,602,529 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	\$ -	\$ 308,128	\$ 1,704,671	\$ -	\$ -	\$ 2,012,799
Net pension liability	22,348,628	-	-	197,232	9,254	22,555,114
Deferred outflows-pension investment returns	4,703	-	75,217	20,889	356	101,165
Deferred outflows-pension contributions subsequent to measurement date	14,760,252	715,254	-	96,687	9,254	15,581,447
Deferred outflows-pension experience difference	606,068	364,818	-	-	-	970,886
Deferred outflows-changes in assumptions	8,758,893	20,141	-	-	-	8,779,034
Deferred outflows-changes in proportion to the net pension liability	-	-	-	-	-	-
Deferred outflows-pension investment losses	-	15,034	-	-	-	15,034
Deferred inflows-pension experience differences	3,267,334	31,975	-	-	-	3,299,309
Deferred inflows-changes in proportion to the net pension liability	-	-	-	-	-	-
<b>Department of Education</b>						
	Teacher Legacy Pension Plan	Teacher Retirement Plan	Total			
Net pension asset	\$ 1,410,652	\$ 1,379,858	\$ 2,790,510			
Net pension liability	-	-	-			
Deferred outflows-pension investment returns	214,133	-	214,133			
Deferred outflows-pension contributions subsequent to measurement date	13,514,921	1,823,614	15,338,535			
Deferred outflows-pension experience difference	850,440	48,359	898,799			
Deferred outflows-changes in assumptions	11,947,387	121,227	12,068,614			
Deferred outflows-changes in proportion to the net pension liability	2,796,847	90,730	2,887,577			
Deferred outflows-pension investment losses	-	74,248	74,248			
Deferred inflows-pension experience differences	29,123,300	103,776	29,227,076			
Deferred inflows-changes in proportion to the net pension liability	1,803,230	30,390	1,833,620			

## 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 consecutive year average compensation and the member's 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. 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. 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. The chief legislative body may adopt the benefit terms permitted by statute.

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

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

*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 County's participation in the Public Employee Retirement Plan of the TCRS, and additions to/deductions from the County's fiduciary net position have been determined on the same basis as they were 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 the 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, 2018, was 14.67% 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, 2018, employer contributions for the County were \$14,760,252. 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, 2017 actuarial valuation using the entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.25 percent per year compounded annually; (b) projected 2.5 percent annual rate of inflation; (c) projected salary increases of 4.0 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 2.25 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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

**Net Pension Liability (Asset)**

The County's net pension liability (asset) was measured as of June 30, 2017, 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, 2017 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, 2018
Measurement Date	June 30, 2017
Actuarial Valuation Date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Asset valuation method	10-year smoothed within a 20 percent corridor to market value
Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, 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	2.25 percent, if provided

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

**Employees Covered by Benefit Terms at June 30, 2017**

Inactive employees or beneficiaries currently receiving benefits	2,426
Inactive employees entitled to but not yet receiving benefits	2,502
Active employees	<u>2,378</u>
Total	<u>7,306</u>

Note: The plan is closed to new entrants.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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, 2016	\$ 473,645,490	\$ 445,437,186	\$ 28,208,304
Service cost	8,120,884	-	8,120,884
Interest	35,305,203	-	35,305,203
Change of benefit terms	4,920,068	-	4,920,068
Differences between expected and actual experience	(840,493)	-	(840,493)
Changes in assumptions	11,678,524	-	11,678,524
Contributions-employer	-	15,152,942	(15,152,942)
Contributions-employee	-	9,814	(9,814)
Net Investment income	-	50,073,673	(50,073,673)
Benefit payments, including refunds of employee contributions	(22,060,655)	(22,060,655)	-
Administrative expense	-	(202,759)	202,759
Other Changes	-	10,192	(10,192)
Net Changes	<u>\$ 37,123,531</u>	<u>\$ 42,983,207</u>	<u>\$ (5,859,676)</u>
Balance at June 30, 2017	<u>\$ 510,769,021</u>	<u>\$ 488,420,393</u>	<u>\$ 22,348,628</u>

*Changes of benefit terms.* In the June 30, 2017 actuarial valuation, benefit terms were changed to authorize the establishment of a mandatory retirement at age 60 for all public safety officers. This benefit option allows unreduced retirement benefits (service retirement) upon attainment of age 55 with 25 years of public safety officer service. It allows a supplemental bridge benefit that will begin at age 55 and continue through age 62.

### 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 (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ 86,387,722	\$ 22,348,628	\$ (31,220,285)

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

	Pension Expense/(Income)
Service Cost	\$ 8,120,884
Interest	35,305,203
Changes in benefit terms	4,920,068
Contributions-employees	(9,814)
Projected investment income	(33,141,896)
Recognition of assumption changes (gain)/loss	2,919,631
Recognition of experience (gain)/loss	(1,479,129)
Recognition of investment (gain)/loss	(2,091,588)
Administrative expense	202,759
Other	(10,192)
Pension Expense/(Income)	<u>\$ 14,735,926</u>

For the year ended June 30, 2018, the recognized pension expense is \$14,735,926. At June 30, 2018, 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	\$ 606,068	\$ (3,267,334)
Net difference between projected and actual earnings of pension plan investments	4,703	-
Changes in assumptions	8,758,893	-
Contributions subsequent to the measurement date of June 30, 2017	<u>14,760,252</u>	<u>-</u>
Total	<u>\$ 24,129,916</u>	<u>\$ (3,267,334)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” 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 ending June 30:

2019	\$ (651,086)
2020	6,380,866
2021	3,758,910
2022	(3,386,360)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ 6,102,330</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, 2018, the County reported a payable of \$1,612,776 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

## **(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 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 the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits provided.* Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members of the Hamilton County Hybrid 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. 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. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the 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, 2017, 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	61
Active employees	<u>433</u>
Total	<u>494</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, 2018 to the Public Employee Retirement Plan were \$715,254, 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 net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of living adjustments	2.25 percent, if provided

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	Long-Term Expected Real Rate of <u>Return</u>	Target <u>Allocations</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at June 30, 2016	\$ 68,461	\$ 125,285	\$ (56,824)
Service cost	201,820	-	201,820
Interest	20,170	-	20,170
Changes of benefit terms	1,715	-	1,715
Differences between expected and actual experience	401,300	-	401,300
Changes in assumptions	22,155	-	22,155
Contributions-employer	-	387,744	(387,744)
Contributions-employee	-	483,672	(483,672)
Net Investment income	-	61,675	(61,675)
Benefit payments, including refunds of employee contributions	(2,701)	(2,701)	-
Administrative expense	-	(35,748)	35,748
Other changes	-	1,121	(1,121)
Net Changes	<u>\$ 644,459</u>	<u>\$ 895,763</u>	<u>\$ 251,304</u>
Balance at June 30, 2017	<u>\$ 712,920</u>	<u>\$1,021,048</u>	<u>\$ (308,128)</u>

*Changes of benefit terms.* In the June 30, 2017 actuarial valuation, benefit terms were changes to authorize the establishment of a mandatory retirement at age 60 for all public safety officers. This benefit option allows unreduced retirement benefits (service retirement) upon attainment of age 55 with 25 years of public safety officer service. It allows a supplemental bridge benefit that will begin at age 55 and continue through age 62.

**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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability (Asset)	\$ (121,217)	\$ (308,128)	\$ (448,460)

**Pension Expense (Negative Pension Expense) and Deferred Outflows/Inflows of Resources**

*Pension expense.* For the year ended June 30, 2018, Hamilton County Hybrid Plan recognized pension expense (negative pension expense) of (\$235,698).

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, Hamilton County Hybrid Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 364,818	\$ (31,975)
Net difference between projected and actual earnings of pension plan investments	-	(15,034)
Changes in assumptions	20,141	-
Contributions subsequent to the measurement date of June 30, 2017	<u>715,254</u>	<u>-</u>
Total	<u>\$1,100,213</u>	<u>\$ (47,009)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” 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 ending June 30:

2019	\$ 30,317
2020	30,317
2021	30,317
2022	29,728
2023	33,928
Thereafter	<u>183,343</u>
Total	<u>\$ 337,950</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, 2018, Hamilton County Hybrid Plan reported a payable of \$92,405 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

### **(3) TEACHER LEGACY PENSION PLAN**

#### **Summary of Significant Accounting Policies**

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

#### **General Information about the Pension Plan**

*Plan description.* Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Hamilton County Schools are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to

existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Hamilton County Schools for the year ended June 30, 2018, to the Teacher Legacy Pension Plan were \$13,514,921, which is 9.08 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, 2018, the Hamilton County Schools reported an asset of \$1,410,652 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation 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, 2017, Hamilton County Schools' proportion was 4.311500 percent. The proportion measured as of June 30, 2016, was 4.448883 percent.

*Pension expense.* For the year ended June 30, 2018, Hamilton County Schools recognized a pension expense of \$393,163.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 850,440	\$ 29,123,300
Changes in assumptions	11,947,387	-
Net difference between projected and actual earnings on pension plan investments	214,133	-
Changes in proportion of Net Pension Liability (Asset)	2,796,847	1,803,230
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>13,514,921</u>	<u>(not applicable)</u>
Total	<u>\$ 29,323,728</u>	<u>\$ 30,926,530</u>

Hamilton County Schools employer contributions of \$13,514,921, 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, 2019. 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 ending June 30:	
2019	\$ (9,717,072)
2020	4,714,149
2021	(3,258,581)
2022	(6,856,219)
2023	-
Thereafter	-
Total	<u>\$ (15,117,723)</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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the

TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Hamilton County Schools' proportionate share of the net pension liability (asset)	\$ 126,575,545	\$ (1,410,652)	\$ (107,199,675)

*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, 2018, Hamilton County Schools reported a payable of \$1,619,444 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

#### **(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](http://www.treasury.tn.gov/tcrs).

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

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except 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, 2018 to the Teacher Retirement Plan were \$1,823,614, 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, 2018, Hamilton County Schools reported an asset of \$1,379,858 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, 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, 2017, Hamilton County Schools' proportion was 5.230015 percent. At the measurement date of June 30, 2016, Hamilton County Schools' proportion was 5.794097 percent.

*Pension Expense.* For the year ended June 30, 2018, Hamilton County Schools recognized pension expense of \$629,446.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, Hamilton County Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,359	\$ 103,776
Net difference between projected and actual earnings on pension plan investments	-	74,248
Changes in assumptions	121,227	-
Earnings on pension plan investments	90,730	30,390
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>1,823,614</u>	<u>-</u>
Total	<u>\$ 2,083,930</u>	<u>\$ 208,414</u>

Hamilton County Schools' employer contributions of \$1,823,614, 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, 2019. 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 ending June 30:	
2019	\$ (3,024)
2020	(3,024)
2021	(7,276)
2022	(26,373)
2023	8,638
Thereafter	<u>82,961</u>
Total	<u>\$ 51,902</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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary Increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

*Changes of assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
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 7.25 percent based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Hamilton County Schools' proportionate share of the net pension liability (asset)	\$ 275,299	\$ (1,379,858)	\$ (2,593,945)

*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, 2018, Hamilton County Schools reported a payable of \$214,312 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

## 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. All service as a County Commissioner is credited for benefit purposes. In addition, credit may be granted for military service during a period of armed conflict, as determined by the pension commission. 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.

A participant's earnings shall mean their compensation earned as a County Commissioner, but excluding additional pay, if any, earned as chairman or chairman pro tempore. Average earnings are the average of a participant's compensation for the five years which produce the highest average. The normal retirement date of a participant is the first day of the month following the later of the participant's 55<sup>th</sup> birthday or the fifth anniversary of the date the participant began to serve as a County Commissioner. The normal retirement benefit, which is payable monthly for life, is equal to the product of (a) 2.50% of the participant's average earnings, and (b) the participant's years of credited service. Accrued benefits are vested after five years of service. If a participant postpones their retirement beyond their normal retirement date, they will be entitled to a monthly benefit commencing on the first day of any month following their actual retirement. The deferred retirement benefit is calculated in the same way as the normal retirement benefit, based on the participant's credited service and average earnings as of their date of retirement. If a participant ceases to be a County Commissioner after they have completed five or more years of service, but prior to their normal retirement date, they are entitled to a deferred vested benefit. The deferred benefit, to commence at their normal retirement date, is computed in the same manner as above for normal retirement, based on the participant's credited service and average earnings at their date of termination. If employment is otherwise terminated before retirement, no benefits are provided under the plan. Subject to the applicable plan provisions, a participant may select an optional method of benefit payment, in lieu of the prescribed life income, which is actuarially equivalent thereto. The purpose of the optional method is to provide a continued life income to a surviving spouse after the death of a participant. 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'</u> <u>Pension Plan</u>	<u>Commissioners'</u> <u>Pension Plan</u>	<u>Teachers'</u> <u>Pension Plan</u>
Retirees and beneficiaries receiving benefits	11	11	2
Vested terminated employees	-	3	-
Active employees:			
Fully vested	-	6	-
Non vested	-	4	-
Actuarial valuation date	June 30, 2018	June 30, 2018	June 30, 2018
Measurement date	June 30, 2017	June 30, 2017	June 30, 2017

**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, 2018, is shown below:

<u>Asset Class</u>	<u>Employees'</u> <u>Plan Target</u> <u>Allocation</u>	<u>Commissioners'</u> <u>Plan Target</u> <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>

## Investment Rate of Return

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

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Cash Equivalents	1.75%	Non U.S. Bond	1.35%
U.S. Stock	7.55%	U.S. Real Estate	6.75%
Developed Market Ex U.S.	7.70%	Global Real Estate	6.75%
Emerging Markets	9.20%	Commodities	4.75%
Global Stock	7.80%	Real Assets	6.95%
Core Bond	3.70%	Private Equity	12.10%
Long Term Bond	4.05%		
U.S. TIPS	3.10%		
High Yield	5.40%		

For the year ended June 30, 2018, no employer contributions were made for the Employees' Pension Plan. Contributions to the Commissioners' Pension Plan and the Teachers' Pension Plan were \$96,687 and \$9,254, respectively. The annual money-weighted rate of return on investments, net of investment expense, for the Employees' and Commissioners' plans were 4.51 percent and 4.90 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>	<u>AGE</u> <u>(Sample value per 1,000 lives)</u>			
	<u>60</u>	<u>70</u>	<u>80</u>	<u>90</u>
2015 IRS Combined Static Mortality Table				
Male	0.46%	1.57%	5.16%	16.79%
Female	0.45%	1.47%	3.93%	12.33%

Future Mortality Improvement:

The mortality tables above 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:**

The following represents the net pension liability (asset) calculated using the stated discount rate, as well as what the 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:

	<u>Discount Rate</u>	<u>Net Pension Liability(Asset)</u>
<u>Employees' Plan</u>		
Net Pension Liability, 1% Decrease	6.50%	\$(1,689,608)
Net Pension Liability, Current Rate	7.50%	\$(1,704,671)
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%	\$197,232
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%	\$9,254
Net Pension Liability, 1% Increase	6.00%	\$9,026

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

The components of the net pension liability at June 30, 2018, were as follows:

	<u>Employees'</u> <u>Retirement</u>	<u>Commissioners'</u> <u>Retirement</u>	<u>Teachers'</u> <u>Retirement</u>
Total Pension Liability	\$ 318,815	\$ 810,950	\$ 9,931
Plan Fiduciary Net Position	<u>(2,023,486)</u>	<u>(613,718)</u>	<u>(677)</u>
Net Pension Liability (Asset)	<u>\$ ( 1,704,671)</u>	<u>\$ 197,232</u>	<u>\$ 9,254</u>
Plan Fiduciary Net Position as a % of			
Total Pension Liability	634.69%	75.68%	6.82%

## 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 6/30/2016	\$ 415,939	\$ 1,956,793	\$ (1,540,854)
Changes for the Year:			
Interest Expense	28,741	-	28,741
Differences between expected and actual experience	(60,418)	-	(60,418)
Net Investment Income	-	145,167	(145,167)
Benefits paid	(65,447)	(65,447)	-
Plan administrative expenses	-	(13,027)	13,027
Net Changes	<u>(97,124)</u>	<u>66,693</u>	<u>(163,817)</u>
Balances at 6/30/2017	\$ <u>318,815</u>	\$ <u>2,023,486</u>	\$ <u>(1,704,671)</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 6/30/2016	\$ 805,466	\$ 616,907	\$ 188,559
Changes for the Year:			
Service Cost	25,386	-	25,386
Interest Expense	48,322	-	48,322
Differences between expected and actual experience	(17,238)	-	(17,238)
Contributions – Employer	-	-	-
Net Investment Income	-	51,357	(51,357)
Benefits paid	(50,986)	(50,986)	-
Plan administrative expenses	-	(3,560)	3,560
Net Changes	<u>5,484</u>	<u>(3,189)</u>	<u>8,673</u>
Balances at 6/30/2017	\$ <u>810,950</u>	\$ <u>613,718</u>	\$ <u>197,232</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 6/30/2016	\$ 7,577	\$ 4,288	\$ 3,289
Changes for the Year:			
Interest Expense	289	-	289
Difference between expected and actual experience	5,677	-	5,677
Contributions – Employer	-	-	-
Net Investment Income	-	1	(1)
Benefits paid	(3,612)	(3,612)	-
Net Changes	<u>2,354</u>	<u>(3,611)</u>	<u>5,965</u>
Balances at 6/30/2017	\$ <u>9,931</u>	\$ <u>677</u>	\$ <u>9,254</u>

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

For the fiscal year ended June 30, 2018, the Teachers' Retirement recognized pension expense (income) will be \$5,979, the Commissioners' Retirement recognized pension expense will be \$33,373, and the Employees' Retirement recognized pension expense (income) will be \$(142,828). This determination is based on a measurement date of June 30, 2017.

As of June 30, 2018, 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)	\$ 75,217	\$ -	\$ 20,889	\$ -	\$ 356	\$ -
Post-measurement contributions	-	-	96,687	-	9,254	-
	<u>\$ 75,217</u>	<u>\$ -</u>	<u>\$ 117,576</u>	<u>\$ -</u>	<u>\$ 9,610</u>	<u>\$ -</u>

Hamilton County's employer contributions of \$96,687 to the Commissioners' Retirement plan and \$9,254 to the Teachers' Retirement plan, reported as pension related deferred outflows of resources to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2019. There were no contributions subsequent to the measurement date for the Employee's Retirement plan. 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
2019	\$ 19,641	\$ 8,723	\$ 138
2020	36,826	11,093	110
2021	19,020	4,268	85
2022	(270)	(3,195)	23
2023	-	-	-
Thereafter	-	-	-
Total	<u>\$ 75,217</u>	<u>\$ 20,889</u>	<u>\$ 356</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
<b>ASSETS</b>				
Cash	\$ (20,098)	\$ 56,064	\$ 6,319	\$ 42,285
Investments, at fair value				
US Gov. Securities	306,951	-	-	306,951
Municipal Bonds	133,623	-	-	133,623
Mutual Funds	989,939	637,115	-	1,627,054
Domestic Equity Securities	167,597	-	-	167,597
Domestic Corporate Bonds	312,316	-	-	312,316
Foreign Bonds/Notes	63,435	-	-	63,435
Foreign Equity Securities	100,374	-	-	100,374
Total investments	<u>2,074,235</u>	<u>637,115</u>	<u>-</u>	<u>2,711,350</u>
Receivables:				
Interest	7,618	848	-	8,466
Accounts	-	-	-	-
Total Assets	<u>2,061,755</u>	<u>694,027</u>	<u>6,319</u>	<u>2,762,101</u>
<b>LIABILITIES</b>				
Accrued items and other	837	-	-	837
Total Liabilities	<u>837</u>	<u>-</u>	<u>-</u>	<u>837</u>
<b>NET POSITION</b>				
Assets held in trust for pension benefits	<u>\$ 2,060,918</u>	<u>\$ 694,027</u>	<u>\$ 6,319</u>	<u>\$ 2,761,264</u>

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ 96,687	\$ 9,254	\$ 105,941
Other	-	-	3,588	3,588
Total contributions	<u>-</u>	<u>96,687</u>	<u>12,842</u>	<u>109,529</u>
Investments earnings:				
Net change in fair value of investments	41,579	18,268	-	59,847
Interest	74,580	22,341	-	96,921
Net investment income	<u>116,159</u>	<u>40,609</u>	<u>-</u>	<u>156,768</u>
Total additions	<u>116,159</u>	<u>137,296</u>	<u>12,842</u>	<u>266,297</u>
<b>DEDUCTIONS</b>				
Benefits	55,458	50,403	7,200	113,061
Administrative expense	23,269	6,584	-	29,853
Total deductions	<u>78,727</u>	<u>56,987</u>	<u>7,200</u>	<u>142,914</u>
Change in net position	37,432	80,309	5,642	123,383
Net position, beginning	2,023,486	613,718	677	2,637,881
Net position, ending	<u>\$ 2,060,918</u>	<u>\$ 694,027</u>	<u>\$ 6,319</u>	<u>\$ 2,761,264</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, 2018, membership consisted of the following:

Active members (with medical coverage)	1,710
Retirees (with medical coverage)	103
Beneficiaries (with medical coverage)	<u>37</u>
Total	<u>1,850</u>

**Funding Policy**

In fiscal year 2011, the County established an Other Postemployment Benefits Trust (OPEB Trust) which is used to 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 2018.

