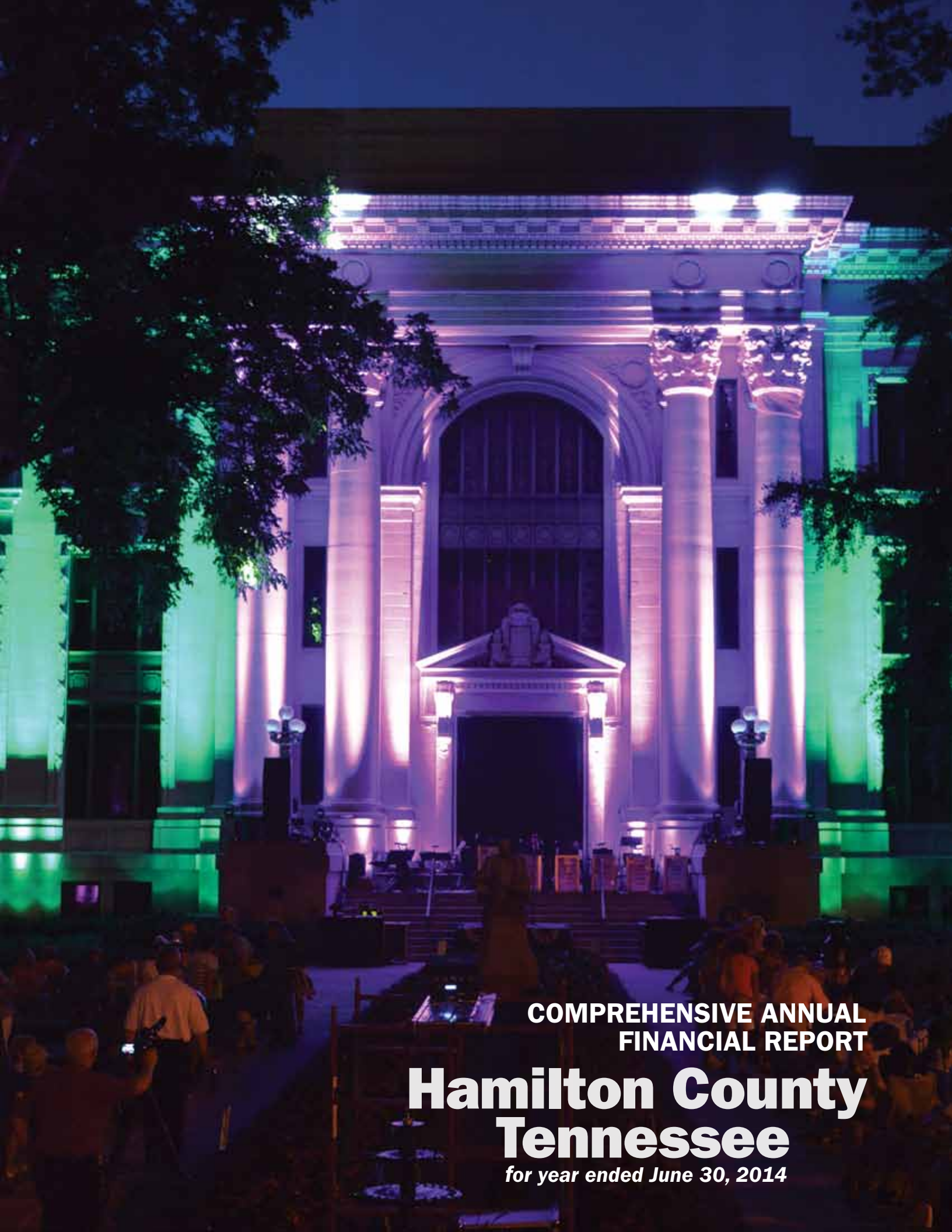

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Hamilton County Tennessee

for year ended June 30, 2014

Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee

for the year ended June 30, 2014

prepared by the Finance Division

Albert C. Kiser, *Administrator of Finance*
Lee H. Brouner, *Assistant Administrator of Finance*

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

TO THE COUNTY BOARD OF COMMISSIONERS AND CITIZENS OF HAMILTON COUNTY

Jim Coppinger
County Mayor

February 27, 2015

As Hamilton County's Mayor, I, with the support of my staff, have continued to embrace my philosophy of fiscally conservative government. Our financial team continues to successfully maintain our AAA bond rating with three different rating agencies: Standard and Poor's, Moody's and Fitch. Why is this important? The answer is pretty simple. Because of our outstanding bond rating, we can borrow money at lower interest rates, allowing us to do additional initiatives with your tax dollars.

I firmly believe the government has no money, it is the people's money and we are judicious in spending your tax dollars. This belief has allowed us to spend during my tenure almost $100 million in school construction projects, continue our daily economic development efforts that have brought in tens of millions of dollars to Hamilton County and continue the services you have come to expect that makes Hamilton County one of the best places in the United States to live, work and play.

We take great pride in our economic development efforts over the past four years. Since January 2011, we have created 10,536 jobs and brought over $1.2 billion in investments into Hamilton County. There is little doubt in my mind that people all over the world look to Hamilton County as one of the best places to create or invest in a business.

Legacy businesses such as Southern Champion Tray, CBL, Chattem, Coca Cola and McKee Foods have all expanded over the last 18 months. Volkswagen will create almost 2,200 jobs with their planned expansion and Amazon continues to be a large employer especially during holiday seasons. As significant as these companies are, I'd like to share a very important fact with you, 93 percent of our businesses employ less than 50 people. Small businesses are the backbone of our success.

One of Hamilton County's great business success stories is our Business Development Center. The concept is simple, we create an environment where entrepreneurs can breed their businesses, so that they can grow and bloom into successful companies. There are currently 75 startup companies in the BDC employing over 400 people; more than 30 percent are technology based companies. Furthermore about 43 percent of the companies in the BDC are minority or women-owned. This speaks volumes about the diversity of Hamilton County. More than 500 companies have left the BDC and entered the mainstream business world. Five years later 90 percent of those companies continue to be in business.

As mentioned earlier, we have invested nearly $100 million in school construction projects. This year alone, we have announced four new projects; a $26 million new Ganns Middle Valley Elementary School, a $12 million addition to Sale Creek Middle/High School, a $5 million addition to Nolan Elementary and a $5 million addition to Wolftever Elementary. We have selected architects for these projects and are currently in the design process. We are now in the construction phase for the new East Brainerd Elementary School and look forward to its opening in August 2015. We are also in the preliminary design process for an additional roadway entry into Daisy Elementary.

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

TO THE COUNTY BOARD OF COMMISSIONERS AND CITIZENS OF HAMILTON COUNTY

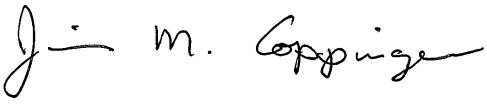
– continued from page one

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

Our initiatives to improve the quality of life for all of our citizens continue. Our Read 20 program, which is designed to have young children reading at third grade level, has given away 552,630 books. We have come to an agreement with the city of Chattanooga where all grade school children can use the Public Library free of charge. Our Hamilton County Discount Prescription Card Program has saved our citizens $11.8 million since it began in February, 2007. Our Hamilton County Parks and Recreation Department continues to host about 125,000 visitors annually at our Enterprise South Nature Park, and our Chester Frost Park campgrounds hosted over 145,000 campers during the last 12 months.

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

Sincerely,



Jim M. Coppinger
County Mayor

CHESTER FROST
PARK
A HAMILTON COUNTY
FACILITY

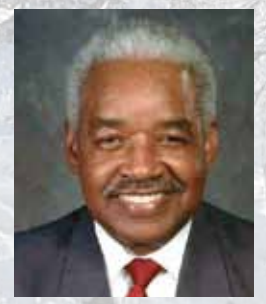
BOARD OF COMMISSIONERS *for fiscal year ending June 30, 2014*

Fred Skillern
District 1
Chairman

James A. Fields
District 2
Chairman, Pro Tempore

Marty Haynes
District 3
Commissioner

Warren Mackey
District 4
Commissioner



Gregory Beck
District 5
Commissioner

Joe Graham
District 6
Commissioner

Larry Henry
District 7
Commissioner

Tim Boyd
District 8
Commissioner

Chester Bankston
District 9
Commissioner

A.P. STEWART
LT. GENERAL
C.S.A.