**Contributions**

The County’s annual OPEB cost (expense) is calculated based on the actuarially determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of GASB Statements 74 and 75. The ADC 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 20 years.

**Investments**

The following was the County Commission’s adopted asset allocation policy as of June 30, 2018:

<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>

*Rate of Return.* For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 6.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net OPEB Liability of Hamilton County**

The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB Liability	\$43,601,918
Plan Fiduciary Net Position	<u>(21,833,032)</u>
Net OPEB Liability	<u>\$21,768,886</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 <u>50.01%</u>

Effective July 1, 2017, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the disclosures required related to the County. The information disclosed below is presented in accordance with this new standard.

*Actuarial Assumptions.* The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, 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	
2018 Medical Trend Rate:	8.0 percent
Ultimate Medical Trend Rate:	5.0 percent
Admin:	5.0 percent
Year Ultimate Trend Rates Reached	2028

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.

**Schedule of Changes in Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balance at June 30, 2017	\$ 41,490,558	\$ 18,062,413	\$ 23,428,145
Service cost	1,809,531	-	1,809,531
Interest	2,661,150	-	2,661,150
Contributions-employer	-	3,704,380	(3,704,380)
Net Investment income	-	2,263,871	(2,263,871)
Benefit payments, including refunds of employee contributions	(2,359,321)	(2,359,321)	-
Administrative expense	-	(93,252)	93,252
Other changes	-	254,941	(254,941)
Net Changes	<u>\$ 2,111,360</u>	<u>\$ 3,770,619</u>	<u>\$ (1,659,259)</u>
Balance at June 30, 2018	<u>\$ 43,601,918</u>	<u>\$ 21,833,032</u>	<u>\$ 21,768,886</u>

*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 (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	\$ 25,094,435	\$ 21,768,886	\$ 18,751,079

*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 (7.0 percent decreased to 4% over 10 years) or 1-percentage-point higher (9.0 percent decreasing to 6% over 10 years) than the current discount rate:

	1% Decrease (7.0% - 4.0%)	Current Discount Rate (8.0% - 5.0%)	1% Increase (9.0% - 6.0%)
Net OPEB Liability	\$ 17,829,563	\$ 21,768,886	\$ 26,354,179

## 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.

## OPEB Expense (Income) and Deferred Outflows/Inflows of Resources

	OPEB Expense/(Income)
Service Cost	\$ 1,809,531
Interest	2,661,150
Projected investment income	(1,222,255)
Recognition of investment (gain)/loss	(208,323)
Administrative expense	<u>93,253</u>
OPEB Expense/(Income)	<u>\$ 3,133,356</u>

For the year ended June 30, 2018, the recognized OPEB expense is \$3,133,356. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings of OPEB plan investments	\$ -	\$ (833,293)
Contributions subsequent to the measurement date of June 30, 2017	<u>3,875,212</u>	<u>-</u>
Total	<u>\$ 3,875,212</u>	<u>\$ (833,293)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” will be recognized as a reduction to net OPEB liability in the following measurement period.

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

Year ending June 30:

2019	\$ (208,323)
2020	(208,323)
2021	(208,323)
2022	(208,324)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ (833,293)</u>

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

(2) **DEPARTMENT OF EDUCATION (HCDE)**

In addition to providing pension benefits, the Hamilton County Department of Education (HCDE), a discretely presented component unit, provides 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.

**Plan Membership**

At June 30, 2018, membership consisted of the following:

Active members (with medical coverage)	3,682
Active members (without medical coverage)	313
Retirees (with medical coverage)	558
Leave of absence (with medical coverage)	57
Leave of absence (without medical coverage)	<u>10</u>
Total	<u>4,620</u>

**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 2018, the HCDE contributed \$6,033,842 for these health care benefits for 558 retirees. The HCDE will make contributions 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 2018.

**Total OPEB Liability of Department of Education**

Effective July 1, 2017, the Department of Education implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the disclosures required related to the Department of Education. The information disclosed below is presented in accordance with this new standard.

The Department of Education's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017 with the actuary using standard techniques to roll forward the liability to the measurement date.

*Actuarial Assumptions.* The total OPEB liability as of June 30, 2018, was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.11 percent
Salary Increases	3.0 percent
Healthcare Cost Trend Rate	
2018 Medical Trend Rate:	8.0 percent
Ultimate Medical Trend Rate:	5.0 percent
Admin:	5.0 percent
Year Ultimate Trend Rates Reached	2027

*Discount rate.* The discount rate used to measure the total OPEB liability was 3.11 percent. The projection of cash flows used to determine the discount rate assumed that the Department of Education will contribute the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the Department of Education. Based on those assumptions, the OPEB plan'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.

**Schedule of Changes in Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 115,695,802
Service cost	7,953,820
Interest	3,657,851
Benefit payments, including refunds of employee contributions	<u>(6,033,842)</u>
Net Changes	<u>\$ 5,577,829</u>
Balance at June 30, 2018	<u>\$ 121,273,631</u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.11 percent) or 1-percentage-point higher (4.11 percent) than the current discount rate:

	1% Decrease <u>(2.11%)</u>	Current Discount Rate <u>(3.11%)</u>	1% Increase <u>(4.11%)</u>
Total OPEB Liability	\$130,705,763	\$121,273,631	\$112,600,057

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate.* The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower (7.0 percent decreased to 4% over 10 years) or 1-percentage-point higher (9.0 percent decreasing to 6% over 10 years) than the current discount rate:

	1% Decrease <u>(7.0% - 4.0%)</u>	Current Discount Rate <u>(8.0% - 5.0%)</u>	1% Increase <u>(9.0% - 6.0%)</u>
Total OPEB Liability	\$109,015,457	\$121,273,631	\$135,723,701

**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.

**OPEB Expense and Deferred Outflows/Inflows of Resources**

	<u>OPEB Expense</u>
Service Cost	\$ 7,953,820
Interest	<u>3,657,851</u>
Pension Expense	<u>\$ 11,611,671</u>

For the year ended June 30, 2018, the recognized OPEB expense is \$11,611,671. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date of June 30, 2017	<u>\$ 6,516,149</u>	<u>\$ -</u>
Total	<u>\$ 6,516,149</u>	<u>\$ -</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2017,” will be recognized as a reduction to net OPEB liability in the following measurement period.

#### 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%	\$ 2,765,000	\$ 335,000
General Improvement, Series 2010-B	4.00-4.25%	3,220,000	1,610,000
General Improvement, Series 2010-C	3.50-5.00%	2,350,000	330,000
General Improvement, Series 2011-A	3.25-5.00%	4,782,712	802,194
School, Series 2011-A	3.25-5.00%	17,992,288	3,017,806
General Improvement, Series 2011-B	3.00-5.00%	7,205,833	1,540,833
School, Series 2011-B	5.00%	669,167	669,167
General Improvement, Series 2013-A	2.00-4.00%	6,706,225	670,623
School, Series 2013-A	2.00-4.00%	33,693,775	3,369,377
General Improvement, Series 2013-B	3.00-4.00%	4,617,783	936,489
School, Series 2013-B	3.00-4.00%	26,447,217	5,363,511
General Improvement, Series 2015-A	5.00%	9,153,600	762,800
School, Series 2015-A	5.00%	38,846,400	3,237,200
General Improvement, Series 2015-B	2.00-5.00%	7,194,600	465,554
School, Series 2015-B	2.00-5.00%	22,940,400	1,484,446
General Improvement, Series 2018-A	5.00%	45,363,003	3,026,008
School, Series 2018-A	5.00%	121,936,997	8,133,992
General Improvement, Series 2018-B	2.00-5.00%	4,295,000	-
Total payable from the Debt Service Fund		<u>\$ 360,180,000</u>	<u>\$ 35,755,000</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. In March 2018, the County repaid the outstanding balance of \$55 million on the revolving loan agreement from the proceeds of the 2018 Bond Issue and closed the revolving loan agreement.

The County entered into a Loan Agreement (the "Agreement") with the Tennessee State School Bond Authority (the "Authority"), pursuant to TCA Sections 49-3-1202 et seq. as amended (the "Act") December 20, 2003. This Agreement reserves funds for the County in the amount of \$1,365,000 (the Loan) from the proceeds of the Authority's Qualified Zone Academy Bonds (the "Bonds"), Series 2003. The County is obligated under the Agreement to repay the Loan in installments consisting of principal and administrative expenses payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit and taxing power of the County are irrevocably pledged for its repayment. For the purpose of providing funds to finance the cost of the Projects, including the payment of legal and fiscal cost incident to the issuance and sale of the Bonds and the Loan Agreement and making and receiving the loan from the Authority, the Department of Education, on behalf of the County, shall make annual payments of principal in amounts equal to approximately level debt service payable in the years 2004 through 2017. The loan shall not bear interest. As of June 30, 2017, the County had withdrawn \$1,361,000 of the funds reserved and owed \$20,051 on the loan agreement. The County repaid the outstanding balance on the loan in fiscal year 2018.

**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:		
2019	\$ 35,755,000	\$ 16,207,024
2020	34,080,000	14,558,892
2021	33,700,000	12,976,084
2022	33,790,000	11,434,172
2023	33,960,000	9,948,137
2024-2028	123,690,000	31,438,295
2029-2033	65,205,000	9,061,507
	<u>\$ 360,180,000</u>	<u>\$ 105,624,111</u>

Changes in Long-term Liabilities – During the year ended June 30, 2018, 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	\$ 220,635,000	\$ 171,595,000	\$ 32,050,000	\$ 360,180,000	\$ 35,755,000
Notes payable and other debt	55,020,051	-	55,020,051	-	-
Net Pension Liability	28,400,152	-	5,845,038	22,555,114	-
Net OPEB Liability, restated	23,428,145	-	1,659,259	21,768,886	-
Landfill post closure costs	150,000	-	10,000	140,000	-
Compensated absences	15,368,462	5,049,702	5,120,767	15,297,397	2,512,849
	<u>343,001,810</u>	<u>176,644,702</u>	<u>99,705,115</u>	<u>419,941,397</u>	<u>\$ 38,267,849</u>
Net deferred premium	23,664,248	27,682,856	3,556,132	47,790,972	
	<u>\$ 366,666,058</u>	<u>\$ 204,327,558</u>	<u>\$ 103,261,247</u>	<u>\$ 467,732,369</u>	
	<u>Balance July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Component Units:					
Notes payable and other debt	\$ 19,764,487	\$ 57,586,934	\$ 56,043,474	\$ 21,307,947	\$ 7,942,112
Net OPEB Liability, restated	115,695,802	5,577,829	-	121,273,631	-
Net Pension Liability	27,996,973	-	27,996,973	-	-
Compensated absences	11,741,485	365,270	1,910,418	10,196,337	2,036,698
	<u>\$ 175,198,747</u>	<u>\$ 63,530,033</u>	<u>\$ 85,950,865</u>	<u>\$ 152,777,915</u>	<u>\$ 9,978,810</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. Pension liabilities, OPEB liabilities 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**

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, 2018, the County’s balance of the defeased debt outstanding was \$80,190,000.

**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	\$ 1,181,000
General Fund	Debt Service	615,894
General Fund	Capital Projects	11,383
General Fund	Internal Service	112,555
Capital Projects	General Fund	346
Nonmajor Governmental Fund	General Fund	13,271
		<u>\$ 1,934,449</u>
<u>Receivable Primary Government</u>	<u>Payable Component Units</u>	<u>Amount</u>
General Fund	“911” Emergency Communication	\$ 764,695
General Fund	Water/Wastewater Treatment	270,661
General Fund	Department of Education	2,804
		<u>\$ 1,038,160</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</u> <u>Primary Government</u>	<u>Transfers Out</u> <u>Primary Government</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 12,942,922
Debt Service	General Fund	40,984,180
Debt Service	Capital Projects	55,000,000
Capital Projects	General Fund	14,000,000
Nonmajor Government Funds	General Fund	250,000
Internal Service Fund	General Fund	81,357
		<u>\$123,258,459</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, 2018, is as follows:

#### ASSETS

Cash	\$ 2,561,495
Accounts receivable	480,495
Inventories	73,457
Prepaid expenses	4,657
Premises and equipment	<u>8,958,702</u>
Total assets	<u>12,078,806</u>

#### LIABILITIES AND NET POSITION

Liabilities	
Accounts payable and accrued items	198,505
Accrued expenses	192,034
Advanced deposits	<u>255,867</u>
Total liabilities	<u>646,406</u>
Net position	
Net investment in capital assets	8,958,702
Unrestricted	<u>2,473,698</u>
Total net position	<u>\$11,432,400</u>

#### SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Total operating revenues	\$ 3,947,632
Total operating expenses	(3,800,422)
Less depreciation and amortization	<u>(791,945)</u>
Loss from operations	(644,735)
Non-operating revenues	<u>500,000</u>
Change in net position	(144,735)
Net position at July 1, 2017	<u>11,577,135</u>
Net position at June 30, 2018	<u>\$11,432,400</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, 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	2,918,260	7,168,335
Incurred claims	28,657,214	55,974,726
Claims payments	<u>(28,608,419)</u>	<u>(55,024,376)</u>
Unpaid claims, June 30, 2018	<u>\$ 2,967,055</u>	<u>\$ 8,118,685</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, 2018, the Hamilton County Internal Service Fund has net position of \$34,433,962, and the Department of Education Internal Service Fund has net position of \$46,085,700. 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, 2018:

	Number of Abatements as of End of the Fiscal Year	Number of Future Abatements Approved	Total Tax Abatements during the Fiscal Year
Housing Development	12	3	\$ 284,581
Economic Development			
Commercial and Industrial Development	30	4	11,059,446
Infrastructure (Tax Increment Financing)	<u>1</u>	<u>1</u>	<u>90,285</u>
Total	<u>43</u>	<u>8</u>	<u>\$11,434,312</u>

**NOTE S – CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note K, the County implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. This new standard significantly changed the County’s accounting for other postemployment benefit amounts. As a result of this change in accounting principle, the County was required to restate beginning net position for governmental activities as shown below:

Net position, as previously reported	\$ 145,991,098
Remove old net OPEB asset	(983,889)
Net OPEB liability and deferred outflows of resources, beginning balance	<u>(19,468,823)</u>
Beginning net position, restated	<u>\$ 125,538,386</u>

As a result of this change in accounting principle, the Hamilton County Department of Education was required to restate beginning net position as shown below:

Net position, as previously reported	\$ 456,338,742
Remove old net OPEB liability	32,547,884
Total OPEB liability and deferred inflows of resources, beginning balance	<u>(109,661,960)</u>
Beginning net position, restated	<u>\$ 379,224,666</u>

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

Tennessee Consolidated Retirement System

	2017*	2016	2015	2014
<b>Total Pension Liability (Asset)</b>				
Service Cost (normal cost adjusted to end of year)	\$ 8,120,884	\$ 8,006,025	\$ 7,976,094	\$ 7,739,359
Interest	35,305,203	33,698,932	32,589,903	31,157,770
Changes in benefit terms	4,920,068	-	-	-
Differences between expected and actual experience	(840,493)	1,010,114	(5,829,667)	(1,525,480)
Changes of assumptions	11,678,524	-	-	-
Benefit Payments/Refunds	<u>(22,060,655)</u>	<u>(20,765,309)</u>	<u>(19,193,091)</u>	<u>(17,833,455)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	37,123,531	21,949,762	15,543,239	19,538,194
<b>Total Pension Liability (Asset) - beginning</b>	<u>473,645,490</u>	<u>451,695,728</u>	<u>436,152,489</u>	<u>416,614,295</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 510,769,021</u>	<u>\$ 473,645,490</u>	<u>\$ 451,695,728</u>	<u>\$ 436,152,489</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 15,152,942	\$ 15,306,360	\$ 14,991,472	\$ 14,573,540
Contributions - employee	9,814	213	8,026	65,443
Net investment income	50,073,673	11,582,710	13,197,032	61,448,985
Benefit Payments/Refunds	(22,060,655)	(20,765,309)	(19,193,091)	(17,833,455)
Administrative expenses	(202,759)	(202,445)	(141,919)	(120,676)
Other	<u>10,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	42,983,207	5,921,529	8,861,520	58,133,837
<b>Plan Fiduciary Net Position - beginning</b>	<u>445,437,186</u>	<u>439,515,657</u>	<u>430,654,137</u>	<u>372,520,300</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 488,420,393</u>	<u>\$ 445,437,186</u>	<u>\$ 439,515,657</u>	<u>\$ 430,654,137</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ 22,348,628</u>	<u>\$ 28,208,304</u>	<u>\$ 12,180,071</u>	<u>\$ 5,498,352</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	95.62%	94.04%	97.30%	98.74%
<b>Covered payroll</b>	\$ 104,341,847	\$ 105,764,830	\$ 104,614,990	\$ 103,506,102
<b>Net Pension Liability (Asset) as a % of covered payroll</b>	21.42%	26.67%	11.64%	5.31%

\* for fiscal year ending June 30, 2018 (year shown is measurement date)

Note: *Changes of assumptions.* In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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, 2018**

Tennessee Consolidated Retirement System

	<u>2017*</u>	<u>2016</u>
<b>Total Pension Liability (Asset)</b>		
Service Cost (normal cost adjusted to end of year)	\$ 201,820	\$ 101,927
Interest	20,170	7,645
Changes in benefit terms	1,715	-
Differences between expected and actual experience	401,300	(41,111)
Changes of assumptions	22,155	-
Benefit Payments/Refunds	<u>(2,701)</u>	<u>-</u>
<b>Net Change in Total Pension Liability (Asset)</b>	644,459	68,461
<b>Total Pension Liability (Asset) - beginning</b>	<u>68,461</u>	<u>-</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 712,920</u>	<u>\$ 68,461</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 387,744	\$ 58,414
Contributions - employee	483,672	73,015
Net investment income	61,675	1,691
Benefit Payments/Refunds	(2,701)	-
Administrative expenses	(35,748)	(7,835)
Other	<u>1,121</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	895,763	125,285
<b>Plan Fiduciary Net Position - beginning</b>	<u>125,285</u>	<u>-</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 1,021,048</u>	<u>\$ 125,285</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ (308,128)</u>	<u>\$ (56,824)</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	143.22%	183.00%
<b>Covered payroll</b>	\$ 9,673,783	\$ 1,220,807
<b>Net Pension Liability (Asset) as a % of covered payroll</b>	-3.19%	-4.65%

\* for fiscal year ending June 30, 2018 (year shown is measurement date)

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

Note: *Changes of assumptions.* In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and salary growth.