HAMILTON COUNTY, TENNESSEE

ALBERT C. KISER

Administrator of Finance

February 27, 2015

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, 2014. 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 to the State Comptroller of the Treasury. The independent auditor concluded, based upon the audit, that the County's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP and thus rendered an unqualified opinion. The report of independent auditors is presented in the financial section of this report.

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

The County blended the operating results for the Sheriff and the Juvenile Court Clerk into the General Fund in fiscal year 2014. In prior years, the operations for these constitutional officers were presented separately in the County's financial statements as Special Revenue Funds.

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 v 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 comprised of a nine-member board that is elected by districts to four-year terms that are staggered so no more than five are elected in an election year.

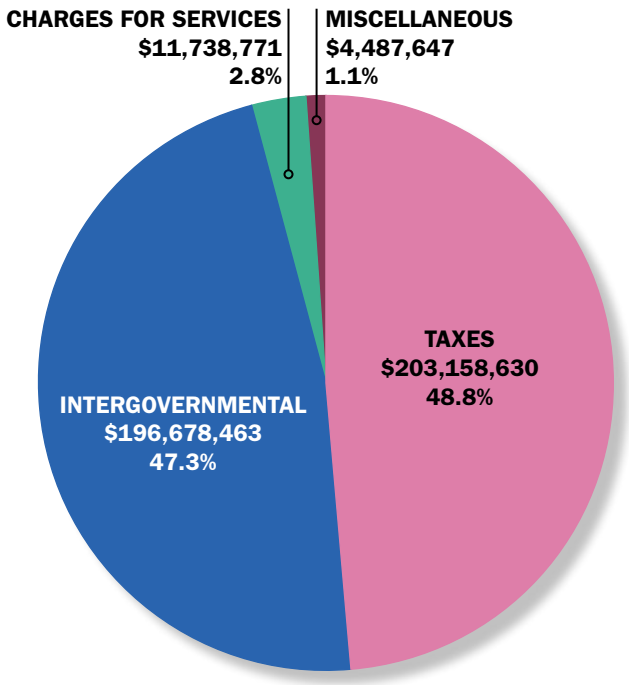
The County provides its citizens a range of services that includes, but is not limited to, police, ambulance, sanitation and solid waste, health and social services, culture and recreation, highways and streets, planning, courts, jails and general administrative services. Other services are provided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

Even though the Hamilton County Department of Education is a separate entity from Hamilton County, it constitutes a major portion of the funding requirement for the County. With a school system of 6,265 employees and a student population of 42,837, the Department of Education's operating budget for fiscal year 2014 was $416,063,511. Hamilton County financed 48.8%, or $203,158,630 of this operating budget through property taxes, sales taxes, and use of fund balance. State and federal appropriations and grants provided $196,678,463; charges for services provided $11,738,771; and investments and miscellaneous items provided $4,487,647.

The Board of Commissioners adopted the fiscal year 2014 annual budget for the County in June 2013. A formal budget is employed as a management control device. The budgets are prepared on a basis consistent with GAAP, except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

Constitutional officers, departments and agencies requesting funding by the Board of Commissioners must submit their budget requests during January of each year. The County Mayor publicly submits a budget to the Board of Commissioners for approval prior to June 30. After the budget is formally adopted, any changes within a division that do not require additional resources must be approved by the County Mayor; the Commission must approve all other changes. Budget to actual comparisons are presented in this CAFR for each individual fund for which an annual budget has been adopted. Hamilton County follows the laws of Tennessee regarding the control, adoption and amendment of the budget during each fiscal year. Hamilton County's budget practices not only comply with all state statutes but are more stringent due to our formal budget policy.

HAMILTON COUNTY DEPARTMENT OF EDUCATION REVENUE BUDGET BY SOURCE FOR FISCAL YEAR ENDING JUNE 30, 2014



LOCAL ECONOMIC OUTLOOK

The economy for Hamilton County remains steady, strong and healthy. According to the Tennessee Department of Labor, the unemployment rate for Hamilton County as of June 30, 2014 was 7.1%, as compared to the state's rate of 6.6% and the national rate of 6.1%. However, with the County's continued emphasis on economic development and the recent Volkswagen announcement to expand its plant and begin assembly of a new vehicle line, there are many opportunities for employment growth on the horizon. Continued development of the riverfront, downtown, and promotion of the Enterprise South Industrial Park are all positive marks for the local economy.

ENTERPRISE SOUTH INDUSTRIAL PARK

Enterprise South Industrial Park continues to be developed and used in recruiting new and expanded businesses to Hamilton County. The Park's two largest employers are both relatively new to the Hamilton County area: Volkswagen Group of America and Amazon.com, Inc. Volkswagen arrived in Hamilton County in 2008 and invested $1 billion to build its manufacturing plant. Volkswagen currently employs more than 2,100 at the Chattanooga plant, with an additional 1,300 working at suppliers and other associated businesses in our region.

Amazon.com opened a major distribution and fulfillment center at Enterprise South in 2010 at a cost of $91 million. The center currently employs approximately 2,000 people.

THE RIVERWALK

The Riverwalk includes Ross's Landing Park, Coolidge Park and Renaissance Park, which are visited by more than 3 million people annually. More than $150 million in public and private funds have been used for design and construction. The new three-mile segment from the Riverwalk's current boundary at Ross's Landing to South Broad Street's connection with St. Elmo will be one of the most intriguing and valuable sections of the Riverwalk in terms of the city's history, both cultural and industrial. Planners revealed that they would like to see an exhibit about a black community called Blue Goose Hollow, where Bessie Smith was born, at the M.L.King Boulevard crossing. They also hope the National Park Service can use the view of Lookout Mountain facing Moccasin Bend as a back drop for the Civil War activity for visitors at the U.S. Pipe crossings next to Interstate 24. All easements for the Riverwalk expansion have been acquired and applicable construction contracts have been awarded. The estimated completion date of the expansion is Spring 2016.

FUND BALANCE

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

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

Ten year analysis of the growth in fund balance

(expressed in thousands)

	General Fund	Special Revenue Funds	Debt Service Fund
2005	$ 49,714	$ 6,709	$ 1,343
2006	55,363	8,440	1,421
2007	58,334	8,542	1,653
2008	77,102	8,638	240
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	112,106	3,893	923

CHATTANOOGA
PASSAT

LONG-TERM FINANCIAL PLANNING

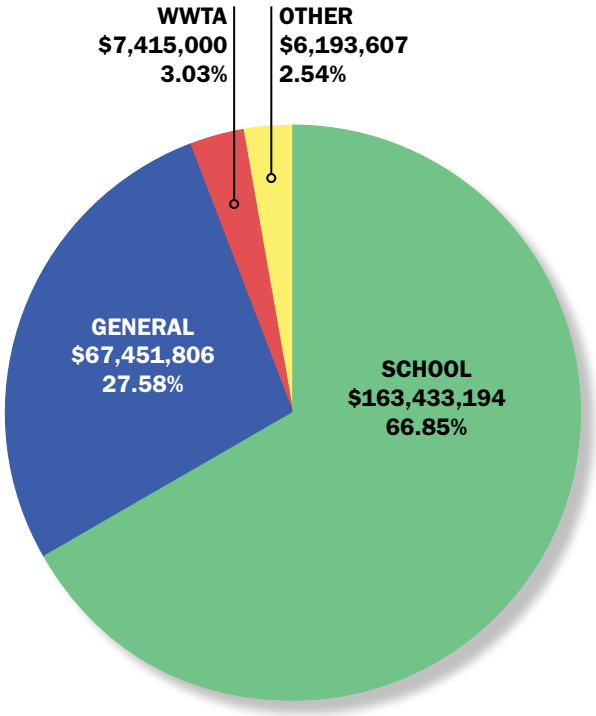
As a result of sound financial management practices, Hamilton County has been able to continue providing the same high level of services to its citizens without a tax increase for the sixth consecutive year. Long-term financial planning includes both operations and capital needs. The Mayor and Commission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

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

The County's long-term capital needs are financed using a short-term revolving line of credit agreement coupled with fifteen-year general obligation bonds. The revolving line of credit agreement enables the County to start its long-term capital projects sooner, and its rapid, fifteen-year debt amortization keeps the County's total debt load at a manageable level. This rapid amortization results in principal retirement of forty-six percent (46%) within five years and eighty-four percent (84%) within ten years.

HAMILTON COUNTY TOTAL DEBT AS OF JUNE 30, 2014

$244,493,607



RELEVANT FINANCIAL POLICIES

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

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

Ratio of General Bonded Debt Outstanding

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2004	$ 162,040,000	0.88%	$ 524
2005	143,380,000	0.65%	463
2006	125,510,000	0.55%	404
2007	107,730,000	0.46%	344
2008	188,260,000	0.78%	570
2009	200,110,000	0.71%	601
2010	206,960,000	0.73%	614
2011	185,550,000	0.65%	551
2012	223,705,000	0.80%	656
2013	263,545,000	0.93%	763
2014	238,300,000	0.83%	683

MAXXIS

MAJOR INITIATIVES

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

PLANNED GROWTH STRATEGIES

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

ECONOMIC DEVELOPMENT

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

- ***Enterprise South Industrial Park*** – In June 2014, Volkswagen announced that it was embarking on a major expansion of its automobile manufacturing plant in Hamilton County. The expansion is expected to result in a capital investment of $900 million and in excess of 2,000 new and well-paying VW jobs. Hamilton County, along with the City of Chattanooga and the State of Tennessee, spent a significant amount of time and capital in working with Volkswagen to make this major economic expansion a reality.
- ***Business Development Center*** – The Hamilton County Business Development Center (BDC) is a 125,000 square-foot facility that has been renovated into a highly successful business incubator. The BDC offers start-up businesses office or manufacturing space at highly competitive lease rates for up to three years. Each year the incubator graduates 20 to 25 companies into the market. The program recently celebrated its 25th anniversary and graduated its 500th business into the local market. The BDC has achieved national recognition for its success and is among the top six percent of the nation's business incubators.
- ***Other Announcements in 2014*** – Plastic Omnium Auto Exteriors agreed to construct a new facility costing $65 million and creating 300 new jobs; Coca-Cola announced plans for a $62 million expansion expected to create 43 new jobs; Chattem Chemicals announced an expansion of $6 million creating 25 new jobs; and various other companies announced plans to expand or relocate to Hamilton County.

PUBLIC EDUCATION IMPROVEMENT

The Hamilton County Department of Education has an independently elected board tasked with operating the K-12 public school system in the County. Hamilton County is a primary funding source for the school system, with approximately 50% of the County property tax levy directed toward the school system. The County also assists the school system through the issue of debt and general obligation bonds to build, renovate and expand the school facilities. Since the turn of the century, the County has built 16 new schools and expended over $340 million toward modernizing and upgrading the County school buildings and grounds. In March 2014, the County Commission approved plans for the expenditure of $48 million for construction of one replacement middle school and the expansion of three County schools from the County's revolving line of credit.

QUALITY OF LIFE ISSUES

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

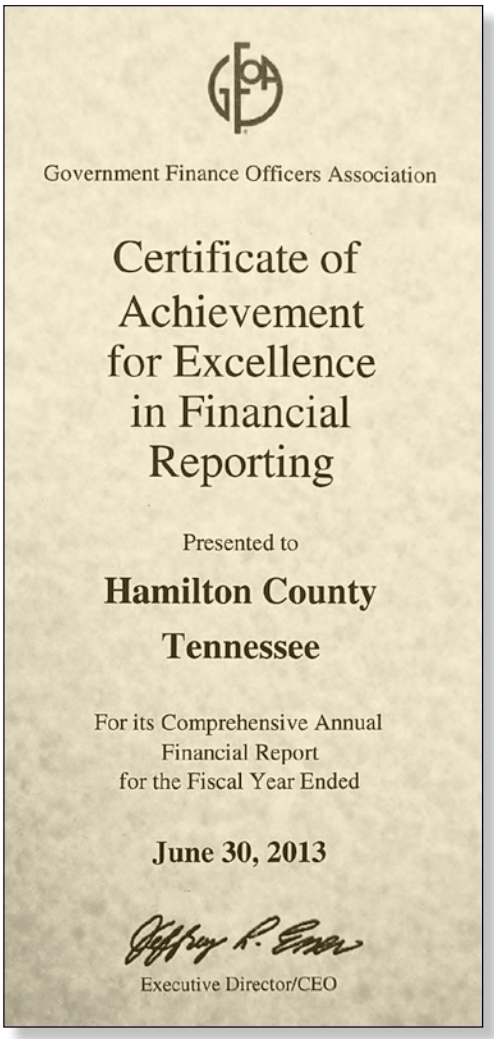
- ***Enterprise South Nature Park*** – The Nature Park is located on 2,800 wooded acres adjacent to the Enterprise South Industrial Park. It offers miles of walking paths, bicycle paths and off-road biking trails. In 2014, the County was awarded a State grant for the development of equestrian horse trails at the Park.
- ***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.
- ***Tennessee Riverpark*** – Hamilton County and the City of Chattanooga have cooperated to establish the Tennessee Riverpark as one of the Southeast's foremost recreation facilities. With 10 miles of lighted concrete trails, parks, piers and bridges along its route, the Riverpark is a resource for recreation and alternative transportation. Construction has begun on a new segment of the Riverpark that will extend the Riverwalk from Ross's Landing Downtown to the base of Lookout Mountain.

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, 2013. Hamilton County has received this award for 33 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.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hamilton County Tennessee

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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

GFOA also presented a Distinguished Budget Presentation Award to the County for its Comprehensive Annual Budget Report (CABR) for the fiscal year beginning July 1, 2013. This is the 12th consecutive year Hamilton County has 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 beginning July 1, 2014 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

ACKNOWLEDGEMENTS

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

Respectfully submitted,

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, 2014)

Jim Coppinger, *County Mayor*
Mike Compton, *Chief of Staff*
Alecia Poe, *Director of Human Resources*
Dan Saieed, *Director of Development*

Board of Commissioners
Chester Bankston
Gregory Beck
Tim Boyd
James A. (Jim) Fields, *Chairman, Pro Tempore*
Joe Graham
Marty Haynes
Larry L. Henry
Warren Mackey
Fred Skillern, *Chairman*

Legislative
Patricia Moore, *Administrator*

Constitutional Officers
S. Lee Akers, *Clerk & Master*
Gary Behler, *Juvenile Court Clerk*
Bill Bennett, *Assessor of Property*
Bill Cox, *District Attorney*
Ardena Garth, *District Public Defender*
James Hammond, *Sheriff*
Bill Hullander, *Trustee*
Pam Hurst, *Register of Deeds*
William F. Knowles, *County Clerk*
Dr. James K. Metcalfe, *Medical Examiner*
Robert D. Philyaw, *Juvenile Court Judge*
Kerry B. Steelman, *Administrator of Elections*
Paula Thompson, *Circuit Court Clerk*
Gwen Tidwell, *Criminal Court Clerk*

Division & Department Heads
AUDITING
Bill W. McGriff, *County Auditor*

FINANCE
Albert C. Kiser, *Administrator*
Lee Brouner, *Assistant Administrator of Finance*
Gail Roppo, *Director of Purchasing and Contract Management*
Brian D. Turner, *Director of Information Technology Services and Director of Geographic Information Systems*
Katherine K. Walker, *Director of Accounting*

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

GENERAL SERVICES
Don Allen, *Administrator*
Worth Lillard, *Director of Maintenance*
Barbara Payne, *Director of Corrections*
Ron Priddy, *Director of Recreation*
Tony Reavley, *Director of Emergency Services*

LEGAL
Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS
Todd Leamon, *Administrator*
John Agan, *Chief Engineer, Director of Engineering*
Harold Austin, *Director of Highway Department*
Cleveland Grimes, *Executive Director of WWTA*
Randy Parnell, *Director of Building Inspection*