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

Tennessee Consolidated Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	4.311500%	4.479913%	4.193311%	4.361741%
Proportionate share of the net pension liability (asset)	\$ (1,410,652)	\$ 27,996,973	\$ 1,717,724	\$ (708,763)
Covered payroll	\$ 151,181,055	\$ 160,595,801	\$ 156,976,681	\$ 171,197,958
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.933088%	17.433406%	1.094254%	-0.414002%
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.14%	97.14%	99.81%	100.08%

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

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

Tennessee Consolidated Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	5.230015%	5.794097%	4.970172%
Proportionate share of the net pension liability (asset)	\$ (1,379,858)	\$ (603,184)	\$ (199,948)
Covered payroll	\$ 35,557,047	\$ 26,616,062	\$ 10,326,594
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-3.88%	-2.27%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	126.81%	121.88%	127.46%

Note: 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, 2018**

Hamilton County Administered Plans

	<u>2017 *</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability (Asset)</b>				
Service Cost (normal cost adjusted to end of year)	\$ -	\$ -	\$ -	\$ -
Interest	289	447	670	816
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	5,677	-	(1,517)	-
Changes of assumptions	-	-	-	-
Benefit Payments/Refunds	<u>(3,612)</u>	<u>(3,612)</u>	<u>(3,612)</u>	<u>(3,812)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	2,354	(3,165)	(4,459)	(2,996)
<b>Total Pension Liability (Asset) - beginning</b>	<u>7,577</u>	<u>10,742</u>	<u>15,201</u>	<u>18,197</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 9,931</u>	<u>\$ 7,577</u>	<u>\$ 10,742</u>	<u>\$ 15,201</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ -	\$ 412	\$ 12,931	\$ -
Contributions - employee	-	-	-	-
Net investment income	1	2	2	3
Benefit Payments/Refunds	(3,612)	(3,612)	(3,612)	(3,812)
Administrative expenses	-	-	-	(5,206)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(3,611)	(3,198)	9,321	(9,015)
<b>Plan Fiduciary Net Position - beginning</b>	<u>4,288</u>	<u>7,486</u>	<u>(1,835)</u>	<u>7,180</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 677</u>	<u>\$ 4,288</u>	<u>\$ 7,486</u>	<u>\$ (1,835)</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ 9,254</u>	<u>\$ 3,289</u>	<u>\$ 3,256</u>	<u>\$ 17,036</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	6.8%	56.6%	69.7%	-12.1%
<b>Covered payroll</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Pension Liability (Asset) as a % of covered payroll</b>	N/A	N/A	N/A	N/A

\* for fiscal year ending June 30, 2018 (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, 2018**

Hamilton County Administered Plans

	<u>2017 *</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability (Asset)</b>				
Service Cost (normal cost adjusted to end of year)	\$ -	\$ -	\$ -	\$ -
Interest	28,741	31,659	36,314	40,175
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(60,418)	-	(17,798)	-
Changes of assumptions	-	-	-	-
Benefit Payments/Refunds	<u>(65,447)</u>	<u>(75,680)</u>	<u>(85,477)</u>	<u>(96,114)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	(97,124)	(44,021)	(66,961)	(55,939)
<b>Total Pension Liability (Asset) - beginning</b>	415,939	459,960	526,921	582,860
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 318,815</u>	<u>\$ 415,939</u>	<u>\$ 459,960</u>	<u>\$ 526,921</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-
Net investment income	145,167	50,026	60,128	226,056
Benefit Payments/Refunds	(65,447)	(75,680)	(85,477)	(96,114)
Administrative expenses	(13,027)	(16,804)	(13,940)	(15,390)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	66,693	(42,458)	(39,289)	114,552
<b>Plan Fiduciary Net Position - beginning</b>	1,956,793	1,999,251	2,038,540	1,923,988
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 2,023,486</u>	<u>\$ 1,956,793</u>	<u>\$ 1,999,251</u>	<u>\$ 2,038,540</u>
<b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ (1,704,671)</u>	<u>\$ (1,540,854)</u>	<u>\$ (1,539,291)</u>	<u>\$ (1,511,619)</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	634.7%	470.5%	434.7%	386.9%
<b>Covered payroll</b>	\$ -	\$ -	\$ -	\$ -
<b>Net Pension Liability (Asset) as a % of covered payroll</b>	N/A	N/A	N/A	N/A

\* for fiscal year ending June 30, 2018 (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, 2018**

Hamilton County Administered Plans

	<u>2017 *</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability (Asset)</b>				
Service Cost (normal cost adjusted to end of year)	\$ 25,386	\$ 24,410	\$ 27,680	\$ 26,615
Interest	48,322	47,014	46,656	45,430
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(17,238)	-	(13,771)	-
Changes of assumptions	-	-	-	-
Benefit Payments/Refunds	<u>(50,986)</u>	<u>(50,227)</u>	<u>(52,430)</u>	<u>(52,129)</u>
<b>Net Change in Total Pension Liability (Asset)</b>	5,484	21,197	8,135	19,916
<b>Total Pension Liability (Asset) - beginning</b>	<u>805,466</u>	<u>784,269</u>	<u>776,134</u>	<u>756,218</u>
<b>Total Pension Liability (Asset) - ending (a)</b>	<u>\$ 810,950</u>	<u>\$ 805,466</u>	<u>\$ 784,269</u>	<u>\$ 776,134</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ -	\$ 45,908	\$ 55,000	\$ 65,888
Contributions - employee	-	-	-	-
Net investment income	51,357	1	3,327	46,376
Benefit Payments/Refunds	(50,986)	(50,227)	(52,430)	(52,129)
Administrative expenses	(3,560)	(5,754)	(3,975)	(6,814)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(3,189)	(10,072)	1,922	53,321
<b>Plan Fiduciary Net Position - beginning</b>	<u>616,907</u>	<u>626,979</u>	<u>625,057</u>	<u>571,736</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 613,718</u>	<u>\$ 616,907</u>	<u>\$ 626,979</u>	<u>\$ 625,057</u>
 <b>Net Pension Liability (Asset) - ending (a) - (b)</b>	<u>\$ 197,232</u>	<u>\$ 188,559</u>	<u>\$ 157,290</u>	<u>\$ 151,077</u>
<b>Plan Fiduciary Net Position as a % of the Total Pension Liability (Asset)</b>	75.7%	76.6%	79.9%	80.5%
 <b>Covered payroll</b>	\$ 200,070	\$ 200,070	\$ 186,705	\$ 186,705
<b>Net Pension Liability (Asset) as a % of covered payroll</b>	98.6%	94.2%	84.2%	80.9%

\* for fiscal year ending June 30, 2018 (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, 2018**

Tennessee Consolidated Retirement System

Year Ended June 30	Hamilton County Legacy Plan				Contribution as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	
2018	\$ 14,760,252	\$ 14,760,252	\$ -	\$ 103,659,712	14.24%
2017	\$ 15,152,942	\$ 15,152,942	\$ -	\$ 104,341,847	14.52%
2016	\$ 14,683,048	\$ 14,683,048	\$ -	\$ 105,764,830	13.88%
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*				Contribution as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	
2018	\$ 715,254	\$ 715,254	\$ -	\$ 17,881,339	4.00%
2017	\$ 109,314	\$ 387,744	\$ (278,430)	\$ 9,673,783	4.00%
2016	\$ 48,832	\$ 48,832	\$ -	\$ 1,220,807	4.00%

Year Ended June 30	Teachers' Legacy Plan				Contribution as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	
2018	\$ 13,514,921	\$ 13,514,921	\$ -	\$ 148,842,742	9.08%
2017	\$ 13,777,809	\$ 13,777,809	\$ -	\$ 151,181,055	9.11%
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	Teachers' Retirement Plan**				Contribution as a Percentage of Covered Payroll
	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	
2018	\$ 1,823,614	\$ 1,823,614	\$ -	\$ 45,590,350	4.00%
2017	\$ 1,373,064	\$ 1,373,064	\$ -	\$ 35,557,047	3.86%
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 Hamilton County Hybrid Plan began 10/1/2015.

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

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

Hamilton County Administered Plans

Employees' Retirement

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2018	\$ -	\$ -	\$ -	\$ -	N/A
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

Commissioners' Retirement

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2018	\$ 50,779	\$ 96,687	\$ (45,908)	\$ 212,787	45.4%
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)	186,705	36.1%
2011	47,000	67,418	(20,418)	186,705	36.1%
2010	47,700	75,258	(27,558)	186,705	40.3%
2009	52,431	75,258	(22,827)	196,236	38.4%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEACHERS' PLAN**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

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
2018	\$ 1,170	\$ 9,254	\$ (8,084)	\$ -	N/A
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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Teachers' Plan</u></b>				
Annual money-weighted rate of return, net of investment expenses for the County's Teachers' Pension Plan	0.00%	0.00%	3.01%	0.03%
<b><u>Employees' Plan</u></b>				
Annual money-weighted rate of return, net of investment expenses for the County's Employees' Pension Plan	4.51%	6.53%	2.97%	2.32%
<b><u>Commissioners' Plan</u></b>				
Annual money-weighted rate of return, net of investment expenses for the County's Commissioners' Pension Plan	4.90%	7.79%	1.70%	-0.10%

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

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

**Primary Government**

	<u>2018</u>
<b>Total OPEB Liability (Asset)</b>	
Service Cost	\$ 1,809,531
Interest	2,661,150
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit Payments/Refunds	<u>(2,359,321)</u>
<b>Net Change in Total OPEB Liability (Asset)</b>	2,111,360
<b>Total OPEB Liability (Asset) - beginning</b>	<u>41,490,558</u>
<b>Total OPEB Liability (Asset) - ending (a)</b>	<u>\$ 43,601,918</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 3,704,380
Contributions - employee	-
Net investment income	2,263,871
Benefit Payments/Refunds	(2,359,321)
Administrative expenses	(93,252)
Other	<u>254,941</u>
<b>Net Change in Plan Fiduciary Net Position</b>	3,770,619
<b>Plan Fiduciary Net Position - beginning</b>	<u>18,062,413</u>
<b>Plan Fiduciary Net Position - ending (b)</b>	<u>\$ 21,833,032</u>
<b>Net OPEB Liability (Asset) - ending (a) - (b)</b>	<u>\$ 21,768,886</u>
<b>Plan Fiduciary Net Position as a % of the Total     OPEB Liability (Asset)</b>	50.1%
<b>Covered payroll</b>	\$ 74,633,182
<b>Net OPEB Liability (Asset) as a % of covered payroll</b>	29.2%

Note: Measurement period is as of June 30, 2017.

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 TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

**Department of Education**

	<u>2017</u>
<b>Total OPEB Liability (Asset)</b>	
Service Cost	\$ 7,953,820
Interest	3,657,851
Benefit Payments/Refunds	<u>(6,033,842)</u>
<b>Net Change in Total OPEB Liability (Asset)</b>	5,577,829
<b>Total OPEB Liability - beginning</b>	<u>115,695,802</u>
<b>Total OPEB Liability - ending</b>	<u><u>\$ 121,273,631</u></u>
<b>Covered payroll</b>	\$ 180,057,926
<b>Total OPEB Liability as a % of covered payroll</b>	67.4%

\* for fiscal year ending June 30, 2018 (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 CONTRIBUTIONS AND SCHEDULE OF INVESTMENT RETURNS  
OTHER POSTEMPLOYMENT BENEFITS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

**Primary Government**

	<u>2018</u>	<u>2017</u>
<b>Schedule of Contributions</b>		
Actuarially determined contribution	\$ 3,875,212	\$ 3,927,762
Contributions in relation to the actuarially determined contribution	<u>3,875,212</u>	<u>3,704,380</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 223,382</u>
Covered payroll	\$ 76,872,177	\$ 74,633,182
Contributions as a percentage of covered payroll	5.04%	4.96%
		<u>2017*</u>
<b>Schedule of Investment Returns</b>		
Annual money-weighted rate of return, net of investment expense		12.08%

\* for fiscal year ending June 30, 2018 (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.

## NOTES TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

### HAMILTON COUNTY, TENNESSEE June 30, 2018

#### PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Actuarial information of the Tennessee Consolidated Retirement System Plans

Employer contributions for the year ended June 30, 2018 are based on the results of the June 30, 2017 actuarial valuation. Accordingly, governmental employers utilize the following notes to the schedule relating to the Actuarially Determined Contributions when presenting 2018.

Actuarial cost method	Entry Age Normal
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 determined 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	8.0 percent initial, decreasing to 5.0 percent over 10 years

Actuarial Information of the Department of Education Post Employment Medical and Dental 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	3.11 percent
Salary increases	3.0 percent
Expected long-term rate of return	N/A
Retirement age	Pattern of retirement determined by experience study
Healthcare cost trend rates	8.0 percent initial, decreasing to 5.0 percent over 10 years



## 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, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 145,065,237	\$ 169,565,237	\$ 164,201,222	\$ (5,364,015)
Local sales tax	3,356,000	3,356,000	4,468,331	1,112,331
Business taxes	8,879,750	8,879,750	8,199,195	(680,555)
Wholesale beer tax	955,000	955,000	901,833	(53,167)
Total taxes	<u>158,255,987</u>	<u>182,755,987</u>	<u>177,770,581</u>	<u>(4,985,406)</u>
Licenses and permits	<u>889,100</u>	<u>889,100</u>	<u>965,887</u>	<u>76,787</u>
Intergovernmental revenues:				
State of Tennessee	20,309,761	21,386,884	20,162,529	(1,224,355)
United States Government	4,658,270	5,013,800	4,510,195	(503,605)
Cities	2,741,116	2,801,748	2,483,110	(318,638)
Total intergovernmental revenues	<u>27,709,147</u>	<u>29,202,432</u>	<u>27,155,834</u>	<u>(2,046,598)</u>
Charges for services:				
Health department	2,778,000	2,765,500	2,543,242	(222,258)
Other	13,903,650	14,287,280	16,015,412	1,728,132
Total charges for services	<u>16,681,650</u>	<u>17,052,780</u>	<u>18,558,654</u>	<u>1,505,874</u>
Fines, forfeitures and penalties	<u>2,071,400</u>	<u>2,071,400</u>	<u>1,853,026</u>	<u>(218,374)</u>
Investment earnings	<u>593,500</u>	<u>593,500</u>	<u>1,238,767</u>	<u>645,267</u>
Miscellaneous	<u>4,503,664</u>	<u>4,579,012</u>	<u>5,554,432</u>	<u>975,420</u>
Total revenues	<u>210,704,448</u>	<u>237,144,211</u>	<u>233,097,181</u>	<u>(4,047,030)</u>
<b>EXPENDITURES</b>				
Current:				
General government:				
County Clerk	2,175,046	2,175,046	2,175,046	-
Register	565,556	565,792	585,001	(19,209)
County Trustee	812,158	1,312,158	1,062,190	249,968
Assessor of Property	3,553,308	3,827,308	3,524,991	302,317
District Attorney General	1,298,986	1,298,986	1,315,266	(16,280)
Election Commission	1,727,637	1,732,887	1,525,110	207,777
Board of Equalization	5,000	5,000	3,765	1,235
Soil Conservation	119,159	119,159	120,625	(1,466)
Agricultural Department	236,410	236,410	236,393	17
County-City Planning Commission	767,521	767,521	767,521	-
Regional Council of Government & SETTDD	72,293	72,293	72,293	-

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
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	788,939	1,125,972	760,292	365,680
County Mayor	711,960	711,960	675,097	36,863
County Auditor	919,347	919,347	882,458	36,889
Chief of Staff	393,041	393,041	310,633	82,408
Chief Reading Officer	308,275	308,275	299,584	8,691
County Attorney	986,391	986,391	1,032,146	(45,755)
Emp Assistance Program	35,098	35,098	34,674	424
Benefits	567,257	567,257	511,588	55,669
Risk Management	323,477	323,477	324,590	(1,113)
Wellness & Fitness Programs	240,133	240,133	221,340	18,793
Mailroom	409,796	409,796	352,342	57,454
Drug & Alcohol Testing	10,500	10,500	12,423	(1,923)
American Disability Act	1,000	1,000	-	1,000
Veterans' Service Program	99,917	99,917	94,444	5,473
Human Resources Administrator	236,613	236,613	232,592	4,021
Insurance	194,025	194,025	192,502	1,523
Employee Benefits	3,898,071	3,898,071	3,641,706	256,365
Trustee's Commission	3,599,300	3,599,300	3,781,255	(181,955)
External Audits	191,000	191,000	190,195	805
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,729	6,729	6,729	-
Equal Employment Opportunity	59,230	61,393	60,497	896
Finance Administrator	279,122	279,122	272,988	6,134
Accounting	2,149,475	2,149,475	1,925,277	224,198
Financial Management	279,881	279,881	276,014	3,867
Information Technology	3,447,139	3,737,485	3,287,952	449,533
Procurement & Fleet Management	721,990	724,316	668,245	56,071
Geographic Information System	926,270	1,119,770	1,227,431	(107,661)
Telecommunications	953,630	962,419	885,070	77,349
Records Management	501,423	501,423	452,891	48,532
Custodial Services	2,009,476	2,011,204	2,055,319	(44,115)
Real Property	415,452	415,452	348,015	67,437
Recycling	311,957	311,957	280,789	31,168
General Services Administrator	225,432	225,432	218,978	6,454
Title XX	338,037	338,037	365,854	(27,817)
Development Services	432,613	432,613	428,239	4,374
Facilities Maintenance	3,317,879	3,370,933	3,411,721	(40,788)
Utilities	2,810,000	2,810,000	2,697,803	112,197
Railroad Authority	<u>143,006</u>	<u>143,006</u>	<u>142,040</u>	<u>966</u>
Total general government	<u>45,451,092</u>	<u>47,119,517</u>	<u>44,825,051</u>	<u>2,294,466</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Recovery Court	\$ 522,453	\$ 522,453	\$ 510,655	\$ 11,798
Mental Health Court	313,463	313,463	265,441	48,022
Medical Examiner	1,419,922	1,430,002	1,416,553	13,449
Criminal Court Clerk	1,547,207	1,554,282	1,470,391	83,891
Public Defender	741,744	741,744	695,230	46,514
General Sessions Court	1,653,628	1,654,936	1,648,341	6,595
Juries	152,500	152,500	108,256	44,244
Court Judges	575,477	575,477	559,362	16,115
Judicial Commission Magistrates	424,397	430,797	414,211	16,586
Juvenile Court	7,564,674	7,569,031	6,938,333	630,698
Forest Fire Prevention	4,000	4,000	4,000	-
Humane Education Society	620,970	620,970	620,970	-
Certified Cost Reimbursement	681,000	681,000	781,722	(100,722)
Building Inspection	1,268,977	1,268,977	1,171,584	97,393
Emergency Services	3,333,302	3,480,751	3,225,461	255,290
Corrections	17,254,140	1,709,681	1,565,464	144,217
Litter Grant	629,392	644,221	532,466	111,755
Homeland Security Grants	-	396,969	208,714	188,255
Security Services	937,213	937,213	857,082	80,131
Volunteer Emergency Services	530,456	577,436	550,606	26,830
WWTA	2,779,761	2,779,761	2,472,288	307,473
Ambulance Services	10,279,590	10,279,590	10,355,962	(76,372)
Juvenile Court Clerk				
Administration and Courts	1,653,720	1,653,720	1,583,178	70,542
Child Support Division	1,004,403	1,004,403	1,000,703	3,700
Sheriff				
Adminstration	2,414,088	2,415,929	2,387,470	28,459
Patrol	11,583,233	11,602,916	11,051,253	551,663
Jail	13,722,675	14,127,867	14,444,232	(316,365)
Courts	1,128,777	1,128,777	1,292,685	(163,908)
Records	1,004,422	1,004,422	932,937	71,485
Criminal Investigation	1,900,334	1,900,334	2,014,795	(114,461)
Fugitive	1,334,639	1,334,639	1,444,357	(109,718)
Civil Process	638,549	638,549	707,028	(68,479)
COPS Analyst	-	70,000	-	70,000
Special Operations	1,054,233	1,074,244	1,007,559	66,685
Governor's Highway Safety Grant	-	314,623	212,591	102,032
IV-D Civil Process Grant	209,656	209,656	184,897	24,759
Information Systems	291,351	291,351	551,317	(259,966)
Silverdale	-	17,544,458	16,174,329	1,370,129
Special Projects	-	125,000	38,969	86,031
Total public safety	<u>91,174,346</u>	<u>94,766,142</u>	<u>91,401,392</u>	<u>3,364,750</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Highways and streets:				
Public Works Administrator	\$ 259,006	\$ 259,006	\$ 256,007	\$ 2,999
Engineering Services	2,159,286	2,162,086	1,762,343	399,743
Highway	<u>11,224,754</u>	<u>11,432,871</u>	<u>10,551,286</u>	<u>881,585</u>
Total highways and streets	<u>13,643,046</u>	<u>13,853,963</u>	<u>12,569,636</u>	<u>1,284,327</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>23,008,542</u>	<u>23,515,141</u>	<u>21,184,847</u>	<u>2,330,294</u>
Total health	<u>24,697,090</u>	<u>25,203,689</u>	<u>22,873,395</u>	<u>2,330,294</u>
Social services:				
Clerk and Master	878,743	878,743	878,743	-
Circuit Court Clerk	1,369,982	1,369,982	1,365,420	4,562
Community Crime Prevention	-	100,000	99,988	12
Urban League	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total social services	<u>2,298,725</u>	<u>2,398,725</u>	<u>2,394,151</u>	<u>4,574</u>
Culture and recreation:				
Armed Forces Day Parade	15,000	15,000	15,000	-
Bessie Smith Museum	71,808	71,808	-	71,808
Parks and Recreation Department	<u>8,609,668</u>	<u>8,680,778</u>	<u>8,017,844</u>	<u>662,934</u>
Total culture and recreation	<u>8,696,476</u>	<u>8,767,586</u>	<u>8,032,844</u>	<u>734,742</u>
Capital outlay	<u>3,434,636</u>	<u>4,532,830</u>	<u>2,720,638</u>	<u>1,812,192</u>
Total budgetary expenditures	<u>189,395,411</u>	<u>196,642,452</u>	<u>184,817,107</u>	<u>11,825,345</u>
Excess of revenues over expenditures	<u>21,309,037</u>	<u>40,501,759</u>	<u>48,280,074</u>	<u>7,778,315</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 11,946,500	\$ 11,946,500	\$ 12,942,922	\$ 996,422
Transfers out	(33,315,537)	(55,315,537)	(55,315,537)	-
Sale of capital assets	<u>60,000</u>	<u>60,000</u>	<u>118,296</u>	<u>58,296</u>
Total other financing sources (uses)	<u>(21,309,037)</u>	<u>(43,309,037)</u>	<u>(42,254,319)</u>	<u>1,054,718</u>
Net change in fund balance	-	(2,807,278)	6,025,755	<u>\$ 8,833,033</u>
Fund balance allocation	<u>-</u>	<u>2,807,278</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			1,638,571	
Less encumbrances at beginning of year			<u>(1,508,105)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			6,156,221	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>94,179,031</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 100,335,252</u>	