CITIZENS

COUNTY BOARD OF COMMISSIONERS 209-7200

- LEGISLATIVE STAFF 209-7200
- MEDICAL EXAMINER 493-5175
- MAGISTRATES 209-7656
- APPOINTED BOARDS
- AUDITING 209-6200
- LEGAL 209-6150

COUNTY MAYOR 209-6100

- MAYORAL STAFF 209-6100

CHIEF OF STAFF 209-6180

- HUMAN RESOURCES 209-6120
- EQUAL EMPLOYMENT OPPORTUNITY 209-6146
- DEVELOPMENT 209-6810

HEALTH SERVICES DIVISION 209-8000

- ENVIRONMENTAL HEALTH 209-8110
- CLINICAL SERVICES 209-8218
- ADMINISTRATIVE SERVICES 209-8010
- CASE MANAGEMENT SERVICES 209-8155
- COMMUNITY HEALTH SERVICES 209-8088

GENERAL SERVICES DIVISION 209-6862

- EMERGENCY SERVICES 209-6900
- RECREATION 842-0177
- MAINTENANCE 209-7700
- CORRECTIONS 843-4780

FINANCE DIVISION 209-6300

- ACCOUNTING 209-6330
- PURCHASING 209-6350
- FINANCIAL MANAGEMENT 209-6370
- INFORMATION TECHNOLOGY SERVICES 209-6250
- GEOGRAPHIC INFO SYSTEMS 209-7760

PUBLIC WORKS DIVISION 209-7800

- HIGHWAY 855-6100
- ENGINEERING 209-7810
- BUILDING INSPECTION 209-7860

CONSTITUTIONAL OFFICES

- ASSESSOR — 209-7300
- CHANCERY COURT CHANCELLORS — 209-7380
- CLERK AND MASTER — 209-6600
- CIRCUIT COURT JUDGES — 209-6700
- CIRCUIT COURT CLERK — 209-6700
- COUNTY CLERK — 209-6500
- CRIMINAL COURT JUDGES — 209-7500
- CRIMINAL COURT CLERK — 209-7500
- DISTRICT ATTORNEY — 209-7400
- ELECTION COMMISSION — 493-5100
- JUVENILE COURT JUDGE — 209-5100
- JUVENILE COURT CLERK — 209-5250
- PUBLIC DEFENDER — 634-6374
- REGISTER — 209-6560
- SESSIONS COURT JUDGES — 209-7660
- SHERIFF — 209-7000
- TRUSTEE — 209-7270

MAULDIN & JENKINS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Hamilton County, Tennessee** (the "County"), as of and for the year ended June 30, 2014, 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 on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

537 MARKET STREET, SUITE 300 • CHATTANOOGA, TENNESSEE 37402-1239 • 423-756-6133 • FAX 423-756-2727 • www.mjcpa.com
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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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages V through XVIII), budgetary comparison schedule (on pages B-1 and B-2), schedules of required supplementary information – public employees retirement system (on pages B-3 through B-6), and schedule of required supplementary information – other postemployment benefits (on page B-7) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hamilton County, Tennessee's basic financial statements. The combining and individual fund financial statements for the governmental funds, fiduciary funds, and discretely presented component unit – Hamilton County Board of Education, the budgetary comparison schedules, the financial schedules, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

Other Information (Continued)

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2015, on our consideration of Hamilton County, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
February 27, 2015

THE BLOCK
HIGH POINT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 were $584,890,175.
- Government-wide revenues totaled $250,994,493, an increase of $6,317,692 (2.6%) from the prior year.
- Government-wide expenses were $249,343,782, an increase of $21,241,135 (9.3%) from the prior year.
- Total bonded debt at June 30, 2014 was $238,300,000, of which $163,433,194 was for the Hamilton County Department of Education for capital improvements.

Fund Financial Statements

- Revenues for governmental funds increased $5,144,126, or 2.1% from last year.
- Expenditures for governmental funds decreased $20,311,319, or 7.2% from last year.
- Capital project expenditures were $14,359,920, with $6,845,417 spent for general government projects.
- The County blended the operating results for the Sheriff and the Juvenile Court Clerk into the General Fund in fiscal year 2014. In prior years, the operations for these constitutional officers were presented in the County's financial statements as Special Revenue Funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements contain three components:

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

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

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.

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Hamilton County is improving or deteriorating. The County's net position at the end of fiscal year 2014 of $178,576,995 increased $1,650,711 (0.9%) over the balance at the prior year end.

The Statement of Activities presents information showing how the government's net position changed during fiscal year 2014. Program revenues, which directly offset costs of specific functions, are allocated to those functions, resulting in the net expenses for governmental activities. General revenues, such as taxes, fines and interest earnings, offset the remaining costs resulting in the annual increase or decrease in net position. This statement is intended to summarize the net cost of various governmental services that are supported by general revenues.

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the Internal Service fund is provided on pages A-10 to A-12 of this report.

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The basic fiduciary fund financial statements can be found on pages A-13 to A-14 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-18 to A-51 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents required and other supplementary information. Required supplementary information includes the funding progress and employer contributions for the Public Employee Retirement Systems. Other supplementary information includes detailed budgetary information for the General Fund, combining statements for the nonmajor governmental funds, combining statement of changes in assets and liabilities for the Constitutional Officers Agency Funds, combining statements for the Hamilton County Department of Education and various financial and statistical tables. Combining and individual fund schedules can be found on pages C-6 to D-11; the various financial and statistical tables can be found on pages E-1 to F-26.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

HAMILTON COUNTY, TENNESSEE
NET POSITION

	Governmental Activities	
	2014	**2013**
ASSETS		
Current and Other Assets	$ 305,840,494	$ 323,942,463
Capital Assets	279,049,681	299,340,360
TOTAL ASSETS	584,890,175	623,282,823
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	3,373,266	3,760,532
LIABILITIES		
Long-term Liabilities	277,907,343	308,370,662
Other Liabilities	22,517,135	34,382,287
TOTAL LIABILITIES	300,424,478	342,752,949
DEFERRED INFLOWS OF RESOURCES		
Unearned property tax revenue	109,261,968	107,364,122
NET POSITION		
Net Investment in Capital Assets	238,660,378	282,129,410
Restricted	52,298	541,385
Unrestricted	(60,135,681)	(105,744,511)
TOTAL NET POSITION	**$ 178,576,995**	**$ 176,926,284**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $178,576,995 at the close of the fiscal year ended June 30, 2014.

Net position is comprised of three elements:

(1) Net investment in capital assets (e.g., land, buildings, infrastructures and equipment);

(2) Restricted net position held for restrictions as prescribed by law; and

(3) Unrestricted net position. The long-term liabilities of $277,907,343 include $163,433,194 of debt for assets contributed to the Hamilton County Department of Education, a component unit, which results in a negative unrestricted net position.

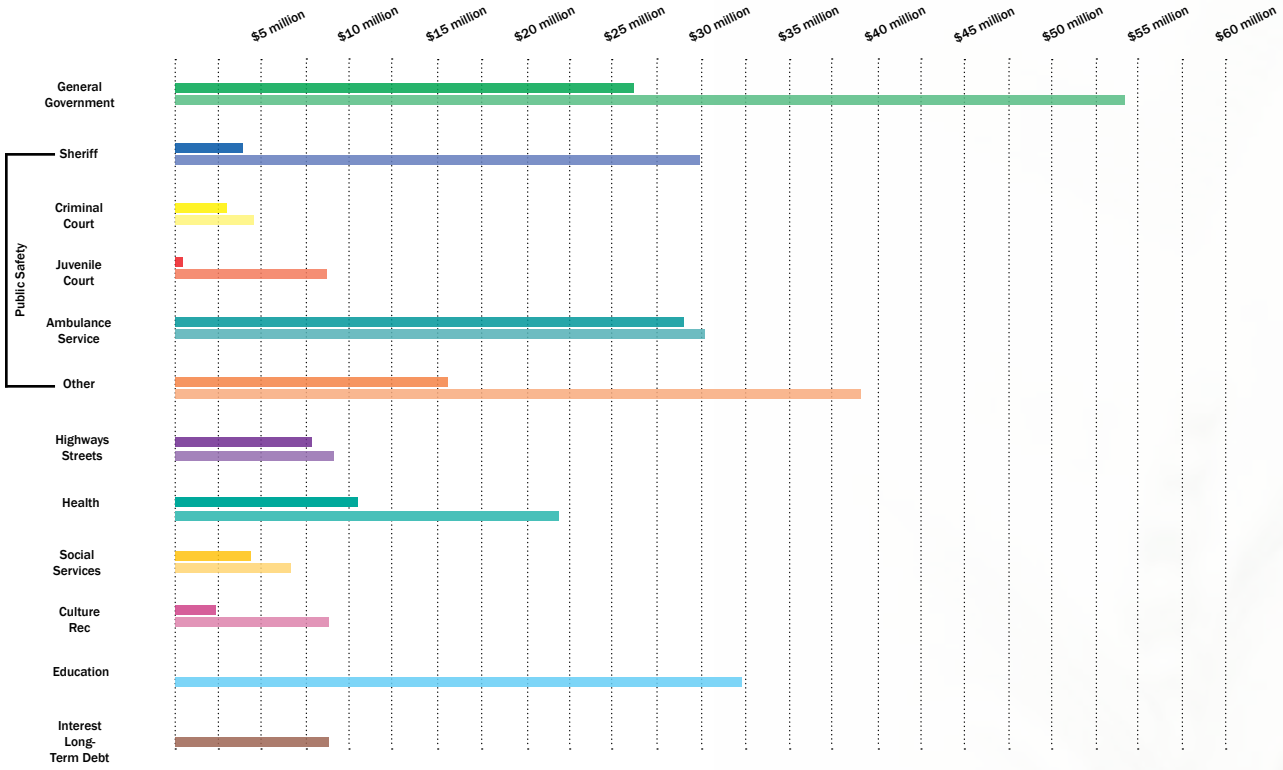
HAMILTON COUNTY, TENNESSEE
CHANGES IN NET POSITION

	Governmental Activities	
	2014	**2013**
REVENUES		
Program Revenues		
Charges for Services	$ 71,256,456	$ 72,171,476
Operating Grants and Contributions	27,009,289	25,125,782
Capital Grants and Contributions	3,340,173	3,506,316
Total Program Revenues	101,605,918	100,803,574
General Revenues		
Property Taxes	131,026,476	127,585,203
Other Taxes	16,144,427	15,694,465
Other	2,217,672	593,559
Total General Revenues	149,388,575	143,873,227
TOTAL REVENUES	250,994,493	244,676,801
EXPENSES		
General Government	54,450,998	55,107,145
Public Safety	110,947,974	111,741,566
Highways and Streets	8,542,153	14,995,362
Health	21,478,078	20,031,449
Social Services	6,624,641	7,145,934
Culture and Recreation	7,018,607	8,069,498
Education	32,510,412	2,452,772
Interest on Long-Term Debt	7,770,919	8,558,921
TOTAL EXPENSES	249,343,782	228,102,647
CHANGE IN NET POSITION	**$ 1,650,711**	**$ 16,574,154**

The County's net position increased $1.6 million during the current fiscal year. Property tax revenues remain the County's primary source of funding, and these revenues increased $3.4 million (2.7%) over the prior year. Total revenues grew $6.3 million and were sufficient to cover an overall increase in expenses in FY 2014 of $21.2 million. The significant increase in expenses was due to net contributions of assets totaling $32.5 million to the Hamilton County Department of Education (HCDE), a component unit. The contributions to HCDE were the result of the completion of the new school for Red Bank Middle. Excluding the increase in education expenses, expenses decreased from the prior year due to continued County-wide efforts to control spending wherever possible.

EXPENSES AND PROGRAM REVENUES
for fiscal year ending June 30, 2014

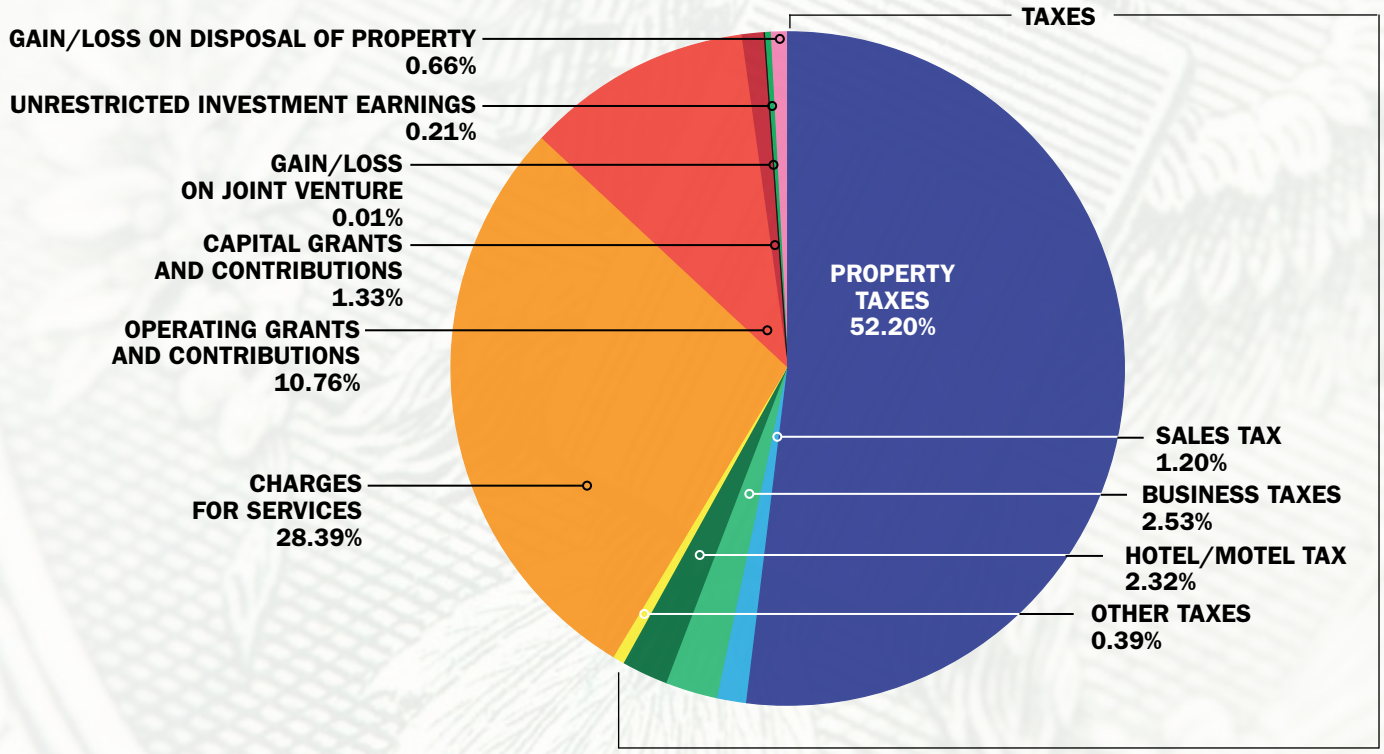
	REVENUES	EXPENSES
General Government	$ 26,365,948	$ 54,450,998
Public Safety		
Sheriff	3,825,432	29,934,441
Criminal Court	2,715,418	4,181,671
Juvenile Court	381,798	8,112,975
Ambulance Services	27,936,524	30,390,527
Other	15,287,501	38,328,360
Highways and Streets	7,880,997	8,542,153
Health	10,219,883	21,478,078
Social Services	4,550,940	6,624,641
Culture and Recreation	2,441,477	7,018,607
Education	—	32,510,412
Interest on long-term debt	—	7,770,919
TOTAL	**$ 101,605,918**	**$ 249,343,782**



REVENUES BY SOURCE
for fiscal year ending June 30, 2014

	2014	PERCENTAGE	2013	PERCENTAGE
Taxes				
Property Taxes	$ 131,026,476	52.20%	$ 127,585,203	52.14%
Sales Taxes	3,011,186	1.20%	2,992,738	1.22%
Business Taxes	6,338,605	2.53%	6,284,366	2.57%
Hotel/Motel Taxes	5,823,474	2.32%	5,469,608	2.24%
Other Taxes	971,162	0.39%	947,753	0.39%
Charges for Services	71,256,456	28.39%	72,171,476	29.50%
Operating Grants and Contributions	27,009,289	10.76%	25,125,782	10.27%
Capital Grants and Contributions	3,340,173	1.33%	3,506,316	1.43%
Gain/Loss on joint venture	32,625	0.01%	—	0.00%
Unrestricted Investment Earnings	525,199	0.21%	593,559	0.24%
Gain/Loss on disposal of property	1,659,848	0.66%	—	0.00%
TOTAL	**$ 250,994,493**	**100.00%**	**$ 244,676,801**	**100.00%**

Property tax revenues grew $3.4 million (2.7%) over FY 2013. The growth was the result of continued efforts to promote economic development in the County to grow the tax base and generate additional tax revenue without an increase in the County's property tax rate. Operating grants and contributions increased over the prior year by $1.9 million as a product of the County's efforts to actively search for and obtain new and additional federal and state grants. The gain on disposal of property noted above resulted from the sale of a closed elementary school in Ooltewah.