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual (Non-GAAP Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 624,269	\$ 624,269	\$ 615,245	\$ (9,024)
Charges for current services	660,000	660,000	627,997	(32,003)
Investment earnings	18,000	18,000	35,161	17,161
Miscellaneous	<u>49,700</u>	<u>49,700</u>	<u>49,790</u>	<u>90</u>
Total revenues	<u>1,351,969</u>	<u>1,351,969</u>	<u>1,328,193</u>	<u>(23,776)</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal retirement	24,604,075	79,604,075	79,595,051	9,024
Interest and fiscal charges	<u>9,732,074</u>	<u>9,732,074</u>	<u>9,624,254</u>	<u>107,820</u>
Total budgetary expenditures	<u>34,336,149</u>	<u>89,336,149</u>	<u>89,219,305</u>	<u>116,844</u>
Excess (deficiency) of revenues over (under) budgetary expenditures	<u>(32,984,180)</u>	<u>(87,984,180)</u>	<u>(87,891,112)</u>	<u>93,068</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>32,984,180</u>	<u>95,984,180</u>	<u>95,984,180</u>	<u>-</u>
Total other financing sources (uses)	<u>32,984,180</u>	<u>95,984,180</u>	<u>95,984,180</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	8,000,000	8,093,068	<u>\$ 93,068</u>
Fund balance allocation		<u>(8,000,000)</u>		
		<u>\$ -</u>		
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>2,162,860</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 10,255,928</u>	

**BUDGETARY COMPARISON SCHEDULE  
NONMAJOR GOVERNMENTAL FUND**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Hotel / Motel Fund			
	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Hotel/Motel occupancy tax	\$ 8,195,000	\$ 8,195,000	\$ 7,927,669	\$ (267,331)
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>4,367</u>	<u>(633)</u>
Total revenues	<u>8,200,000</u>	<u>8,200,000</u>	<u>7,932,036</u>	<u>(267,964)</u>
<b>EXPENDITURES</b>				
Hotel/Motel occupancy tax	<u>8,200,000</u>	<u>8,200,000</u>	<u>7,932,036</u>	<u>267,964</u>
Total budgetary expenditures	<u>8,200,000</u>	<u>8,200,000</u>	<u>7,932,036</u>	<u>267,964</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, 2018**

	Sheriff Special Revenue Funds			
	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 61,600	\$ 61,600	\$ 13,424	\$ (48,176)
Fines, forfeitures and penalties	99,941	99,941	54,135	(45,806)
Investment earnings	3,700	3,700	12,759	9,059
Miscellaneous	<u>316,245</u>	<u>316,245</u>	<u>188,603</u>	<u>(127,642)</u>
Total revenues	<u>481,486</u>	<u>481,486</u>	<u>268,921</u>	<u>(212,565)</u>
<b>EXPENDITURES</b>				
Narcotics enforcement	411,345	411,345	165,201	246,144
TN State sexual offenders	<u>70,141</u>	<u>70,141</u>	<u>22,286</u>	<u>47,855</u>
Total budgetary expenditures	<u>481,486</u>	<u>481,486</u>	<u>187,487</u>	<u>293,999</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>81,434</u>	<u>81,434</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>22,230</u>	<u>22,230</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>22,230</u>	<u>22,230</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	103,664	<u>\$ 103,664</u>
Add encumbrances at end of year			2,300	
Less encumbrances at beginning of year			<u>(25,825)</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			80,139	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			<u>1,029,123</u>	
Fund balance at end of year--(GAAP Modified Accrual Basis)			<u>\$ 1,109,262</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, 2018**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Constitutional Offices	Governmental Law Library	Hotel/ Motel	Economic Crimes	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,132,903	\$ 38,349	\$ 721,498	\$ 24,968	\$ 5,917,718
Investments	652,439	69,343	-	44,807	766,589
Receivables:					
Accounts	689,078	119	831,403	-	1,520,600
Intergovernmental	-	927	-	-	927
Due from other funds	13,271	-	-	-	13,271
Prepaid items	<u>193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193</u>
Total assets	<u>\$ 6,487,884</u>	<u>\$ 108,738</u>	<u>\$ 1,552,901</u>	<u>\$ 69,775</u>	<u>\$ 8,219,298</u>
<b>LIABILITIES</b>					
Accrued items and other	\$ 250,737	\$ 1,740	\$ 1,552,901	\$ 931	\$ 1,806,309
Due to other funds	<u>1,181,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,181,000</u>
Total liabilities	<u>1,431,737</u>	<u>1,740</u>	<u>1,552,901</u>	<u>931</u>	<u>2,987,309</u>
<b>FUND BALANCES</b>					
Nonspendable for prepaid items	193	-	-	-	193
Restricted for general government	2,499,615	-	-	-	2,499,615
Restricted for public safety	1,331,517	-	-	-	1,331,517
Restricted for social services	1,224,822	-	-	-	1,224,822
Committed for public safety	<u>-</u>	<u>106,998</u>	<u>-</u>	<u>68,844</u>	<u>175,842</u>
Total fund balances	<u>5,056,147</u>	<u>106,998</u>	<u>-</u>	<u>68,844</u>	<u>5,231,989</u>
Total liabilities and fund balances	<u>\$ 6,487,884</u>	<u>\$ 108,738</u>	<u>\$ 1,552,901</u>	<u>\$ 69,775</u>	<u>\$ 8,219,298</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Constitutional Offices	Governmental Law Library	Hotel/ Motel	Economic Crimes	
<b>REVENUES</b>					
Taxes	\$ -	\$ 14,976	\$ 7,927,669	\$ -	\$ 7,942,645
Intergovernmental	13,424	-	-	-	13,424
Charges for services	24,141,986	-	-	-	24,141,986
Fines, forfeitures and penalties	54,135	-	-	23,251	77,386
Investment earnings	120,357	1,388	4,367	1,041	127,153
Miscellaneous	341,899	-	-	-	341,899
<b>Total revenues</b>	<b>24,671,801</b>	<b>16,364</b>	<b>7,932,036</b>	<b>24,292</b>	<b>32,644,493</b>
<b>EXPENDITURES</b>					
Current:					
General government	4,881,870	-	7,932,036	-	12,813,906
Public safety:					
Criminal Court	2,686,609	-	-	-	2,686,609
Sheriff	211,012	-	-	-	211,012
Other	-	21,524	-	-	21,524
Social services	3,407,811	-	-	51,784	3,459,595
<b>Total expenditures</b>	<b>11,187,302</b>	<b>21,524</b>	<b>7,932,036</b>	<b>51,784</b>	<b>19,192,646</b>
Excess (deficiency) of revenues over (under) expenditures	13,484,499	(5,160)	-	(27,492)	13,451,847
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	250,000	-	-	-	250,000
Transfers out	(12,942,922)	-	-	-	(12,942,922)
Sale of capital assets	22,230	-	-	-	22,230
<b>Total other financing sources (uses)</b>	<b>(12,670,692)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,670,692)</b>
Net change in fund balances	813,807	(5,160)	-	(27,492)	781,155
Fund balances, beginning	4,242,340	112,158	-	96,336	4,450,834
Fund balances, ending	\$ 5,056,147	\$ 106,998	\$ -	\$ 68,844	\$ 5,231,989

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2018**

	Circuit Court Clerk	Clerk and Master	County Clerk	Criminal Court Clerk	Register	Trustee	Sheriff Drug Fund	Sheriff State Sex Offenders Fund	Total Constitutional Officers
<b>ASSETS</b>									
Cash and cash equivalents	\$ 400,188	\$ 1,277,764	\$ 1,365,691	\$ 655,577	\$ 385,673	\$ 585,181	\$ 364,453	\$ 98,376	\$ 5,132,903
Investments	-	-	-	-	-	-	652,439	-	652,439
Receivables:									
Accounts	960	282,326	-	158,189	-	247,603	-	-	689,078
Due from other funds	-	-	-	10,347	-	-	2,924	-	13,271
Prepaid Assets	-	-	-	-	-	193	-	-	193
<b>Total assets</b>	<b>\$ 401,148</b>	<b>\$ 1,560,090</b>	<b>\$ 1,365,691</b>	<b>\$ 824,113</b>	<b>\$ 385,673</b>	<b>\$ 832,977</b>	<b>\$ 1,019,816</b>	<b>\$ 98,376</b>	<b>\$ 6,487,884</b>
<b>LIABILITIES</b>									
Accrued items and other	\$ 36,028	\$ 27,388	\$ 52,952	\$ 101,858	\$ 21,955	\$ 9,626	\$ 80	\$ 850	\$ 250,737
Due to other funds	250,000	423,000	-	500,000	-	-	8,000	-	1,181,000
<b>Total liabilities</b>	<b>286,028</b>	<b>450,388</b>	<b>52,952</b>	<b>601,858</b>	<b>21,955</b>	<b>9,626</b>	<b>8,080</b>	<b>850</b>	<b>1,431,737</b>
<b>FUND BALANCES</b>									
Nonspendable for prepaid items						193			193
Restricted for general government	-	-	1,312,739	-	363,718	823,158	-	-	2,499,615
Restricted for public safety	-	-	-	222,255	-	-	1,011,736	97,526	1,331,517
Restricted for social services	115,120	1,109,702	-	-	-	-	-	-	1,224,822
<b>Total fund balances</b>	<b>115,120</b>	<b>1,109,702</b>	<b>1,312,739</b>	<b>222,255</b>	<b>363,718</b>	<b>823,351</b>	<b>1,011,736</b>	<b>97,526</b>	<b>5,056,147</b>
<b>Total liabilities and fund balances</b>	<b>\$ 401,148</b>	<b>\$ 1,560,090</b>	<b>\$ 1,365,691</b>	<b>\$ 824,113</b>	<b>\$ 385,673</b>	<b>\$ 832,977</b>	<b>\$ 1,019,816</b>	<b>\$ 98,376</b>	<b>\$ 6,487,884</b>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Circuit Court Clerk	Clerk and Master	County Clerk	Criminal Court Clerk	Register	Trustee	Sheriff Drug Fund	Sheriff State Sex Offenders Fund	Total Constitutional Officers
<b>REVENUES</b>									
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,424	\$ -	\$ 13,424
Charges for services	2,086,968	2,458,055	5,387,378	2,351,890	2,209,841	9,647,854	-	-	24,141,986
Fines, forfeitures and penalties	-	-	-	-	-	-	21,635	32,500	54,135
Investment earnings	3,101	20,356	35,543	12,734	12,036	23,828	11,377	1,382	120,357
Miscellaneous	-	-	94,052	-	59,244	-	188,393	210	341,899
Total revenues	<u>2,090,069</u>	<u>2,478,411</u>	<u>5,516,973</u>	<u>2,364,624</u>	<u>2,281,121</u>	<u>9,671,682</u>	<u>234,829</u>	<u>34,092</u>	<u>24,671,801</u>
<b>EXPENDITURES</b>									
Current:									
General government	-	-	3,088,453	-	783,885	1,009,532	-	-	4,881,870
Public safety:									
Criminal Court	-	-	-	2,686,609	-	-	-	-	2,686,609
Sheriff	-	-	-	-	-	-	188,726	22,286	211,012
Social services	<u>2,050,757</u>	<u>1,357,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,407,811</u>
Total expenditures	<u>2,050,757</u>	<u>1,357,054</u>	<u>3,088,453</u>	<u>2,686,609</u>	<u>783,885</u>	<u>1,009,532</u>	<u>188,726</u>	<u>22,286</u>	<u>11,187,302</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,312</u>	<u>1,121,357</u>	<u>2,428,520</u>	<u>(321,985)</u>	<u>1,497,236</u>	<u>8,662,150</u>	<u>46,103</u>	<u>11,806</u>	<u>13,484,499</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	-	250,000	-	-	-	-	250,000
Transfers out	-	(827,443)	(2,074,780)	-	(1,449,367)	(8,591,332)	-	-	(12,942,922)
Sale of capital assets	-	-	-	-	-	-	22,230	-	22,230
Total other financing sources (uses)	<u>-</u>	<u>(827,443)</u>	<u>(2,074,780)</u>	<u>250,000</u>	<u>(1,449,367)</u>	<u>(8,591,332)</u>	<u>22,230</u>	<u>-</u>	<u>(12,670,692)</u>
Net change in fund balances	39,312	293,914	353,740	(71,985)	47,869	70,818	68,333	11,806	813,807
Fund balances, beginning	<u>75,808</u>	<u>815,788</u>	<u>958,999</u>	<u>294,240</u>	<u>315,849</u>	<u>752,533</u>	<u>943,403</u>	<u>85,720</u>	<u>4,242,340</u>
Fund balances, ending	<u>\$ 115,120</u>	<u>\$ 1,109,702</u>	<u>\$ 1,312,739</u>	<u>\$ 222,255</u>	<u>\$ 363,718</u>	<u>\$ 823,351</u>	<u>\$ 1,011,736</u>	<u>\$ 97,526</u>	<u>\$ 5,056,147</u>



## **FIDUCIARY FUNDS**

### **TRUST FUNDS**

These funds are used to account for assets held by the County in trust accounts in a fiduciary capacity.

The County uses two sets of trust funds. One trust holds funds specifically to cover future OPEB obligations, and the other set of trust funds is used to account for obligations under certain defined benefit pension plans maintained by the County.

### **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 FIDUCIARY NET POSITION  
ALL TRUST FUNDS**

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

	OPEB Trust Fund	Pension Trust Funds	Total OPEB & Pension Trust Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ -	\$ 42,285	\$ 42,285
Investments, at fair value:			
US Government Securities	2,158,923	306,951	2,465,874
Municipal Bonds	717,349	133,623	850,972
Mutual Funds	14,716,900	1,627,054	16,343,954
Domestic Equity Securities	3,337,819	167,597	3,505,416
Domestic Corporate Bonds	2,121,606	312,316	2,433,922
Foreign Bonds / Notes	496,797	63,435	560,232
Foreign Equity Securities	<u>1,658,074</u>	<u>100,374</u>	<u>1,758,448</u>
Total investments, at fair value	<u>25,207,468</u>	<u>2,711,350</u>	<u>27,918,818</u>
Receivables:			
Interest	<u>52,850</u>	<u>8,466</u>	<u>61,316</u>
Total receivables	<u>52,850</u>	<u>8,466</u>	<u>61,316</u>
Total assets	<u>25,260,318</u>	<u>2,762,101</u>	<u>28,022,419</u>
<b>LIABILITIES</b>			
Accrued items and other	<u>20,088</u>	<u>837</u>	<u>20,925</u>
Total liabilities	<u>20,088</u>	<u>837</u>	<u>20,925</u>
<b>NET POSITION</b>			
Assets held in trust for benefits	<u>\$ 25,240,230</u>	<u>\$ 2,761,264</u>	<u>\$ 28,001,494</u>

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
ALL TRUST FUNDS**

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	OPEB Trust Fund	Pension Trust Funds	Total OPEB & Pension Trust Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 1,600,000	\$ 105,941	\$ 1,705,941
Other	<u>                    -</u>	<u>                    3,588</u>	<u>                    3,588</u>
Total contributions	<u>                    1,600,000</u>	<u>                    109,529</u>	<u>                    1,709,529</u>
Investment earnings:			
Net change in fair value of investments	1,024,512	59,847	1,084,359
Interest and dividends	<u>                    913,439</u>	<u>                    96,921</u>	<u>                    1,010,360</u>
Net investment earnings	<u>                    1,937,951</u>	<u>                    156,768</u>	<u>                    2,094,719</u>
Total additions	<u>                    3,537,951</u>	<u>                    266,297</u>	<u>                    3,804,248</u>
<b>DEDUCTIONS</b>			
Benefits	-	113,061	113,061
Administrative expense	<u>                    130,753</u>	<u>                    29,853</u>	<u>                    160,606</u>
Total deductions	<u>                    130,753</u>	<u>                    142,914</u>	<u>                    273,667</u>
Change in net position	3,407,198	123,383	3,530,581
Net position, beginning	<u>                    21,833,032</u>	<u>                    2,637,881</u>	<u>                    24,470,913</u>
Net position, ending	<u>                    \$ 25,240,230</u>	<u>                    \$ 2,761,264</u>	<u>                    \$ 28,001,494</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>CIRCUIT COURT CLERK</b>				
Cash	\$ 1,230,284	\$ 9,474,619	\$ 9,151,993	\$ 1,552,910
Certificates of deposit	<u>2,801,463</u>	<u>235,354</u>	<u>487,609</u>	<u>2,549,208</u>
Total assets	<u>\$ 4,031,747</u>	<u>\$ 9,709,973</u>	<u>\$ 9,639,602</u>	<u>\$ 4,102,118</u>
Accrued items and other	\$ 3,900,324	\$ 8,100,195	\$ 8,030,181	\$ 3,970,338
Intergovernmental payables	<u>131,423</u>	<u>1,609,778</u>	<u>1,609,421</u>	<u>131,780</u>
Total liabilities	<u>\$ 4,031,747</u>	<u>\$ 9,709,973</u>	<u>\$ 9,639,602</u>	<u>\$ 4,102,118</u>
<b>CLERK AND MASTER</b>				
Cash	\$ 4,970,814	\$ 19,104,953	\$ 16,412,388	\$ 7,663,379
Certificates of deposit	<u>4,295,596</u>	<u>2,041,541</u>	<u>1,743,142</u>	<u>4,593,995</u>
Total assets	<u>\$ 9,266,410</u>	<u>\$ 21,146,494</u>	<u>\$ 18,155,530</u>	<u>\$ 12,257,374</u>
Accrued items and other	\$ 8,515,200	\$ 12,025,076	\$ 9,134,558	\$ 11,405,718
Intergovernmental payables	<u>751,210</u>	<u>9,121,418</u>	<u>9,020,972</u>	<u>851,656</u>
Total liabilities	<u>\$ 9,266,410</u>	<u>\$ 21,146,494</u>	<u>\$ 18,155,530</u>	<u>\$ 12,257,374</u>
<b>COUNTY CLERK</b>				
Cash	\$ 2,967,284	\$ 41,446,781	\$ 41,099,023	\$ 3,315,042
Accounts receivable	<u>1,266</u>	<u>5,601</u>	<u>6,635</u>	<u>232</u>
Total assets	<u>\$ 2,968,550</u>	<u>\$ 41,452,382</u>	<u>\$ 41,105,658</u>	<u>\$ 3,315,274</u>
Accrued items and other	\$ 205,577	\$ 1,093,054	\$ 1,129,792	\$ 168,839
Intergovernmental payables	<u>2,762,973</u>	<u>40,359,328</u>	<u>39,975,866</u>	<u>3,146,435</u>
Total liabilities	<u>\$ 2,968,550</u>	<u>\$ 41,452,382</u>	<u>\$ 41,105,658</u>	<u>\$ 3,315,274</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
 Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>CRIMINAL COURT CLERK</b>				
Cash	\$ 35,769	\$ 4,467,032	\$ 4,485,192	\$ 17,609
Accounts receivable	<u>226,150</u>	<u>64,196</u>	<u>-</u>	<u>290,346</u>
Total assets	<u>\$ 261,919</u>	<u>\$ 4,531,228</u>	<u>\$ 4,485,192</u>	<u>\$ 307,955</u>
Accrued items and other	\$ 261,919	\$ 3,122,217	\$ 3,076,181	\$ 307,955
Intergovernmental payables	<u>-</u>	<u>1,409,011</u>	<u>1,409,011</u>	<u>-</u>
Total liabilities	<u>\$ 261,919</u>	<u>\$ 4,531,228</u>	<u>\$ 4,485,192</u>	<u>\$ 307,955</u>
<b>JUVENILE COURT CLERK</b>				
Cash	\$ 46,560	\$ 780,702	\$ 779,737	\$ 47,525
Certificates of deposit	624,083	96,038	132,711	587,410
Investments	<u>60,033</u>	<u>34,066</u>	<u>50,867</u>	<u>43,232</u>
Total assets	<u>\$ 730,676</u>	<u>\$ 910,806</u>	<u>\$ 963,315</u>	<u>\$ 678,167</u>
Accrued items and other	\$ 730,676	\$ 910,806	\$ 963,315	\$ 678,167
Total liabilities	<u>\$ 730,676</u>	<u>\$ 910,806</u>	<u>\$ 963,315</u>	<u>\$ 678,167</u>
<b>REGISTER</b>				
Cash	\$ 1,208,666	\$ 13,747,300	\$ 13,801,012	\$ 1,154,954
Accounts receivable	<u>2,944</u>	<u>31,153</u>	<u>32,515</u>	<u>1,582</u>
Total assets	<u>\$ 1,211,610</u>	<u>\$ 13,778,453</u>	<u>\$ 13,833,527</u>	<u>\$ 1,156,536</u>
Intergovernmental payables	\$ 1,211,610	\$ 13,778,453	\$ 13,833,527	\$ 1,156,536
Total liabilities	<u>\$ 1,211,610</u>	<u>\$ 13,778,453</u>	<u>\$ 13,833,527</u>	<u>\$ 1,156,536</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>SHERIFF</b>				
Cash	\$ 191,867	\$ 111,837	\$ 216,258	\$ 87,446
Total assets	<u>\$ 191,867</u>	<u>\$ 111,837</u>	<u>\$ 216,258</u>	<u>\$ 87,446</u>
Accrued items and other	\$ 191,867	\$ 111,837	\$ 216,258	\$ 87,446
Total liabilities	<u>\$ 191,867</u>	<u>\$ 111,837</u>	<u>\$ 216,258</u>	<u>\$ 87,446</u>
<b>TRUSTEE</b>				
Cash	\$ 1,060,541	\$ 31,171,439	\$ 30,982,328	\$ 1,249,652
Total assets	<u>\$ 1,060,541</u>	<u>\$ 31,171,439</u>	<u>\$ 30,982,328</u>	<u>\$ 1,249,652</u>
Intergovernmental payables	\$ 1,060,541	\$ 31,171,439	\$ 30,982,328	\$ 1,249,652
Total liabilities	<u>\$ 1,060,541</u>	<u>\$ 31,171,439</u>	<u>\$ 30,982,328</u>	<u>\$ 1,249,652</u>
<b>TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS</b>				
Cash	\$ 11,711,785	\$ 120,304,663	\$ 116,927,931	\$ 15,088,517
Certificates of deposit	7,721,142	2,372,933	2,363,462	7,730,613
Investments	60,033	34,066	50,867	43,232
Accounts receivable	<u>230,360</u>	<u>100,950</u>	<u>39,150</u>	<u>292,160</u>
Total assets	<u>\$ 19,723,320</u>	<u>\$ 122,812,612</u>	<u>\$ 119,381,410</u>	<u>\$ 23,154,522</u>
Accrued items and other	\$ 13,805,563	\$ 25,363,185	\$ 22,550,285	\$ 16,618,463
Intergovernmental payables	<u>5,917,757</u>	<u>97,449,427</u>	<u>96,831,125</u>	<u>6,536,059</u>
Total liabilities	<u>\$ 19,723,320</u>	<u>\$ 122,812,612</u>	<u>\$ 119,381,410</u>	<u>\$ 23,154,522</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, 2018**

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 53,825,963	\$ 9,096,242	\$ 497,746	\$ 63,419,951
Certificates of deposit	53,355	-	-	53,355
Investments	88,669,229	-	-	88,669,229
Receivables, net of allowance for uncollectible:				
Property taxes	151,772,430	-	-	151,772,430
Accounts	2,074,885	-	-	2,074,885
Intergovernmental	21,155,053	-	-	21,155,053
Due from other HCDE funds	1,554,277	-	28,519,534	30,073,811
Due from primary government	-	-	-	-
Inventories	61,657	1,285,671	-	1,347,328
<b>Total assets</b>	<b>\$ 319,166,849</b>	<b>\$ 10,381,913</b>	<b>\$ 29,017,280</b>	<b>\$ 358,566,042</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,441,340	\$ 45,089	\$ 419,183	\$ 2,905,612
Accrued items and other	30,733,732	99,133	41,700	30,874,565
Intergovernmental payables	278,867	-	-	278,867
Due to other HCDE funds	79,056,001	2,382,902	1,006,328	82,445,231
Due to primary government	2,804	-	-	2,804
<b>Total liabilities</b>	<b>112,512,744</b>	<b>2,527,124</b>	<b>1,467,211</b>	<b>116,507,079</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred property taxes	119,883,785	-	-	119,883,785
Unavailable property taxes	24,538,052	-	-	24,538,052
Other unavailable revenues	496,632	-	-	496,632
<b>Total deferred inflows of resources</b>	<b>144,918,469</b>	<b>-</b>	<b>-</b>	<b>144,918,469</b>
<b>FUND BALANCES</b>				
Nonspendable	61,657	1,285,671	-	1,347,328
Restricted for centralized cafeteria	-	6,026,597	-	6,026,597
Restricted for education	2,798,233	-	-	2,798,233
Restricted for instruction	27,597	-	-	27,597
Committed for education	6,669,191	-	-	6,669,191
Committed for capital projects	-	-	27,550,069	27,550,069
Committed for instruction	4,299,197	-	-	4,299,197
Committed for centralized cafeteria	-	542,521	-	542,521
Assigned for education	7,100,000	-	-	7,100,000
Unassigned	40,779,761	-	-	40,779,761
<b>Total fund balances</b>	<b>61,735,636</b>	<b>7,854,789</b>	<b>27,550,069</b>	<b>97,140,494</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 319,166,849</b>	<b>\$ 10,381,913</b>	<b>\$ 29,017,280</b>	<b>\$ 358,566,042</b>

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2018**

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

Fund balances - total Department of Education governmental funds	\$ 97,140,494
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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.	379,317,334
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Other long-term assets are not available for current period expenditures and therefor are deferred in the governmental funds.	
Property taxes	24,538,052
Charges for services	85,327
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.	46,085,700
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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	2,790,510
Deferred outflows from pension contributions	15,338,535
Deferred outflows from differences in pension investment earnings	139,885
Deferred outflows from pension experience	898,799
Deferred outflows from pension changes in assumptions	12,068,614
Deferred inflows from pension experience	(29,227,076)
Deferred changes in proportion of net pension liability	1,053,957
Deferred outflows from OPEB contributions	6,516,549
Total OPEB liability	(121,273,631)
Compensated absences	<u>(10,196,337)</u>

Net position of the Department of Education	\$ <u>425,773,344</u>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS  
HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 221,007,685	\$ -	\$ -	\$ 221,007,685
Intergovernmental	187,576,279	16,686,563	-	204,262,842
Charges for services	4,521,189	3,495,256	-	8,016,445
Investment earnings	1,862,575	63,317	3,117	1,929,009
Miscellaneous	10,872,776	1,730	-	10,874,506
Total revenues	425,840,504	20,246,866	3,117	446,090,487
<b>EXPENDITURES</b>				
Current:				
Education	404,191,434	19,485,030	-	423,676,464
Capital outlay	12,130	-	6,974,895	6,987,025
Total expenditures	404,203,564	19,485,030	6,974,895	430,663,489
Excess (deficiency) of revenues over (under) expenditures	21,636,940	761,836	(6,971,778)	15,426,998
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	23,668,793	23,668,793
Transfers out	(23,668,793)	-	-	(23,668,793)
Net change in fund balances	(2,031,853)	761,836	16,697,015	15,426,998
Fund balances, beginning	63,767,489	7,092,953	10,853,054	81,713,496
Fund balances, ending	\$ 61,735,636	\$ 7,854,789	\$ 27,550,069	\$ 97,140,494

**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, 2018**

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

Net change in fund balances - total Department of Education governmental funds	\$	15,426,998
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.		(13,617,091)
Payments of advances from the primary government are reported as expenditures in the Department of Education's governmental activities in the period paid.		20,051
The net effect of capital asset transactions involving the primary government is to increase net position.		9,330,642
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position.		1,185,044
The loss on sale/abandonment of capital assets is not recognized in the Department of Education's governmental funds.		(49,897)
Other post employment benefits will not be funded therefore the expense is not recognized in the funds.		(5,095,122)
The net revenues of internal service funds are reported with governmental activities.		4,574,666
The net effect of the change in the net pension liability is included in the statement of activities.		14,366,821
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 the amount during the year.		1,545,148
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		
Property taxes		18,279,459
Intergovernmental		496,632
Charges for services		85,327
		<hr/>
Change in net position of governmental activities	\$	<u>46,548,678</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Property taxes	\$ 138,666,205	\$ 143,166,205	\$ 144,406,251	\$ 1,240,046
Local sales tax	<u>71,521,904</u>	<u>71,521,904</u>	<u>76,601,434</u>	<u>5,079,530</u>
Total taxes	<u>210,188,109</u>	<u>214,688,109</u>	<u>221,007,685</u>	<u>6,319,576</u>
Intergovernmental revenues:				
State of Tennessee:				
Education	157,785,173	161,883,345	160,719,783	(1,163,562)
Food service	190,000	190,000	192,176	2,176
Federal funds received from State of Tennessee and other sources:				
Education	26,684,150	31,367,925	26,856,496	(4,511,429)
Food service	<u>16,935,570</u>	<u>16,947,162</u>	<u>16,494,387</u>	<u>(452,775)</u>
Total intergovernmental revenues	<u>201,594,893</u>	<u>210,388,432</u>	<u>204,262,842</u>	<u>(6,125,590)</u>
Charges for services:				
Education	4,115,292	4,123,092	4,521,189	398,097
Food service	<u>3,817,403</u>	<u>3,817,403</u>	<u>3,495,256</u>	<u>(322,147)</u>
Total charges for current services	<u>7,932,695</u>	<u>7,940,495</u>	<u>8,016,445</u>	<u>75,950</u>
Investment earnings:				
Education	250,065	250,065	1,862,575	1,612,510
Food service	<u>11,041</u>	<u>11,041</u>	<u>63,317</u>	<u>52,276</u>
Total investment earnings	<u>261,106</u>	<u>261,106</u>	<u>1,925,892</u>	<u>1,664,786</u>
Miscellaneous:				
Education	5,354,238	10,527,059	10,872,776	345,717
Food service	<u>-</u>	<u>-</u>	<u>1,730</u>	<u>1,730</u>
Total miscellaneous	<u>5,354,238</u>	<u>10,527,059</u>	<u>10,874,506</u>	<u>347,447</u>
Total revenues	<u>425,331,041</u>	<u>443,805,201</u>	<u>446,087,370</u>	<u>2,282,169</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, 2018**

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
Current:				
Education:				
Regular instruction program	\$ 191,385,833	\$ 195,499,335	\$ 193,545,843	\$ 1,953,492
Special education program	36,478,959	36,295,228	35,633,110	662,118
Vocational education program	8,797,936	8,737,302	8,734,856	2,446
Attendance	1,969,616	1,961,053	1,940,175	20,878
Health services	4,197,197	4,335,075	4,198,502	136,573
Other student support	8,017,494	8,200,092	8,146,669	53,423
Regular instruction support	11,333,764	10,479,085	10,084,972	394,113
Special education support	3,211,522	3,493,868	3,487,589	6,279
Vocational education support	275,785	294,209	241,938	52,271
Technology	-	4,423,262	3,359,342	1,063,920
Board of education	6,197,945	6,194,450	5,988,829	205,621
Office of superintendent	1,154,670	1,807,868	1,638,136	169,732
Office of principal	26,390,146	26,941,796	26,826,393	115,403
Fiscal services	2,979,468	3,422,921	2,950,693	472,228
Human resources	1,435,930	1,603,123	1,393,185	209,938
Operation of plant	24,967,617	26,377,830	25,500,516	877,314
Maintenance of plant	9,267,569	9,749,301	9,629,752	119,549
Transportation	16,892,020	16,878,735	16,575,686	303,049
Central and other	2,475,421	519,296	474,408	44,888
Community services	37,856	166,140	136,119	30,021
Early childhood	2,826,106	2,981,139	2,884,337	96,802
Federal programs	26,109,427	31,528,329	26,195,214	5,333,115
Other self funded projects	6,039,657	7,460,756	6,863,099	597,657
Charter Schools	9,146,888	9,146,888	9,220,957	(74,069)
Education debt service	97,500	20,051	20,051	-
Food service	20,954,014	20,965,606	19,295,561	1,670,045
Total education	<u>422,640,340</u>	<u>439,482,738</u>	<u>424,965,932</u>	<u>14,516,806</u>
Capital outlay:				
Education	<u>130,000</u>	<u>130,000</u>	<u>121,202</u>	<u>8,798</u>
Total budgetary expenditures	<u>422,770,340</u>	<u>439,612,738</u>	<u>425,087,134</u>	<u>14,525,604</u>
<b>OTHER FINANCING USES</b>				
Transfers to other DOE funds	<u>(3,000,000)</u>	<u>(23,668,793)</u>	<u>(23,668,793)</u>	<u>-</u>
Net change in fund balance	(439,299)	(19,476,330)	(2,668,557)	<u>\$ 16,807,773</u>
Fund balance allocation	<u>439,299</u>	<u>19,476,330</u>		
	<u>\$ -</u>	<u>\$ -</u>		
Add encumbrances at end of year			6,443,655	
Less encumbrances at beginning of year			(5,045,115)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses (Education Capital Projects)			<u>16,697,015</u>	
Net change in fund balance--(GAAP Modified Accrual Basis)			15,426,998	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			<u>81,713,496</u>	
Fund balances at end of year--(GAAP Modified Accrual Basis)			<u>\$ 97,140,494</u>	

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

	Department of Education Internal Service Fund
	<u>                    </u>
<b>ASSETS</b>	
Cash	\$ 696,716
Receivables	1,342,617
Due from other HCDE funds	52,371,420
Prepaid items	<u>69,390</u>
Total current assets	<u>54,480,143</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	190,431
Accrued claims	<u>6,829,487</u>
Total current liabilities	<u>7,019,918</u>
Noncurrent liabilities:	
Accrued claims	<u>1,289,198</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	<u>85,327</u>
Total deferred inflows of resources	<u>85,327</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 46,085,700</u></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, 2018**

	Department of Education Internal Service Fund
	<u>                    </u>
OPERATING REVENUES	
Charges for services	\$ 64,444,320
Other	<u>1,250</u>
Total operating revenues	<u>64,445,570</u>
OPERATING EXPENSES	
Unemployment compensation	43,075
Claims and premiums	<u>59,833,393</u>
Total operating expenses	<u>59,876,468</u>
Operating income (loss)	4,569,102
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	<u>5,564</u>
Change in net position	4,574,666
Net position, beginning	<u>41,511,034</u>
Net position, ending	<u><u>\$ 46,085,700</u></u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Department of Education Internal Service Fund
	<u>                    </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from insurance premiums	\$ 58,053,088
Cash paid for unemployment compensation	(43,075)
Cash paid for claims and premiums	<u>(58,883,043)</u>
Net cash used in operating activities	<u>(873,030)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Cash received for investment earnings	<u>5,564</u>
Net cash provided by investing activities	<u>5,564</u>
Net change in cash and cash equivalents	(867,466)
Beginning cash and cash equivalents	<u>1,564,182</u>
Ending cash and cash equivalents	<u>\$ 696,716</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 4,569,102</u>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Change in receivables	(6,756)
Change in due from other HCDE funds	(6,970,168)
Change in prepaid items	436,268
Change in accounts payable	176,695
Change in accrued claims	950,349
Change in unavailable revenue	<u>(28,520)</u>
Total adjustments	<u>(5,442,132)</u>
Net cash used in operating activities	<u>\$ (873,030)</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

ASSETS	
Cash	\$ 10,458,058
Accounts receivable	<u>2,495</u>
Total assets	<u>\$ 10,460,553</u>
LIABILITIES	
Due to others	<u>\$ 10,460,553</u>
Total liabilities	<u>\$ 10,460,553</u>

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

**HAMILTON COUNTY, TENNESSEE  
Year Ended June 30, 2018**

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>ASSETS</b>				
Cash	\$ 9,589,195	\$ 14,996,027	\$ 14,127,164	\$ 10,458,058
Accounts receivable	<u>1,532</u>	<u>2,495</u>	<u>1,532</u>	<u>2,495</u>
Total assets	<u>\$ 9,590,727</u>	<u>\$ 14,998,522</u>	<u>\$ 14,128,696</u>	<u>\$ 10,460,553</u>
<b>LIABILITES</b>				
Due to others	<u>\$ 9,590,727</u>	<u>\$ 14,998,522</u>	<u>\$ 14,128,696</u>	<u>\$ 10,460,553</u>
Total liabilities	<u>\$ 9,590,727</u>	<u>\$ 14,998,522</u>	<u>\$ 14,128,696</u>	<u>\$ 10,460,553</u>

**SCHEDULE OF PROPERTY TAXES RECEIVABLE**

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2018**

Year of Levy		Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2018	*	\$ 301,319,719	\$ 11,133,910	290,185,809
2017		16,211,741	388,888	15,822,853
2016		3,006,083	364,638	2,641,445
2015		1,802,919	411,967	1,390,952
2014		751,511	563,483	188,028
2013		179,756	157,934	21,822
2012		619,363	619,363	-
2011		704,348	704,348	-
		<u>\$ 324,595,440</u>	<u>\$ 14,344,531</u>	<u>\$ 310,250,909</u>

DISTRIBUTION TO PRIMARY GOVERNMENT

County General	<u>\$ 166,212,314</u>	<u>\$ 7,733,836</u>	<u>\$ 158,478,478</u>
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DISTRIBUTION TO COMPONENT UNIT

General Purpose School	<u>158,383,126</u>	<u>6,610,695</u>	<u>151,772,431</u>
	<u>\$ 324,595,440</u>	<u>\$ 14,344,531</u>	<u>\$ 310,250,909</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, 2018**

	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>AMOUNT</u>
<b>PRIMARY GOVERNMENT</b>			
<b>GOVERNMENTAL FUNDS</b>			
General Fund:			
First Tennessee	9/5/2019	1.20%	<u>\$ 15,000</u>
Capital Projects			
First Tennessee	8/15/2018	1.90%	20,000,000
First Tennessee	10/2/2018	1.94%	10,000,000
First Tennessee	10/8/2018	1.94%	5,000,000
First Tennessee	4/11/2019	2.11%	<u>5,000,000</u>
			<u>40,000,000</u>
<b>AGENCY FUNDS</b>			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	2,549,208
Clerk and Master	Various	Various	4,593,995
Juvenile Court Clerk	Various	Various	<u>587,410</u>
			<u>7,730,613</u>
Total primary government			<u>47,745,613</u>
<b>COMPONENT UNITS</b>			
<b>GOVERNMENTAL FUNDS</b>			
General Purpose School:			
First Tennessee	4/30/2019	1.64%	<u>53,355</u>
<b>PROPRIETARY FUNDS</b>			
"911" Emergency Communications District:			
Pinnacle Bank	11/9/2018	1.25%	<u>8,720,407</u>
Total component units			<u>8,773,762</u>
Total certificates of deposit			<u>\$ 56,519,375</u>

## SCHEDULE OF INVESTMENTS BY FUND

### HAMILTON COUNTY, TENNESSEE

June 30, 2018

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, 2018, the centralized investment pool held the following investments:

	MATURITY DATE	INTEREST RATE	FACE VALUE
Certificates of Deposit	12/15/2018	1.350%	\$ 245,000
Certificates of Deposit	12/17/2018	1.350%	245,000
Certificates of Deposit	12/19/2018	1.400%	245,000
Certificates of Deposit	12/19/2018	1.350%	245,000
Certificates of Deposit	12/19/2018	1.400%	245,000
Certificates of Deposit	12/24/2018	1.350%	245,000
Certificates of Deposit	12/28/2018	1.350%	245,000
Certificates of Deposit	11/15/2019	1.750%	245,000
Certificates of Deposit	11/15/2019	1.750%	245,000
Certificates of Deposit	11/18/2019	1.800%	245,000
Certificates of Deposit	11/18/2019	1.750%	245,000
Certificates of Deposit	11/18/2019	1.750%	245,000
Certificates of Deposit	11/18/2019	1.750%	245,000
Certificates of Deposit	11/22/2019	1.800%	245,000
Certificates of Deposit	11/22/2019	1.800%	245,000
Certificates of Deposit	11/22/2019	1.900%	245,000
Federal Agricultural Mortgage Corp.	9/10/2018	1.875%	10,000,000
Federal Farm Credit Bank	12/27/2018	1.390%	5,000,000
Federal Farm Credit Bank	2/20/2020	2.150%	5,000,000
Federal Home Loan Bank	6/28/2019	1.500%	10,000,000
Federal Home Loan Bank	9/27/2019	1.500%	5,000,000
Federal Home Loan Bank	10/23/2019	1.600%	5,000,000
Federal Home Loan Bank	12/13/2019	1.800%	5,000,000
Federal Home Loan Bank	1/10/2020	1.900%	5,000,000
Federal Home Loan Bank	2/6/2020	2.050%	10,000,000
Federal Home Loan Bank	7/9/2018	1.865%	10,000,000
Federal Home Loan Mortgage Corp.	7/20/2018	1.000%	5,000,000
Federal Home Loan Mortgage Corp.	7/27/2018	1.050%	5,000,000
Federal Home Loan Mortgage Corp.	10/18/2018	1.070%	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	1.050%	5,000,000
Federal Home Loan Mortgage Corp.	12/14/2018	1.250%	5,000,000
Federal Home Loan Mortgage Corp.	12/21/2018	1.200%	5,000,000
Federal Home Loan Mortgage Corp.	3/15/2019	1.375%	5,000,000
Federal Home Loan Mortgage Corp.	7/26/2019	1.600%	5,000,000
Federal Home Loan Mortgage Corp.	9/27/2019	1.500%	5,000,000
Federal Home Loan Mortgage Corp.	10/30/2019	1.650%	5,000,000
Federal Home Loan Mortgage Corp.	11/27/2019	1.750%	5,000,000
Federal Home Loan Mortgage Corp.	11/27/2019	1.700%	5,000,000
Federal Home Loan Mortgage Corp.	12/27/2019	1.875%	5,000,000
Federal Home Loan Mortgage Corp.	1/25/2019	1.350%	5,000,000
Federal National Mortgage Association	7/9/2018	1.800%	10,000,000
U.S. Treasury	7/31/2018	1.780%	5,000,000
U.S. Treasury	8/31/2018	1.650%	5,000,000
U.S. Treasury	8/31/2018	1.650%	10,000,000
U.S. Treasury	7/31/2018	1.570%	10,000,000
U.S. Treasury	7/31/2018	1.570%	5,000,000
U.S. Treasury	8/31/2018	1.850%	5,000,000

Total investments in centralized investment pool

\$ 193,920,000

(continued)

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

**HAMILTON COUNTY, TENNESSEE**  
**June 30, 2018**

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

	<u>AMOUNT</u>
PRIMARY GOVERNMENT	
GOVERNMENTAL FUNDS	
General Fund	\$ 58,552,609
Debt Service	6,979,777
Capital Projects	15,340,482
Constitutional Officers	652,439
Governmental Law Library	69,343
Economic Crimes	44,807
	<u>81,639,457</u>
PROPRIETARY FUNDS	
Internal Service	<u>23,568,082</u>
	<u>23,568,082</u>
FIDUCIARY FUNDS	
Constitutional Officers Agency Funds	<u>43,232</u>
	<u>43,232</u>
Total primary government	<u>105,250,771</u>
COMPONENT UNITS	
General Purpose School	<u>88,669,229</u>
Total component units	<u>88,669,229</u>
Total investments in centralized investment pool	<u>\$ 193,920,000</u>

(continued)

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

**HAMILTON COUNTY, TENNESSEE**

**June 30, 2018**

	MATURITY DATE	INTEREST RATE	MARKET VALUE
PRIMARY GOVERNMENT			
GOVERNMENTAL FUNDS			
CAPITAL PROJECTS			
Federal Agricultural Mortgage Corp.	11/22/2019	2.420%	\$ 5,000,000
Federal Agricultural Mortgage Corp.	2/12/2020	2.400%	10,000,000
Federal Farm Credit Bank	10/21/2019	2.480%	10,000,000
Federal Home Loan Bank	1/16/2019	2.190%	10,000,000
Federal Home Loan Bank	3/18/2019	2.106%	5,000,000
Federal Home Loan Bank	4/26/2019	2.250%	5,000,000
Federal Home Loan Bank	6/11/2019	2.340%	10,000,000
Federal Home Loan Bank	6/14/2019	2.329%	5,000,000
Federal Home Loan Bank	6/14/2019	2.332%	5,000,000
Federal Home Loan Bank	3/5/2020	2.654%	5,000,000
Federal Home Loan Bank	4/30/2020	2.540%	5,000,000
Federal Home Loan Mortgage Corp.	11/28/2018	2.110%	5,000,000
Federal Home Loan Mortgage Corp.	4/30/2020	2.450%	5,000,000
U. S. Treasury	10/31/2018	2.000%	5,000,000
Total governmental funds' investments			<u>90,000,000</u>
FIDUCIARY FUNDS			
PENSION TRUST FUND			
Mutual Funds	Various	Various	1,627,054
Domestic Corporate Bonds	Various	Various	312,316
Foreign Bonds/Notes	Various	Various	63,435
Domestic Equity Securities	Various	Various	167,597
Foreign Equity Securities	Various	Various	100,374
US Government Securities	Various	Various	306,951
Municipal Bonds	Various	Various	133,623
			<u>2,711,350</u>
OPEB TRUST FUND			
Mutual Funds	Various	Various	14,716,900
Domestic Corporate Bonds	Various	Various	2,121,606
Foreign Bonds/Notes	Various	Various	496,797
Domestic Equity Securities	Various	Various	3,337,819
Foreign Equity Securities	Various	Various	1,658,074
US Government Securities	Various	Various	2,158,923
Municipal Bonds	Various	Various	717,349
			<u>25,207,468</u>
Total fiduciary funds' investments			<u>27,918,818</u>
Total investments			<u>\$ 311,838,818</u>

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2018			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
<b>BONDED DEBT</b>						
General Improvement	3/01/1998 B	\$ 6,100,000	Aug/Feb	5.100	\$335,000; due 8/01/2018	\$ 335,000
				5.100	\$355,000; due 8/01/2019	355,000
				5.100	\$370,000; due 8/01/2020	370,000
				5.100	\$395,000; due 8/01/2021	395,000
				5.100	\$415,000; due 8/01/2022	415,000
				5.100	\$435,000; due 8/01/2023	435,000
				5.100	\$460,000; due 8/01/2024	460,000
					<u>2,765,000</u>	
General Improvement (taxable to bondholder)	3/10/2010 B	16,115,000	Sept/Mar	4.125	\$1,610,000; due 3/01/2019	1,610,000
				4.250	\$1,610,000; due 3/01/2020	1,610,000
						<u>3,220,000</u>
General Improvement (Recovery Zone Economic Development Bonds - taxable to bondholder)	3/10/2010 C	4,980,000	Sept/Mar	4.000	\$330,000; due 3/01/2019	330,000
				4.150	\$330,000; due 3/01/2020	330,000
				4.350	\$330,000; due 3/01/2021	330,000
				4.600	\$330,000; due 3/01/2022	330,000
				4.700	\$330,000; due 3/01/2023	330,000
				4.850	\$330,000; due 3/01/2024	330,000
				5.000	\$370,000; due 3/01/2025	370,000
					<u>2,350,000</u>	
General Improvement	11/08/2011 A	12,875,000	July/Jan	5.000	\$802,194; due 1/01/2019	802,194
				5.000	\$843,143; due 1/01/2020	843,143
				5.000	\$885,143; due 1/01/2021	885,143
				3.250	\$1,107,741; due 1/01/2026	1,107,741
				3.500	\$1,144,491; due 1/01/2027	1,144,491
					<u>4,782,712</u>	
School	11/08/2011 A	48,435,000	July/Jan	5.000	\$3,017,806; due 1/01/2019	3,017,806
				5.000	\$3,171,857; due 1/01/2020	3,171,857
				5.000	\$3,329,857; due 1/01/2021	3,329,857
				3.250	\$4,167,259; due 1/01/2026	4,167,259
				3.500	\$4,305,509; due 1/01/2027	4,305,509
					<u>17,992,288</u>	

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2018			
			INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
BONDED DEBT--(continued)						
General Improvement	11/08/2011 B	\$ 7,923,000	July/Jan	5.000	\$1,155,833; due 1/01/2019	\$ 1,155,833
						<u>1,155,833</u>
School	11/08/2011 B	4,587,000	July/Jan	5.000	\$669,167; due 1/01/2019	669,167
						<u>669,167</u>
Water & Wastewater Treatment Authority	11/08/2011 B	8,025,000	July/Jan	5.000	\$385,000; due 1/01/2019	385,000
				4.000	\$410,000; due 1/01/2020	410,000
				3.000	\$425,000; due 1/01/2021	425,000
				3.000	\$435,000; due 1/01/2022	435,000
				3.000	\$450,000; due 1/01/2023	450,000
				3.000	\$460,000; due 1/01/2024	460,000
				3.250	\$475,000; due 1/01/2025	475,000
				3.375	\$490,000; due 1/01/2026	490,000
				3.500	\$510,000; due 1/01/2027	510,000
				3.500	\$530,000; due 1/01/2028	530,000
				3.625	\$545,000; due 1/01/2029	545,000
				3.750	\$565,000; due 1/01/2030	565,000
3.750	\$370,000; due 1/01/2031	370,000				
					<u>6,050,000</u>	
General Improvement	4/10/2013 A	10,061,000	Sept/Mar	4.000	\$670,623; due 3/01/2019	670,623
				4.000	\$670,623 a year; due 3/01/2020-22	2,011,869
				2.000	\$670,623; due 3/01/2023	670,623
				2.125	\$670,622; due 3/01/2024	670,622
				2.250	\$670,622; due 3/01/2025	670,622
				2.375	\$670,622; due 3/01/2026	670,622
				2.500	\$670,622; due 3/01/2027	670,622
				2.750	\$670,622; due 3/01/2028	670,622
				<u>6,706,225</u>		
School	4/10/2013 A	50,549,000	Sept/Mar	4.000	\$3,369,377; due 3/01/2019	3,369,377
				4.000	\$3,369,377 a year; due 3/01/2020-22	10,108,131
				2.000	\$3,369,377; due 3/01/2023	3,369,377
				2.125	\$3,369,378; due 3/01/2024	3,369,378
				2.250	\$3,369,378; due 3/01/2025	3,369,378
				2.375	\$3,369,378; due 3/01/2026	3,369,378
				2.500	\$3,369,378; due 3/01/2027	3,369,378
				2.750	\$3,369,378; due 3/01/2028	3,369,378
				<u>33,693,775</u>		

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	INTEREST		MATURITY SCHEDULE	PRINCIPAL
			DATES	RATES		
DEBT REMAINING AT JUNE 30, 2018						
BONDED DEBT--(continued)						
General Improvement	4/10/2013 B	\$ 6,701,100	Sept/Mar	4.000	\$936,489; due 3/01/2019	\$ 936,489
				4.000	\$929,800; due 3/01/2020	929,800
				4.000	\$921,624; due 3/01/2021	921,624
				3.000	\$920,138; due 3/01/2022	920,138
				3.000	\$909,732; due 3/01/2023	909,732
						4,617,783
School	4/10/2013 B	38,378,900	Sept/Mar	4.000	\$5,363,511; due 3/01/2019	5,363,511
				4.000	\$5,325,200; due 3/01/2020	5,325,200
				4.000	\$5,278,376; due 3/01/2021	5,278,376
				3.000	\$5,269,862; due 3/01/2022	5,269,862
				3.000	\$5,210,268; due 3/01/2023	5,210,268
						26,447,217
General Improvement	5/07/2015 A	11,442,000	Nov/May	5.000	\$762,800; due 5/01/2019	762,800
				5.000	\$762,800 a year; due 5/01/2020-30	8,390,800
						9,153,600
School	5/07/2015 A	48,558,000	Nov/May	5.000	\$3,237,200; due 5/01/2019	3,237,200
				5.000	\$3,237,200 a year; due 5/01/2020-30	35,609,200
						38,846,400
General Improvement	5/07/2015 B	\$ 7,194,600	Sept/Mar	2.000	\$465,554; due 3/01/2019	465,554
				5.000	\$454,811; due 3/01/2020	454,811
				5.000	\$459,585; due 3/01/2021	459,585
				5.000	\$1,488,579; due 3/01/2022	1,488,579
				5.000	\$1,544,684; due 3/01/2023	1,544,684
				4.000	\$1,603,177; due 3/01/2024	1,603,177
				4.000	\$1,178,210; due 3/01/2025	1,178,210
						7,194,600
School	5/07/2015 B	22,940,400	Sept/Mar	2.000	\$1,484,446; due 3/01/2019	1,484,446
				5.000	\$1,450,189; due 3/01/2020	1,450,189
				5.000	\$1,465,415; due 3/01/2021	1,465,415
				5.000	\$4,746,421; due 3/01/2022	4,746,421
				5.000	\$4,925,316; due 3/01/2023	4,925,316
				4.000	\$5,111,823; due 3/01/2024	5,111,823
				4.000	\$3,756,790; due 3/01/2025	3,756,790
						22,940,400

(continued)

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

**HAMILTON COUNTY, TENNESSEE  
June 30, 2018**

TYPE OF ISSUE	DATE OF ISSUE	ORIGINAL ISSUE	DEBT REMAINING AT JUNE 30, 2018			
			DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
General Improvement	3/29/2018 A	45,363,000	Oct/April	5.000	\$3,026,008; due 4/01/2019	\$ 3,026,008
				5.000	\$3,026,008; due 4/01/2020-2025	18,156,048
				5.000	\$3,024,652; due 4/01/2026	3,024,652
				5.000	\$3,023,296; due 4/01/2027-2029	9,069,888
				5.000	\$3,021,940; due 4/01/2030-2032	9,065,820
				5.000	\$3,020,584; due 4/01/2033	<u>3,020,584</u>
					<u>45,363,000</u>	
School	3/29/2018 A	121,937,000	Oct/April	5.000	\$8,133,992; due 4/01/2019	8,133,992
				5.000	\$8,133,992; due 4/01/2020-2025	48,803,952
				5.000	\$8,130,348; due 4/01/2026	8,130,348
				5.000	\$8,126,704; due 4/01/2027-2029	24,380,112
				5.000	\$8,123,060; due 4/01/2030-2032	24,369,180
				5.000	\$8,119,416; due 4/01/2033	<u>8,119,416</u>
					<u>121,937,000</u>	
General Improvement	3/29/2018 B	4,295,000	Sept/Mar	2.000	\$1,035,000; due 3/01/2021	1,035,000
				2.000	\$1,005,000; due 3/01/2022	1,005,000
				2.000	\$975,000; due 3/01/2023	975,000
				2.250	\$945,000; due 3/01/2024	945,000
				5.000	\$335,000; due 3/01/2025	<u>335,000</u>
					<u>4,295,000</u>	
TOTAL BONDED DEBT						<u>\$ 360,180,000</u>
TOTAL BONDS						<u>\$ 360,180,000</u>

## DEBT SERVICE REQUIREMENTS TO MATURITY

### HAMILTON COUNTY, TENNESSEE

June 30, 2018

Year Ended June 30	GENERAL OBLIGATION BONDS		
	Bond Principal	Interest	Total
2019	\$ 35,755,000	\$ 16,207,024	\$ 51,962,024
2020	34,080,000	14,558,892	48,638,892
2021	33,700,000	12,976,084	46,676,084
2022	33,790,000	11,434,172	45,224,172
2023	33,960,000	9,948,137	43,908,137
2024	28,085,000	8,532,052	36,617,052
2025	25,775,000	7,345,711	33,120,711
2026	24,960,000	6,236,994	31,196,994
2027	25,150,000	5,195,319	30,345,319
2028	19,720,000	4,128,219	23,848,219
2029	15,695,000	3,241,069	18,936,069
2030	15,710,000	2,463,813	18,173,813
2031	11,515,000	1,685,375	13,200,375
2032	11,145,000	1,114,250	12,259,250
2033	<u>11,140,000</u>	<u>557,000</u>	<u>11,697,000</u>
	<u>\$ 360,180,000</u>	<u>\$ 105,624,111</u>	<u>\$ 465,804,111</u>

**HAMILTON COUNTY, TENNESSEE**  
**June 30, 2018**

**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-6**

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-10**

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-13**

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-15**

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									
	2018	2017 - Restated	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$182,639,417	\$221,544,634	\$243,547,592	\$244,360,829	\$238,660,378	\$282,129,410	\$241,279,539	\$177,199,640	\$143,726,882	\$250,836,816
Restricted	5,056,603	4,252,078	-	-	52,298	541,385	607,360	716,194	25,363,259	26,820,351
Unrestricted	<u>(17,431,115)</u>	<u>(100,258,326)</u>	<u>(86,040,888)</u>	<u>(94,151,918)</u>	<u>(89,414,839)</u>	<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>
Total governmental activities net position	<u>\$170,264,905</u>	<u>\$125,538,386</u>	<u>\$157,506,704</u>	<u>\$150,208,911</u>	<u>\$149,297,837</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>
Primary government										
Net investment in capital assets	\$182,639,417	\$221,544,634	\$243,547,592	\$244,360,829	\$238,660,378	\$282,129,410	\$241,279,539	\$177,199,640	\$143,726,882	\$250,836,816
Restricted	5,056,603	4,252,078	-	-	52,298	541,385	607,360	716,194	25,363,259	26,820,351
Unrestricted	<u>(17,431,115)</u>	<u>(100,258,326)</u>	<u>(86,040,888)</u>	<u>(94,151,918)</u>	<u>(89,414,839)</u>	<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>
Total primary government net position	<u>\$170,264,905</u>	<u>\$125,538,386</u>	<u>\$157,506,704</u>	<u>\$150,208,911</u>	<u>\$149,297,837</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>

Note: Fiscal Year 2017 was restated to reflect implementation of GASB statement 75