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 2014, the County's governmental funds reported combined ending fund balances of $138,619,564, a decrease of $3,371,321. The fund balance consists of a restricted portion of fund balance of $4,375,777, an assigned portion of fund balance of $5,311,856, and an unassigned portion of fund balance of $104,510,598. The remainder of fund balance is not available for new spending and is split into committed and nonspendable. Committed is $22,959,652 to liquidate contracts and purchase orders. Nonspendable is $1,461,681 for inventories, prepaid items and note advances.

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

The General Fund is the chief operating fund of the County. At the end of fiscal year 2014, restricted fund balance of the General Fund was $676,543, committed fund balance was $635,790, nonspendable was $1,461,681, assigned fund balance of the General Fund was $4,388,787, and unassigned fund balance was $104,942,810. The total fund balance was $112,105,611. 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. Unassigned fund balance represents 54.2% of the total General Fund expenditures, while total fund balance represents 57.9% of that same amount.

The unassigned fund balance of the County's General Fund decreased by $707,262 during the current fiscal year. The major reason for that change is largely attributed to capital outlay expenditures increasing $1 million due to purchasing of additional police vehicles and health expenses increasing $1.5 million for employee health-related costs. These increases in expenses were offset by additional state funding for the election commission of $1.2 million.

As stated previously, the County blended the operating results for the Sheriff and the Juvenile Court Clerk into the General Fund in fiscal year 2014. The inclusion of the Sheriff and Juvenile Court Clerk in the General Fund resulted in a restatement of the fund balance reported in the FY 2013 CAFR for the General Fund of $2,377,289.

The Debt Service fund has a total fund balance of $923,069, an increase of $564,669. Funds are transferred to the Debt Service fund as needed. Therefore, as debt payments increased, transfers in to the fund also increased.

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

At year end, the Capital Projects Fund had a fund balance of $21,698,058. The County has outstanding commitments for Capital Projects totaling $22,130,270. Of the commitments, $19,783,193 or 89.4% is for school construction, $551,691 or 2.5% for economic development, $1,358,762 or 6.1% for recreation projects and $436,624 or 2.0% for general government improvements. Commitments for school construction increased $14,166,667 this year due to new school construction – a new elementary school is being built for East Brainerd. Commitments for recreation projects increased $724,282 as we continue construction of a new section of the Riverwalk.

PROPRIETARY FUNDS

The County's Proprietary fund is used to account for the self-insurance programs. The County is self-insured for health, unemployment compensation, on-the-job injury claims, property, automobile and liability claims and losses due to liabilities arising under the laws of the state and federal governments. The cost for these programs is funded through premiums paid by the departments and agencies of Hamilton County Government. Unrestricted net position for the Proprietary Fund at the end of the fiscal year amounted to $17,777,317.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County Commission approved and adopted its 2014 annual operating budget in June 2013. The original General Fund operating budget was balanced through the use of $3,586,047 of fund balance.

The County Commission approved a total of $6,815,284 in amendments to General Fund operating expenditures during fiscal year 2014 and total amendments of $4,236,787 to the General Fund revenue budget. These 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 were less than budgeted revenues by $3,905,912 (2.1%). This variance is largely due to a shortfall of intergovernmental revenues of $1.2 million and a shortfall of charges for services of $3.0 million.

Total expenditures were less than budgeted expenditures by $7,605,775 (5.4%). A large part of this favorable variance resulted from conservative spending by the General Government, Health Department, Public Safety, and reduced capital outlay expenditures. A detailed Budgetary Comparison Schedule for the General Fund is presented at pages C-1 through C-5 of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2014, amounts to $279,049,681 (net of accumulated depreciation of $244,181,241). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, intangibles and construction in progress. The County transferred $32,510,412 in net assets to the Department of Education. For the year, the County's investment in capital assets decreased by $20,290,678 or 6.8%. Additional information on the County's capital assets can be found in the Notes to the Basic Financial Statements – Note J.

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

- Infrastructure construction at Enterprise South Industrial Park – $808,391
- School construction and renovations – $8,170,659
- Tennessee Riverwalk Downtown Segment Phase I & II – $683,242
- Homeless Health Clinic – $839,164

CAPITAL ASSET ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2014

NET OF DEPRECIATION

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 66,103,241	$ 1,848,094	$ (855,895)	$ 67,095,440
Construction in progress	58,654,066	11,593,579	(37,119,400)	33,128,245
Buildings	137,456,473	4,370,786	—	141,827,259
Improvements other than buildings	25,272,256	368,535	—	25,640,791
Machinery and equipment	39,691,900	4,202,289	(1,578,877)	42,315,312
Infrastructure	201,622,220	7,082,678	(1,439,733)	207,265,165
Intangibles	4,650,589	1,787,657	(479,536)	5,958,710
Depreciation	(234,110,386)	(12,643,765)	2,572,910	(244,181,241)
	$ 299,340,359	$ 18,609,853	$ (38,900,531)	$ 279,049,681

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LONG-TERM DEBT

At the end of fiscal year 2014, the County had general obligation bonds outstanding of $238,300,000, and notes payable and other debt of $6,193,607. Of the bonded debt, $163,433,194 was issued for Hamilton County Department of Education capital improvements program.

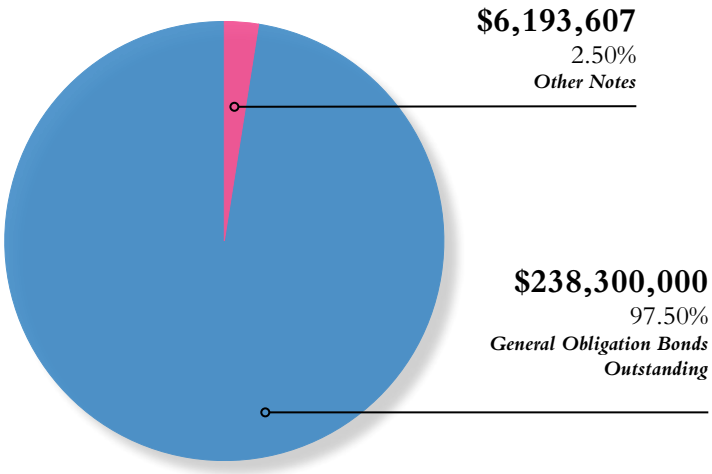
Additional information on the County's debt can be found in the Notes to Basic Financial Statements – Note M.

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% of the planned operating expenses.

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

General Long-Term Debt

General Obligation Bonds Outstanding	$ 238,300,000	97.50%
Other Notes	6,193,607	2.50%
	244,493,607	
Less: Unreserved Debt Service Fund Balance	(923,069)	
Net General Long-Term Debt	$ 243,570,538	



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the County's budget for fiscal year 2015:

- Hamilton County has budgeted to use $2,577,000 of its fund balance in the fiscal year 2015 budget, which represents 1.5% of the total projected fund balance as of June 30, 2014. Funds budgeting use of fund balance include the Hamilton County Department of Education (HCDE) ($1,957,000); the Sheriff ($400,000); and the Juvenile Court Clerk ($220,000).
- The County's property tax rate has remained constant with no tax increases since fiscal year 2008. The County Assessor completed the County's latest four-year cyclical reappraisal in fiscal year 2014. Property tax revenues for fiscal year 2015 are budgeted to increase by 2% over the prior year.
- Intergovernmental revenues account for 31.5% of the County's total revenue. The intergovernmental revenues consist primarily of funding received from the State of Tennessee and from the Federal government. The vast majority of the intergovernmental revenues are received by either the HCDE or the General Fund. Intergovernmental revenues are projected to grow 1.4% in fiscal year 2015.
- Transfers-in from other funds include various interfund transfers, including excess fees paid to the General Fund from various constitutional officers; appropriation from the General Fund to the Debt Service Fund to cover scheduled principal and interest payments due in fiscal year 2015; and appropriations from the General Fund

to the Sheriff and to the Juvenile Court Clerk. Total revenues from transfers in decreased slightly from the corresponding amount in fiscal year 2014.

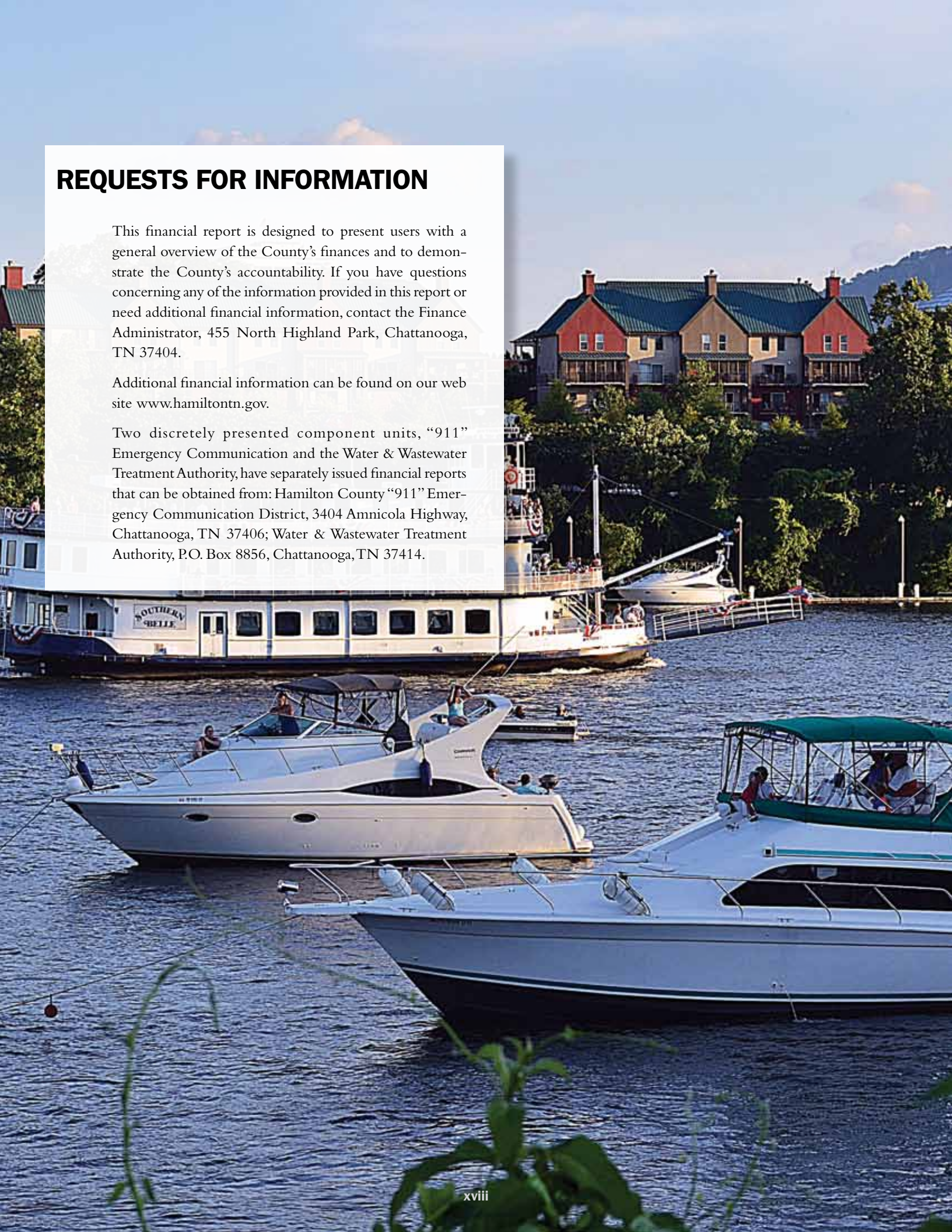
- Controlling our employee benefit costs continues to be a challenge. Overall employee benefit costs for the General Government increased $3,927,000 (9.0%). The rise was a direct result of increases in medical insurance costs, which increased $3,357,000 (14.9%). The County is continuing to search for cost-effective methods of controlling medical insurance costs, including requiring higher co-pays from employees, the establishment of a pharmacy in 2011 for employees, and most recently, the opening of an employee health clinic in December 2013. We are seeing a significant increase in the use of the Employee Pharmacy and feel the Pharmacy will greatly help in controlling future costs. The Employee Clinic is expected to help us to better control future medical costs also.
- Expenditures for Debt Service principal and interest payments decreased significantly from the prior year. The County established a $90 million line of credit agreement with a national bank in August 2013 with plans to eventually refinance the variable rate debt with fifteen-year General Obligation bonds. The reduction of the budgeted debt service payments can be credited to the favorable interest environment of the last few years, the County's fiscal strength that has enabled us to maintain an excellent bond rating, and the County's consistent issuance of 15-year bonds with level principal repayment plans.
- HCDE adopted a fiscal year 2015 budget of $399,172,000 (59.3% of the total budget for Hamilton County). The HCDE's combined budget growth is 1.5% over fiscal year 2014. Basic Education Program funding increased by over 1.6% and is calculated by the State based on multiple parameters; however, one of the main components is student enrollment. In fiscal year 2015, the school district is projecting an increase in student enrollment.
- Increases in the HCDE expenditure budgets were attributable primarily to school-based personnel. These included the salary increase anticipated from the State Department of Education. Salary step increases are calculated annually based on years of service in accordance with the contract with the educational association. The largest decrease in expenditures can be attributed to the completion of federal funding for Race To The Top and the end of the related grants.
- To balance the HCDE budget, certain challenges had to be addressed, not the least of which was staffing. Instructional staff increased due to projected growth in student enrollment. 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 financial information, contact the Finance Administrator, 455 North Highland Park, Chattanooga, TN 37404.

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

Two discretely presented component units, "911" Emergency Communication and the Water & Wastewater Treatment Authority, have separately issued financial reports that can be obtained from: Hamilton County "911" Emergency Communication District, 3404 Amnicola Highway, Chattanooga, TN 37406; Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.