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 62,215,233	\$ 57,560,303	\$ 66,599,969	\$ 61,957,402	\$ 54,450,998	\$ 55,107,145	\$ 58,143,030	\$ 71,919,720	\$ 60,945,951	\$ 50,151,407
Public Safety:										
Sheriff	52,234,591	32,646,937	31,342,346	30,250,034	29,934,441	28,915,718	28,342,846	29,218,502	28,205,975	28,107,384
Criminal Court	4,522,390	4,114,771	4,048,753	2,724,085	4,181,671	4,185,439	3,874,884	4,126,994	4,199,909	4,108,437
Juvenile Court	1,638,962	1,526,597	1,633,352	1,495,996	8,112,975	8,022,995	8,816,800	8,947,936	7,804,678	8,701,955
Ambulance Services	10,102,862	9,960,981	9,966,416	9,514,960	9,513,721	28,986,494	23,104,366	22,343,290	22,613,585	21,720,861
Other	24,675,914	36,820,123	37,949,711	37,115,919	30,292,964	41,630,920	35,477,004	35,313,682	35,685,195	36,181,342
Highways and streets	15,064,154	10,469,195	11,666,094	12,396,414	8,542,153	14,995,362	15,369,248	18,405,626	16,709,116	18,635,187
Health	22,331,435	21,162,827	21,983,102	21,133,493	21,478,078	20,031,449	20,231,080	22,159,904	22,289,607	22,234,163
Social Services	6,623,453	6,223,637	6,914,723	6,274,516	6,624,641	7,145,934	6,199,607	8,932,771	9,922,024	9,048,831
Culture and recreation	9,841,274	8,751,277	8,898,519	7,921,387	7,018,607	8,069,498	9,079,005	11,018,276	10,867,943	10,953,584
Education	9,602,529	47,868,365	24,300,782	28,300,691	32,510,412	2,452,772	4,097,398	19,312,528	51,348,798	94,734,470
Interest on long-term debt	8,370,300	7,725,168	8,264,495	7,232,360	7,770,919	8,558,921	8,863,280	8,343,186	8,744,210	8,127,516
Total governmental activities expenses	<u>227,223,097</u>	<u>244,830,181</u>	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</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>
Total primary government expenses	<u>227,223,097</u>	<u>244,830,181</u>	<u>233,568,262</u>	<u>226,317,257</u>	<u>220,431,580</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>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General Government	22,655,115	20,689,500	20,749,436	20,414,588	19,044,471	19,360,899	17,742,600	16,164,972	16,003,648	15,611,825
Public Safety:										
Sheriff	663,063	668,901	550,006	785,553	1,234,909	1,045,569	1,133,673	1,267,582	1,252,013	1,194,102
Criminal Court	2,351,890	2,484,895	1,759,490	2,578,618	2,715,418	2,463,580	2,250,415	2,265,859	2,365,764	2,206,055
Juvenile Court	432,503	472,625	436,100	389,769	381,798	420,352	342,337	360,824	387,503	507,980
Ambulance Services	11,629,623	6,565,594	7,956,293	7,440,280	7,059,718	29,900,324	21,180,453	22,093,664	21,513,200	20,584,282
Other	2,528,809	2,584,732	3,182,933	2,272,222	2,278,610	9,455,129	8,908,857	8,918,963	9,413,644	4,837,997
Highways and streets	3,191,092	3,153,073	2,966,389	2,719,713	2,803,123	2,789,369	2,515,109	2,490,007	2,554,986	2,346,478
Health	3,525,835	2,264,843	2,311,092	1,915,656	1,806,662	1,825,028	1,893,258	2,229,402	2,375,089	2,369,463
Social Services	4,577,597	4,306,940	4,373,514	4,397,525	4,322,084	4,310,818	4,079,181	4,476,458	4,394,572	4,519,884
Culture and recreation	812,386	867,973	659,701	538,507	697,461	600,408	632,217	606,726	605,779	602,550
Education	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	27,654,388	27,259,713	28,271,264	28,079,517	27,009,289	25,125,782	27,124,454	25,675,026	24,716,541	27,141,888
Capital grants and contributions	3,392,780	1,629,141	14,573,339	6,678,478	3,340,173	3,506,316	11,819,153	23,786,966	3,894,488	68,688,249
Total governmental activities program revenues	<u>83,415,081</u>	<u>72,947,930</u>	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</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>
Total primary government program revenues	<u>83,415,081</u>	<u>72,947,930</u>	<u>87,789,557</u>	<u>78,210,426</u>	<u>72,693,716</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>
Net (Expenses) Revenues										
Governmental activities	<u>(143,808,016)</u>	<u>(171,882,251)</u>	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</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>
Total primary government net expense	<u>(143,808,016)</u>	<u>(171,882,251)</u>	<u>(145,778,705)</u>	<u>(148,106,831)</u>	<u>(147,737,864)</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>

(continued on next page)

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

	Fiscal Year									
	<u>2018</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>
(continued from previous page)										
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	164,229,212	139,114,401	133,609,320	131,896,902	131,026,476	127,585,203	128,640,070	128,028,643	124,907,475	122,782,141
Sales taxes	4,468,331	3,213,807	3,221,704	2,710,878	3,011,186	2,992,738	2,691,376	12,827,069	12,931,526	12,940,031
Business taxes	8,199,195	8,327,648	7,227,282	6,273,817	6,338,605	6,284,366	5,728,456	5,825,899	5,066,223	4,992,580
Hotel/Motel taxes	7,927,669	7,638,833	7,304,030	6,498,427	5,823,474	5,469,608	5,571,577	5,250,752	4,523,689	4,235,794
Other taxes	916,809	835,238	1,031,115	975,611	971,162	947,753	940,809	873,942	852,642	816,315
Gain/Loss on joint venture	-	-	(9,262)	11,842	32,625	-	-	24,279	496,928	-
Unrestricted investment earnings	2,793,319	1,073,293	899,950	551,529	525,199	593,559	623,836	797,443	864,264	1,841,224
Gain/Loss on disposal of property	-	163,425	(207,641)	98,899	1,659,848	-	(366,650)	(4,397,324)	(63,805,282)	(6,042,632)
Total general revenues	<u>188,534,535</u>	<u>160,366,645</u>	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</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>
Total primary government	<u>188,534,535</u>	<u>160,366,645</u>	<u>153,076,498</u>	<u>149,017,905</u>	<u>149,388,575</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>
<b>Change in Net Position</b>										
Governmental activities	<u>44,726,519</u>	<u>(11,515,606)</u>	<u>7,297,793</u>	<u>911,074</u>	<u>1,650,711</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>
Total primary government	<u>\$ 44,726,519</u>	<u>\$ (11,515,606)</u>	<u>\$ 7,297,793</u>	<u>\$ 911,074</u>	<u>\$ 1,650,711</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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,201,425	\$ 2,240,047
Undesignated	-	-	-	-	-	-	-	-	85,718,733	81,829,708
Nonspendable	1,156,307	1,025,249	1,390,633	1,807,295	1,461,681	1,827,632	1,309,794	1,281,429	-	-
Restricted	649	10,488	14,461	12,835	676,543	-	-	-	-	-
Committed	18,303	21,524	-	51,669	635,790	-	384,773	1,537,756	-	-
Assigned	3,926,251	4,564,021	4,644,426	4,703,014	4,388,787	3,691,467	3,721,297	3,100,039	-	-
Unassigned	<u>95,233,742</u>	<u>88,557,749</u>	<u>86,345,767</u>	<u>84,819,249</u>	<u>104,942,810</u>	<u>105,650,072</u>	<u>99,015,009</u>	<u>90,048,014</u>	-	-
Total General Fund	<u>\$ 100,335,252</u>	<u>\$ 94,179,031</u>	<u>\$ 92,395,287</u>	<u>\$ 91,394,062</u>	<u>\$ 112,105,611</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>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,661,834	\$ 18,080,304
Undesignated, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	5,764,206	4,772,420
Capital projects funds	-	-	-	-	-	-	-	-	(30,688,283)	(19,622,546)
Debt service funds	-	-	-	-	-	-	-	-	297,560	227,025
Nonspendable	193	750	-	-	-	-	-	-	-	-
Restricted	153,720,514	4,241,590	3,896,918	3,326,363	3,699,234	541,385	607,360	716,194	-	-
Committed	175,842	208,494	25,174,169	53,325,270	22,323,862	12,509,279	34,122,497	3,564,407	-	-
Assigned	34,240,382	33,505,600	23,180,634	14,206,721	923,069	17,771,050	5,427,722	5,529,977	-	-
Unassigned	-	-	-	-	(432,212)	-	(31,943,966)	(46,775,161)	-	-
Total all other governmental funds	<u>\$ 188,136,931</u>	<u>\$ 37,956,434</u>	<u>\$ 52,251,721</u>	<u>\$ 70,858,354</u>	<u>\$ 26,513,953</u>	<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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Taxes	\$ 185,713,226	\$ 160,837,882	\$ 153,813,194	\$ 150,086,536	\$ 147,308,652	\$ 143,132,173	\$ 144,261,287	\$ 151,836,030	\$ 148,111,703	\$ 144,276,429
Licenses, fees, and permits	965,887	850,809	841,036	683,952	776,100	793,667	731,556	519,985	570,241	481,224
Intergovernmental	31,177,283	27,854,854	40,583,287	33,995,494	30,757,104	29,029,942	36,063,983	45,514,101	28,211,594	88,237,432
Charges for services	43,573,738	35,889,597	37,065,288	35,182,223	63,906,651	64,816,716	54,163,275	55,056,770	53,818,065	48,899,791
Fines and penalties	1,930,412	1,979,801	1,833,329	1,860,362	1,921,990	1,476,871	1,594,138	1,523,798	1,645,613	1,743,208
Investment earnings	2,423,220	900,151	773,982	486,521	461,792	521,109	508,669	635,415	721,590	1,460,315
Miscellaneous	5,946,121	5,641,605	6,849,982	5,725,894	4,651,714	4,869,399	7,228,358	7,715,385	5,231,714	3,656,393
Total revenues	<u>271,729,887</u>	<u>233,954,699</u>	<u>241,760,098</u>	<u>228,020,982</u>	<u>249,784,003</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>
<b>Expenditures</b>										
General government	57,591,395	55,057,500	50,521,960	50,747,842	50,362,251	47,663,878	46,958,454	46,162,369	44,204,640	45,220,838
Public Safety:										
Sheriff	52,658,652	34,632,708	32,324,992	31,559,793	29,259,072	27,896,776	27,592,036	27,915,703	27,098,751	27,233,714
Criminal Court	4,160,125	4,241,548	4,116,558	2,834,843	4,068,093	4,122,911	3,809,165	3,778,962	3,866,689	3,809,610
Juvenile Court	1,583,178	1,578,937	1,467,125	1,407,321	8,217,867	7,902,056	7,647,160	8,794,247	7,634,147	8,470,204
Ambulance Services	10,225,294	10,282,834	9,829,870	9,277,506	29,926,931	28,412,229	22,716,010	21,746,243	22,072,669	21,292,132
Other	24,572,054	39,361,851	38,965,775	38,997,956	37,731,583	34,370,090	33,902,939	34,323,045	34,836,832	28,981,590
Highways and streets	12,208,999	11,832,004	10,968,407	11,075,618	10,287,522	12,569,217	12,689,019	11,521,034	11,906,366	12,922,294
Health	22,968,081	23,126,860	22,688,745	22,437,799	21,540,074	20,020,045	19,633,044	22,015,989	22,318,932	22,054,237
Social Services	6,854,449	6,822,417	6,581,931	6,729,372	6,714,942	7,100,228	7,157,261	8,879,493	9,843,579	9,025,813
Culture and recreation	8,055,565	8,080,138	7,343,145	7,589,563	7,358,539	7,348,349	7,149,295	9,823,405	9,382,528	9,312,831
Debt service:										
Principal	82,702,308	24,501,928	28,477,143	59,324,643	26,665,621	22,149,648	22,930,469	23,755,338	23,884,805	46,909,239
Interest	9,624,254	10,548,716	11,176,478	9,551,882	9,748,185	9,687,025	8,652,232	9,072,871	9,547,473	8,722,581
Capital Outlay:										
General government	14,428,486	12,684,474	38,401,652	32,471,558	11,510,232	19,944,142	16,284,473	49,800,770	27,279,773	78,016,936
Education	2,729,611	19,175,930	36,577,612	21,901,273	7,514,503	32,030,140	23,105,086	6,330,913	21,897,496	40,495,222
Total expenditures	<u>310,362,451</u>	<u>261,927,845</u>	<u>299,441,393</u>	<u>305,906,969</u>	<u>260,905,415</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>
Excess of revenues over/(under) expenditures	<u>(38,632,564)</u>	<u>(27,973,146)</u>	<u>(57,681,295)</u>	<u>(77,885,987)</u>	<u>(11,121,412)</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>
<b>Other Financing Sources (Uses)</b>										
Transfers in	123,177,102	49,613,268	53,458,157	76,042,323	47,201,886	67,988,512	65,894,981	65,892,738	66,275,753	87,257,125
Transfers out	(123,258,459)	(49,613,268)	(53,458,157)	(76,042,323)	(47,201,886)	(67,988,512)	(65,894,981)	(65,892,738)	(66,275,753)	(87,257,125)
Sale of capital assets	140,526	461,602	75,888	802,199	2,750,091	244,508	664,515	166,078	1,106,435	170,797
Proceeds from issuance of bonds	167,300,000	-	-	60,000,000	-	60,610,000	61,310,000	-	28,570,000	31,500,000
Proceeds from line of credit	-	15,000,000	40,000,000	30,000,000	5,000,000	-	-	-	-	-
Proceeds from sale of refunding bonds	4,295,000	-	-	30,135,000	-	45,080,000	-	-	-	-
Premium from bonds	27,593,678	-	-	10,716,640	-	4,632,435	7,342,693	-	216,242	690,409
Premium on refunding bonds	89,178	-	-	5,725,718	-	6,519,742	-	-	-	-
Payment to refunded bonds escrow agent	(4,367,743)	-	-	(35,860,718)	-	(51,163,429)	-	-	-	-
Total other financing sources (uses)	<u>194,969,282</u>	<u>15,461,602</u>	<u>40,075,888</u>	<u>101,518,839</u>	<u>7,750,091</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>
Net change in fund balances	<u>\$ 156,336,718</u>	<u>\$ (12,511,544)</u>	<u>\$ (17,605,407)</u>	<u>\$ 23,632,852</u>	<u>\$ (3,371,321)</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>
Debt service as a percentage of noncapital expenditures	<u>31.8%</u>	<u>15.5%</u>	<u>16.9%</u>	<u>26.1%</u>	<u>15.1%</u>	<u>13.9%</u>	<u>14.3%</u>	<u>14.4%</u>	<u>14.8%</u>	<u>23.3%</u>

**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			Personalty Property	Public Utilities Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
		Residential Property	Commercial Property	Other Multi-Use Property					
2010	2009	\$ 4,585,377,106	\$ 2,743,690,312	\$ 114,177,025	\$ 616,574,058	\$ 340,109,973	\$ 8,399,928,474	\$ 2.7652	\$28,254,952,916
2011	2010	4,640,933,356	2,723,942,772	108,325,420	600,198,491	304,075,212	8,377,475,251	2.7652	28,288,200,746
2012	2011	4,681,094,025	2,698,950,897	108,689,970	602,424,839	315,421,659	8,406,581,390	2.7652	28,415,629,965
2013	2012	4,718,378,925	2,700,654,267	113,267,860	634,320,306	323,769,821	8,490,391,179	2.7652	28,705,784,323
2014	2013	4,702,746,714	2,800,636,391	134,546,620	628,761,261	317,189,690	8,583,880,676	2.7652	28,930,431,362
2015	2014	4,769,391,038	2,828,250,473	134,609,987	635,961,929	332,475,202	8,700,688,629	2.7652	29,321,263,755
2016	2015	4,840,478,821	2,898,914,219	134,968,174	632,734,311	330,679,765	8,837,775,290	2.7652	29,769,445,051
2017	2016	4,923,156,375	2,981,616,796	120,392,604	661,655,590	330,127,803	9,016,949,168	2.7652	30,353,494,803
2018	2017	5,437,069,856	3,476,977,280	132,251,360	710,444,679	329,778,563	10,086,521,738	2.7652	33,849,306,808
2019	2018	5,548,564,040	3,523,545,716	154,071,082	727,453,646	329,000,000	10,282,634,484	2.7652	34,541,536,210

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 2019 are \$448,033,727 and \$814,606,776 respectively. Assessments for tax exempt properties are excluded from total taxable assessed value. The current levy year assessed value for Public Utilities is not available. The amount reported is an estimate.

**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				Overlapping Rates									
	General Government	Department of Education	District Road	Total Direct Rate	Chattanooga	East Ridge	Red Bank	Lookout Mountain	Signal Mountain	Collegedale	Soddy- Daisy	Lakesite	Ridgeside	Walden
2009	1.5759	1.5655	0.0126	3.1540	2.2020	1.2870	1.2600	1.8000	1.7750	1.3200	0.7800	0.2900	1.8000	0.5000
2010	1.3816	1.3726	0.0110	2.7652	1.9390	1.1227	1.1001	1.4700	1.5134	1.1500	0.6860	0.2400	1.6070	0.4300
2011	1.3816	1.3726	0.0110	2.7652	2.3090	1.1227	1.1001	1.4700	1.5134	1.1580	0.6860	0.2400	1.9000	0.4400
2012	1.3816	1.3726	0.0110	2.7652	2.3090	1.4200	1.1001	1.4700	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
2013	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500	1.6200	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400
2014	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3561	1.6200	1.5684	1.3713	1.3524	0.2352	1.9063	0.4290
2015	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500	1.6600	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
2016	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500	1.7430	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
2017	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500	1.8300	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290
2018	1.5050	1.2503	0.0099	2.7652	2.2770	1.3381	1.1826	1.8300	1.5665	1.2594	1.3524	0.2150	2.7310	0.3853

Source: Hamilton County Trustee's Office

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	\$ 448,033,727	1	4.50%	\$ 234,226,017	1	2.91%
Volkswagen Chattanooga	422,692,937	2	4.25%	-		-
Tennessee Valley Authority	171,064,959	3	1.72%	128,031,081	2	1.59%
CBL Properties	114,299,246	4	1.15%	68,967,943	4	0.86%
Blue Cross Blue Shield of Tennessee	103,256,995	5	1.04%	53,316,673	6	0.66%
McKee Foods Corporation	70,155,668	6	0.70%	53,762,686	5	0.67%
Tennessee-American Water Co.	67,470,496	7	0.68%	51,371,743	7	0.64%
General Electric / Alstom Power	49,689,359	8	0.50%	-		-
Walmart	47,089,649	9	0.47%	35,966,015	9	0.45%
UnumProvident Corporation	42,775,081	10	0.43%	32,658,336	10	0.41%
Bellsouth Telecommunications	-		-	75,236,095	3	0.93%
Chattanooga Gas Company	-		-	36,890,959	8	0.46%
	<u>\$1,536,528,117</u>		<u>15.44%</u>	<u>\$ 770,427,548</u>		<u>9.58%</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
2009	\$ 217,659,937	\$ 205,689,580	94.500%	\$ 11,179,413	\$ 216,868,993	99.637%
2010	222,870,484	210,841,565	94.603%	10,826,121	221,667,686	99.460%
2011	223,245,685	210,215,791	94.163%	11,655,378	221,871,169	99.384%
2012	223,736,779	211,687,655	94.615%	10,721,741	222,409,396	99.407%
2013	225,823,440	213,711,111	94.636%	10,955,862	224,666,973	99.488%
2014	228,590,172	217,614,995	95.199%	10,072,297	227,687,292	99.605%
2015	231,397,863	221,090,224	95.545%	9,620,065	230,710,289	99.703%
2016	235,238,229	224,830,856	95.576%	8,532,274	233,363,130	99.203%
2017	240,208,002	231,560,395	96.400%	5,551,480	237,111,875	98.711%
2018	269,793,372	260,026,061	96.380%	-	260,026,061	96.380%

**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			
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	669,043	29,918,021		303,552,064	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
2018	360,180,000	-	47,790,972		407,970,972	2.37%	1,128

**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>
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	0.81%	771
2018	360,180,000	-	1.04%	996

**Schedule XI**  
**Hamilton County, TN**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2018**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Chattanooga	\$ 135,093,200	100.0%	\$ 135,093,200
East Ridge	10,787,725	100.0%	10,787,725
Red Bank	91,000	100.0%	91,000
Lookout Mountain	-	100.0%	-
Signal Mountain	4,007,153	100.0%	4,007,153
Collegedale	1,258,000	100.0%	1,258,000
Soddy Daisy	-	100.0%	-
Lakesite	-	100.0%	-
Ridgeside	-	100.0%	-
Walden	-	100.0%	-
Other debt			
Chattanooga	192,572,826	100.0%	192,572,826
East Ridge	-	100.0%	-
Red Bank	1,351,978	100.0%	1,351,978
Lookout Mountain	-	100.0%	-
Signal Mountain	-	100.0%	-
Collegedale	226,480	100.0%	226,480
Soddy Daisy	-	100.0%	-
Lakesite	-	100.0%	-
Ridgeside	-	100.0%	-
Walden	-	100.0%	-
Subtotal, overlapping debt			345,388,362
Hamilton County direct debt			360,180,000
Total direct and overlapping debt			\$ 705,568,362

Sources: Debt outstanding data provided by each municipality.

(1) - The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the respective government's boundaries and dividing it by each unit's total assessed value.

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

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (000's)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
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	15,733,572	44,797	6.1%
2015	354,098	16,657,204	47,041	4.9%
2016	357,738	17,190,553	48,053	4.1%
2017	361,613	17,200,729	47,567	4.0%

Sources: Personal income and per capita income information was provided by the Chamber of Commerce - Bureau of Economic Analysis (BEA). For 2017, 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 2012-2016. Population estimates were found at the U.S. Census Bureau. Unemployment information was provided by State Department of Employment Security.

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

Employer	2018			2009		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Blue Cross Blue Shield of Tennessee	6,083	1	3.03%	4,548	3	2.56%
Erlanger Health System	4,776	2	2.38%	4,563	2	2.57%
Hamilton County Department of Education	4,558	3	2.27%	5,816	1	3.27%
Tennessee Valley Authority	3,402	4	1.70%	3,438	5	1.93%
McKee Foods Corporation	3,000	5	1.50%	3,200	6	1.80%
Memorial Health Care System	2,869	6	1.43%	3,576	4	2.01%
UnumProvident Corporation	2,800	7	1.40%	2,800	7	1.57%
Volkswagen Chattanooga	2,444	8	1.22%	-	-	-
City of Chattanooga	2,282	9	1.14%	2,440	8	1.37%
Amazon.com.dcdc LLC	1,955	10	0.97%	-	-	-
CIGNA Health Care System	-	-	-	1,953	10	1.10%
Hamilton County Government	-	-	-	1,967	9	1.11%
<b>Total</b>	<b>34,169</b>		<b>17.04%</b>	<b>34,301</b>		<b>19.29%</b>

Source: Chattanooga Area Chamber of Commerce

**Schedule XIV**  
**Hamilton County, TN**  
**Full-time Equivalent County Government Employees by Function/Program**  
**As of June 30, 2018**

<u>Function/Program</u>	<u>Full-time Equivalent Employees</u>									
	<u>2018</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>
General Government	599	623	622	637	649	654	659	718	751	754
Public Safety <sup>1</sup>	718	726	713	698	662	656	652	500	534	447
Highways and Streets	90	94	88	90	95	98	97	98	97	125
Health <sup>2</sup>	252	252	259	265	269	269	267	267	277	291
Social Services <sup>3</sup>	-	-	-	-	-	-	-	-	58	108
Culture and Recreation	79	84	83	82	90	85	91	92	88	98
Total	<u>1,738</u>	<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>

Source: Hamilton County Human Resources Department

Notes: Full time equivalents (FTE)

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

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

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

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

<sup>1</sup> The 2012 increase in the number of employees in Public Safety was due to the consolidation of the City and County 911 service.

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

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

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<u>2018</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>
<b>General Government</b>										
County Clerk (DMV) - transactions processed	392,156	384,941	395,979	361,666	400,000	411,547	368,604	326,795	328,766	347,946
Register - documents recorded	68,016	69,783	67,189	66,254	69,147	65,559	65,953	63,309	67,824	73,441
Recycling - tons collected	2,050	2,171	2,099	2,104	2,239	2,189	3,006	3,910	3,137	3,157
Election Commission - registered voters	196,864	197,224	186,384	207,044	206,444	220,480	216,003	210,160	207,961	205,382
Election Commission - votes cast in last election <sup>1</sup>	57,120	21,517	29,100	83,193	53,685	142,161	50,562	87,817	51,805	148,480
Purchasing - bids posted	153	121	184	137	132	168	144	147	173	164
<b>Public Safety</b>										
Building Inspections - permits issued	1,444	1,306	1,193	1,069	1,149	1,424	983	950	909	998
Building Inspections - inspections and investigations	14,612	14,405	12,020	12,684	12,540	12,216	12,000	11,445	11,210	15,051
Building Inspections - applications for new/existing septic system <sup>2</sup>	731	624	593	438	378	351	333	702	1,166	467
County correctional facilities - avg. no. of inmates housed daily	1,497	1,526	1,554	1,486	1,415	1,352	1,412	1,373	1,553	1,386
Sheriff's Dept. - physical arrests	8,543	7,522	7,895	6,872	6,175	8,080	7,865	8,016	7,558	7,002
Juvenile Court Judge - cases heard	5,217	5,552	5,625	5,385	5,346	5,522	6,496	6,463	6,325	7,287
Criminal Court Judge - cases heard	2,956	3,313	3,389	3,512	3,522	4,137	3,762	3,932	4,355	3,583
Ambulance Services - responded calls	25,634	24,417	23,257	22,632	21,462	22,278	22,942	22,944	22,247	21,580
Police Protection (sworn, correctional, civilian and others)	433	413	390	387	387	373	395	371	378	401
<b>Highways and Streets</b>										
Engineering Services - projects administered	43	34	31	58	73	77	89	72	74	56
Highways & Streets - bridges maintained <sup>3</sup>	67	67	67	67	67	67	67	67	67	81
<b>Health</b>										
Health Dept. - patients seen	24,640	25,397	29,995	31,490	33,004	34,892	37,274	40,055	59,096	43,467
<b>Community Services (formerly Social Services)</b>										
Emergency Assistance Program - households served <sup>4</sup>	377	314	371	370	351	319	367	432	503	488
Emergency Assistance Program - number of services <sup>4</sup>	406	473	512	446	443	403	450	528	620	607
Chancery Court Judge - cases heard	2,404	2,581	2,489	2,073	2,330	2,430	2,297	2,300	2,241	2,383
Circuit Court Judge - cases heard	5,541	5,343	5,077	5,471	5,514	3,578	3,371	3,461	3,846	3,016
<b>Culture &amp; Recreation</b>										
Number of facilities maintained	26	32	32	32	32	32	32	32	32	32
Number of programs offered <sup>5</sup>	28	26	34	22	14	14	13	17	17	17
<b>Education</b>										
Public school enrollment	44,028	43,669	43,319	43,511	42,141	42,525	42,435	42,236	41,950	41,372
Private school enrollment	10,411	10,335	10,241	10,474	10,372	10,456	10,377	10,439	10,606	10,514

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

<sup>1</sup> Note on Election Commission - The increase in 2018 resulted in elections data representing County-wide results rather than City of Chattanooga in 2017.

<sup>2</sup> Note on Building Inspections - As shown in the trend, the 2010 housing crisis began to negatively affect the groundwater protection program.

For years following the crisis, fewer houses were being built, bought or sold, thus a decrease in the number of applications for new/existing septic systems.

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

<sup>4</sup> Note on Emergency Assistance Program - From 2015 - 2016 the number of households served and services rendered increased due to program policy revisions.

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2018</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>
General Government										
Libraries	9	9	9	9	9	9	9	9	9	9
Recycling Stations	5	5	5	5	5	5	6	6	6	6
Election Commission ballot boxes	130	127	127	127	127	127	127	125	125	125
Telecommunications locations supported <sup>1</sup>	120	119	212	212	212	224	224	223	208	202
Public Safety										
Volunteer Fire Stations	18	18	18	18	18	18	18	18	18	17
Ambulance Stations	15	15	15	15	15	15	15	15	15	15
Sheriff Patrol vehicles	274	276	285	260	262	241	247	271	262	244
Highways and Streets										
Miles of paved streets	2,637	2,631	2,665	2,665	2,665	2,665	2,624	2,622	2,380	2,380
Health										
Healthcare Systems	5	4	4	4	5	5	5	5	5	5
Culture & Recreation										
Number of Parks	92	90	90	90	90	90	90	90	90	90
Golf Courses	21	21	21	21	21	21	21	21	21	21
Recreation Centers	16	16	16	16	16	16	15	15	15	16
Theaters	17	17	17	17	17	17	17	17	17	15
Bowling Alleys	4	4	4	3	3	3	3	3	3	3

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

<sup>1</sup> The County Telecommunications Department discontinued servicing the Hamilton County Department of Education in January 2017.

**Schedule XVII**  
**Hamilton County, TN**  
**Salaries and Surety Bonds of Principal Officers**  
**Fiscal Year ended June 30, 2018**

Official Title	<u>Salary</u>	<u>Bond</u>
County Mayor	\$ 163,446	\$ 100,000
Superintendent of Schools	197,500	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:		
Randy Fairbanks, <i>Chairman</i>	28,128	N/A
Sabrena Smedley, <i>Chairman, Pro Tempore</i>	25,628	N/A
Tim Boyd	23,128	N/A
Chester Bankston	23,128	N/A
James A. Fields	23,128	N/A
Joe Graham	23,128	N/A
Warren Mackey	23,128	N/A
Greg Martin	23,128	N/A
Gregory Beck	23,128	N/A
Constitutional Offices		
Assessor of Property	\$ 123,404	\$ 100,000
Circuit Court Clerk	117,404	100,000
Clerk and Master	117,404	100,000
County Clerk	117,404	100,000
Criminal Court Clerk	117,404	100,000
Juvenile Court Judge	172,737	100,000
Juvenile Court Clerk	117,404	100,000
Register	117,404	100,000
Sheriff	129,144	100,000
Trustee	117,404	14,522,336



HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>				
2015 Justice Assistance Grant Program	16.738	2015-DJ-BX-1042	\$ -	\$ 1,147
Community Crime Prevention	16.738	31777	-	99,988
Total JAG Program and Community Crime Prevention			-	101,135
Public Safety Partnership and Community Policing Grants	16.710	2016ULWX0038	-	218,964
Total U.S. Department of Justice			-	320,099
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed through the Tennessee Commission on Children and Youth: Supplemental Nutrition program for Women, Infants and Children	10.557	GG-15-43833-00	85,860	1,452,496
Total U.S. Department of Agriculture			85,860	1,452,496
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Passed through the Tennessee Emergency Management Agency: Emergency Management Performance Grants	97.042	None	-	164,254
Port Security Grant Program	N/A	EMW-2015-PU-00233-S01	-	4,999
Homeland Security Grant Program	97.067	EMW-2015-SS-00023	9,360	86,785
		EMW-2016-SS-00032-SO1	9,360	68,370
		EMW-2017-SS-00093	30,790	70,790
Total Homeland Security Grant Program			49,510	225,945
Public Assistance Disaster Grant	N/A	45521	-	40,317
Public Assistance Disaster Grant	N/A	45521	-	6,375
Total Public Assistance Disaster Grant			-	46,692
Total U.S. Department of Homeland Security			49,510	441,890
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Passed through the Tennessee Department of Transportation: National Priority Safety Programs	20.607	Z18THS133	-	61,545
Remove Impaired Intoxicated Drivers	20.607	154AL-17-94/154AL	-	39,414
Total National Priority Safety Programs			-	100,959
State and Community Highway Safety	20.600	OP-17-01/402	-	37,670
State and Community Highway Safety	20.616	M2CPS-18-01/405B	-	71,558
Total Highway Safety Cluster			-	109,228
Total U.S. Department of Transportation			-	210,187
<b>APPALACHIAN REGIONAL COMMISSION</b>				
Area Development	23.002	TN-18698-17	-	9,479
Total Appalachian Regional Commission			-	9,479

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued  
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed through the Tennessee Department of Human Services:				
Child Support Program Title IV-D	93.563	GG-13-39307-04 GG-14-36014-06	\$ - -	\$ 228,796 184,897
Total Child Support			-	413,693
Social Services Block Grant	93.667	Z-18-49307 Z-18-49307A Z-18-49306 Z-18-49306A	300,060	300,060
Passed through the Tennessee Department of Health:				
Maternal, Infant and Early Childhood Home Visiting Program	93.870	GG-17-51590-00 GG-18-56012-00	-	372,959
Public Health Emergency Preparedness	93.074	GG-18-54274-00		552,069
Project Grants & Cooperative Agreements for Tuberculosis Control	93.116	GG-17-49997-00 GG-18-54235-00	-	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		28,411
Grant to Health Center Program Cluster	93.224	N/A	-	1,608,476
Immunization Cooperative Agreements	93.268	GG-17-54231-00	-	188,806
Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.350	GG-17-53450-00	-	39,925
HIV Care Formula Grants	93.917	GG-18-58494-00	-	202,475
HIV Prevention Activities: Health Department Based	93.940	GG-17-52496-00		
	93.977	GG-18-56876-00	-	160,902
Preventive Health and Health Services Block Grant	93.758	GG-18-54155-00		121,700
Assistance Programs for Chronic Disease Prevention and Control	93.945	GG-14-40752-00		70,178
HIV Prevention Activities - Health Department Based	93.977	GG-17-52496-00 GG-18-56876-00	-	197,049
Maternal and Child Health Services Cluster:				
Maternal and Child Health Services Block Grant - State and Local	93.994	GG-18-55416-00	-	28,360
Maternal and Child Health Services Block Grant	93.994	GU-16-44804-00	-	18,000
Prevention and Treatment of Substance Abuse Block Grant	93.994	GG-18-53582-00	-	196,190
Family Planning Services and Maternal & Child Health Services Block Grant to the State	93.994	GG-18-54245-00	-	253,637
Total Maternal and Child Health Services Cluster			-	496,187
Total U. S. Department of Health and Human Services			300,060	5,041,040
Total Expenditures of Federal Awards-Primary Government			\$ 435,430	\$ 7,475,191

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued  
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<b>COMPONENT UNITS</b>				
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Child Nutrition Cluster:				
Passed through Tennessee Department of Agriculture:				
Food Donation (Noncash - Food Commodities)	10.555	None	\$ -	\$ 1,718,272
Passed through Tennessee Department of Education:				
School Breakfast Program	10.553	None	-	3,956,733
National School Lunch Program	10.555	None	-	12,190,442
Total Child Nutrition Cluster			-	17,865,447
Equipment Assistance Grant	10.579	None	-	-
Fresh Fruit and Vegetable Program	10.582	None	-	146,720
Total U.S. Department of Agriculture			-	18,012,167
<b>U.S. DEPARTMENT OF DEFENSE</b>				
Junior R. O. T. C.	N/A	None	-	936,662
Total U.S. Department of Defense			-	936,662
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Impact Aid - Public Law 874	84.041	None	-	16,392
Passed through Tennessee Department of Education:				
Title I Cluster:				
Title I Grants to Local Educational Agencies	84.010	None	-	12,739,546
Focus Hixson Middle	84.010	None	-	13,679
Total Title I Cluster			-	12,753,225
Title II Part A Teacher and Principal Training and Recruiting	84.367	None	-	1,543,489
English Language Acquisition Grants	84.365	None	-	192,525
Career and Technical Education- Basic Grants to States	84.048	None	-	724,164
Homeless McKinney-Vento	84.196A	None	-	58,806
Twenty-First Century Community Learning Centers	84.287	None	-	566,999
Special Education Cluster:				
Special Education- Grants to States	84.027	None	-	9,210,746
Special Education- Preschool Grants	84.173	None	-	196,719
Total Special Education Cluster			-	9,407,465
Title IV, Part A, Student Support and Academic Enrichment	84.424	None	-	222,427
School Improvement Grants	84.377	None	-	121,507
Read to be Ready Summer Program	93.575	None	-	276,408
National Science Foundation Project Inspire	N/A	None	-	34,616
Total U.S. Department of Education			-	25,918,023
Total Expenditures of Federal Awards-Component Units			-	44,866,852
Total Expenditures of Federal Awards- Reporting Entity			\$ 435,430	\$ 52,342,043

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year Ended June 30, 2018

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	55203	\$ -	\$ 306,965
Juvenile Detention Unit	N/A	39565	-	9,000
Governor's Highway Child Safety Program	N/A	N/A	-	9,273
Child Welfare Research and Demonstration - Casa Program	N/A	31601-201818	-	20,000
TN Dept. of Mental Health and Substance Abuse	N/A	55352	-	424,999
TN Supreme Court	N/A	N/A	-	65,040
TN Dept. of Health - Safety Net Primary Care Services	N/A	N/A	-	11,890
TN Dept. of Health - Grant in Aid	N/A	GG-18-55918-00	-	472,894
TN Dept. of Health - Environmental Health Programs	N/A	Z-18-163133	-	-
		GG-18-54030	-	13,701
TN Dept. of Health - HUGS	N/A	GG-15-41331-00	-	356,155
TN Dept. of Health - Dental Prevention	N/A	GG-17-51750-00	-	338,565
TN Dept. of Health - Fetal Infant Mortality Review	N/A	GG-18-53909-00	-	209,027
TN Dept. of Health - TENNdercare Community Outreach	93.505	GG-17-50185-00	-	334,100
TN Dept. of Health - Mosquito Control & Surveillance	N/A	Z-18-163133	-	84,339
TN Dept. of Health - Tobacco Prevention & Education Program	N/A	GG-18-56215-00	-	273,873
TN Dept. of Transportation	N/A	CMA 1792	-	105,809
TN Dept. of Transportation	N/A	CMA 1792	-	47,345
TN Dept. of Transportation	N/A	Z18LIT033	-	127,100
TN Dept. of Economic & Community Development	N/A	50537	-	1,250,000
TN Dept. of Environment & Conservation - Equestrian Trails	N/A	48021	-	165,027
TN Dept. of Environment & Conservation - Recycling & Waste Oil	N/A	N/A	-	27,466
TN Dept. of Economic & Community Development - Work Based Learning Grant	N/A	N/A	-	18,882
TN Dept. of Education - Family Resource Centers	N/A	N/A	-	17,975
TN Dept. of Education - Coordinated School Health	N/A	N/A	-	176,245
TN Dept. of Education - Safe Schools	N/A	N/A	-	148,182
TN Dept. of Education - Read to be Ready Coaching Network	N/A	N/A	-	8,544
TN Dept. of Education - Pre-K Pilot and Expansion	N/A	N/A	-	2,775,203
TN Dept. of Education - CTE Equipment Funds	N/A	N/A	-	124,579
Total Expenditures of State Awards			-	7,922,178
Total Expenditures of Federal and State Awards			\$ 435,430	\$ 60,264,221

## **HAMILTON COUNTY, TENNESSEE**

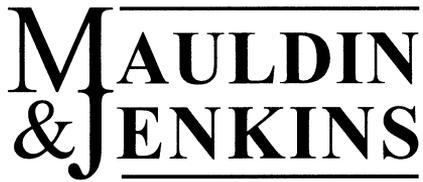
### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS June 30, 2018**

#### **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***

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**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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 30, 2019. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017.

**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.

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### **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  
January 30, 2019



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

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**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, 2018. 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, 2018.

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## Report on Internal Control Over Compliance

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

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

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

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

*Mauldin & Jenkins, LLC*

Chattanooga, Tennessee  
January 30, 2019

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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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? \_\_\_ yes X no

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

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
93.224	Grant to Health Center Program Cluster

Dollar threshold used to distinguish between  
Type A and Type B programs: \$1,570,261

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

**HAMILTON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**SECTION II  
FINANCIAL STATEMENT FINDINGS**

**None**

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

**None**

**HAMILTON COUNTY, TENNESSEE**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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**2017 – 001. Eligibility Determination**

*Program:* CFDA 10.557

*Program Title:* Supplemental Nutrition Program for Women, Infants, and Children

*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.

*Corrective Action Taken:* Procedures have been implemented to ensure eligibility is properly determined for the Supplemental Nutrition Program for Women, Infants, and Children.



**FRONT AND BACK COVER PHOTO:**

Chattanooga and the Tennessee River as viewed from Point Park

**INSIDE FRONT & BACK COVERS:**

The Walnut Street Bridge as evening progresses from Coolidge Park

PAGE 3 — Wreath of Honor model and local dignitaries breaking ground for the Wreath of Honor Memorial at the Tennessee Riverpark

PAGE 4 — The new Children's Kennedy Outpatient Center and Engine 349. Engine 349 was built in 1891, which was the same year that Erlanger was founded to help care for injured railroad workers.

PAGE 5 — Sunset on the Tennessee River

PAGE 6 — Local horse owners enjoy the new Summit Knob Equestrian Trail near Enterprise South Nature Park on the day of its Grand Opening

PAGE 9 — Morgan Harding, a Hixson High School student, plays her violin with the Hixson Wildcat Small Ensemble during Christmas at the Courthouse

PAGE 11 — Honor Guard of the U.S.S. Constitution at Military Appreciation Night during 2018 Riverbend Festival as part of Navy Week festivities

PAGE 13 — New EMS Station #3 located at the Enterprise South Industrial Park

PAGE 15 — Sunflower Field at Smith-Perry Berry Farm in Ooltewah

PAGE 16 — Menorah Ice Sculpture that was part of Chanukah on Ice celebration at Ice on the Landing

PAGES 18 AND 19 — Walnut Street Bridge as day is ending

PAGE 20 — 2018 Latin Festival participants

PAGE v — Youngsters frolic in the water fountain at Coolidge Park on a beautiful summer afternoon

PAGE vii — Navy divers at the Tennessee Aquarium as part of Navy Week festivities

PAGE xii — Shrek: The Musical performed at the Signal Mountain Playhouse

PAGE xiii — One of the many fountains in the Glenn Miller Gardens at the Chattanooga Choo-Choo during the winter

PAGE xiv — Visitors to the Chattanooga Choo-Choo complex, enjoying some ice skating at Ice on the Landing

PAGE xv — Musician performing at the 2018 Bessie Smith Strut

PAGE xvii — Runners finishing the 2018 Chattanooga Heroes Run

PAGE xix — One of the new murals at the Chester Frost Park Beach House

PAGE xx — "Hadley", one of the giraffe sculptures that adorn the side yard at the new Children's Kennedy Outpatient Center

Special thanks to Shelia Cannon of the Hamilton County Finance Division for her photo contributions to the 2018 CAFR.

**HAMILTON COUNTY  
FINANCE DIVISION**

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