STATEMENT OF NET POSITION
HAMILTON COUNTY, TENNESSEE
June 30, 2014

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	$ 10,368,593	$ 19,012,863
Certificates of deposit	-	11,761,569
Investments	135,982,831	74,747,121
Receivables, net of allowance for uncollectibles	142,625,909	159,693,216
Receivables, restricted	-	438,010
Due from component units	1,617,141	-
Inventories	1,818,367	859,218
Restricted cash	-	5,111,748
Prepaid items	338,908	510,804
Advance to component units, net of allowance for uncollectibles	7,946,370	-
Net pension asset	970,220	-
Net OPEB asset	430,204	-
Investment in joint venture	3,741,951	-
Land and other nondepreciable assets	100,223,685	24,938,657
Other capital assets, net of accumulated depreciation	178,825,996	394,050,085
Total assets	584,890,175	691,123,291
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	3,373,266	-
LIABILITIES		
Accounts payable and accrued expenses	22,517,135	42,315,137
Due to primary government	-	1,617,141
Long-term liabilities:		
Due within one year	27,456,297	10,726,289
Due in more than one year	250,451,046	34,267,464
Advance from primary government	-	14,446,370
Total liabilities	300,424,478	103,372,401
DEFERRED INFLOWS OF RESOURCES		
Unearned property tax revenue	109,261,968	122,592,559
Difference from bond refunding	-	-
Total deferred inflows of resouces	109,261,968	122,592,559
NET POSITION		
Net investment in capital assets	238,660,378	392,299,246
Restricted for:		
State statutes	52,298	15,944
Centralized cafeteria	-	1,462,210
WWTA PSLP program	-	5,936,019
Unrestricted	(60,135,681)	65,444,912
Total net position	$ 178,576,995	$ 465,158,331

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

STATEMENT OF ACTIVITIES

HAMILTON COUNTY, TENNESSEE

Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Government activities:			
General government	$ 54,450,998	$ 19,044,471	$ 3,981,304
Public safety:			
Sheriff	29,934,441	1,234,909	2,590,523
Criminal Court	4,181,671	2,715,418	-
Juvenile Court	8,112,975	381,798	-
Ambulance Services	30,390,527	27,936,524	-
Other	38,328,360	10,314,006	4,973,495
Highways and streets	8,542,153	2,803,123	5,077,874
Health	21,478,078	1,806,662	8,413,221
Social services	6,624,641	4,322,084	228,856
Culture and recreation	7,018,607	697,461	1,744,016
Education	32,510,412	-	-
Interest on long-term debt	7,770,919	-	-
TOTAL PRIMARY GOVERNMENT	$ 249,343,782	$ 71,256,456	$ 27,009,289
COMPONENT UNITS			
Department of Education	$ 403,748,879	$ 9,304,258	$ 59,437,829
"911" Emergency communications	11,596,933	3,419,583	1,860,626
Water and wastewater treatment authority	13,219,707	15,538,950	-
Railroad authority	170,209	128,043	45,677
TOTAL COMPONENT UNITS	$ 428,735,728	$ 28,390,834	$ 61,344,132
General revenues:			
Property taxes			
Sales taxes			
Business taxes			
Hotel/Motel taxes			
Other taxes			
Gain/Loss on joint venture			
Unrestricted investment earnings			
Grants and contributions not restricted to specific programs			
Gain/Loss on disposal of property			
Total general revenues			
Change in net position			
Net position, beginning 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	
Capital Grants and Contributions	Primary Government Governmental Activities	Components Units
$ 3,340,173	$ (28,085,050)	
-	(26,109,009)	
-	(1,466,253)	
-	(7,731,177)	
-	(2,454,003)	
-	(23,040,859)	
-	(661,156)	
-	(11,258,195)	
-	(2,073,701)	
-	(4,577,130)	
-	(32,510,412)	
-	(7,770,919)	
$ 3,340,173	(147,737,864)	
$ 32,864,726		$ (302,142,066)
6,604,999		288,275
2,233,654		4,552,897
-		3,511
$ 41,703,379		(297,297,383)
	131,026,476	130,429,353
	3,011,186	62,092,778
	6,338,605	-
	5,823,474	-
	971,162	-
	32,625	-
	525,199	329,621
	-	134,703,170
	1,659,848	-
	149,388,575	327,554,922
	1,650,711	30,257,539
	176,926,284	434,900,792
	$ 178,576,995	$ 465,158,331

BALANCE SHEET
GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	General	Debt Service
ASSETS:		
Cash and cash equivalents	$ 3,808,719	$ 538
Investments	98,902,043	877,547
Receivables, net of allowance for uncollectible	137,307,043	44,984
Due from other funds	4,211	-
Due from component units	1,617,141	-
Inventories	1,296,851	-
Prepaid items	164,830	-
Total assets	$ 243,100,838	$ 923,069
LIABILITIES:		
Accounts payable	$ 2,375,545	$ -
Accrued items and other	9,428,811	-
Intergovernmental payables	387,805	-
Due to other funds	1,363,526	-
Total liabilities	13,555,687	-
DEFERRED INFLOWS OF RESOURCES:		
Unearned property taxes	116,491,394	-
Other deferred revenues	948,146	-
Total deferred inflows of resources	117,439,540	-
FUND BALANCES:		
Nonspendable for inventories	1,296,851	-
Nonspendable for prepaid items	164,830	-
Restricted for general government	-	-
Restricted for public safety	676,543	-
Restricted for social services	-	-
Committed for public safety	635,790	-
Committed for capital projects	-	-
Assigned for general government	1,746,180	-
Assigned for public safety	2,540,385	-
Assigned for debt service	-	923,069
Assigned for highways and streets	124	-
Assigned for health	84,137	-
Assigned for culture and recreation	17,961	-
Assigned for capital projects	-	-
Unassigned	104,942,810	-
Total fund balances	112,105,611	923,069
Total liabilities, deferred inflows of resources and fund balances	$ 243,100,838	$ 923,069

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 1,044,533	$ 5,446,242	$ 10,300,032
17,858,015	194,178	117,831,783
4,071,468	1,202,414	142,625,909
-	5,341	9,552
-	-	1,617,141
-	-	1,296,851
-	-	164,830
$ 22,974,016	$ 6,848,175	$ 273,846,098
$ 1,272,907	$ -	$ 3,648,452
-	2,952,224	12,381,035
-	-	387,805
3,051	3,125	1,369,702
1,275,958	2,955,349	17,786,994
-	-	116,491,394
-	-	948,146
-	-	117,439,540
-	-	1,296,851
-	-	164,830
-	1,662,807	1,662,807
-	714,659	1,391,202
-	1,321,768	1,321,768
-	193,592	829,382
22,130,270	-	22,130,270
- -	-	1,746,180
-	-	2,540,385
-	-	923,069
-	-	124
-	-	84,137
-	-	17,961
-	-	-
(432,212)	-	104,510,598
21,698,058	3,892,826	138,619,564
$ 22,974,016	$ 6,848,175	$ 273,846,098

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

HAMILTON COUNTY, TENNESSEE

June 30, 2014

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

Fund balances - total governmental funds		$ 138,619,564
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.		279,049,681
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.		8,177,572
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.		17,777,317
The County-administered pension plans have been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.		970,220
The County OPEB trust fund has been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.		430,204
Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable.		7,946,370
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.		3,741,951
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	$ 238,300,000	
Original issue premiums	18,050,485	
Notes payable & other debt	6,193,607	
Deferred loss on refunding	(3,373,266)	
Landfill post closure costs	180,000	
Compensated absences	15,183,251	
Accrued interest payable	3,601,807	
		(278,135,884)
Net position of governmental activities		$ 178,576,995

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, 2014

	General	Debt Service
REVENUES		
Taxes	$ 141,470,342	$ -
Licenses and permits	776,100	-
Intergovernmental	26,717,194	699,737
Charges for services	41,657,173	537,919
Fines, forfeitures and penalties	1,882,561	-
Investment earnings	361,287	1,820
Miscellaneous	4,223,121	65,143
Total revenues	217,087,778	1,304,619
EXPENDITURES		
Current:		
General government	40,153,081	-
Public safety:		
Sheriff	29,259,072	-
Criminal Court	1,397,915	-
Juvenile Court	8,217,867	-
Ambulance Services	29,926,931	-
Other	37,712,976	-
Highways and streets	10,287,522	-
Health	21,540,074	-
Social services	3,115,271	-
Culture and recreation	7,358,539	-
Debt service:		
Principal	-	26,665,621
Interest and fiscal charges	-	9,748,185
Capital outlay:		
General government	4,664,815	-
Education	-	-
Total expenditures	193,634,063	36,413,806
Excess (deficiency) of revenues over (under) expenditures	23,453,715	(35,109,187)
OTHER FINANCING SOURCES (USES)		
Transfers in	11,128,030	35,673,856
Transfers out	(36,073,856)	-
Sale of capital assets	51,262	-
Issuance of notes	-	-
Total other financing sources and uses	(24,894,564)	35,673,856
Net change in fund balances	(1,440,849)	564,669
Fund balances, beginning as restated	113,546,460	358,400
Fund balances, ending	$ 112,105,611	$ 923,069

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 5,838,310	$ 147,308,652
-	-	776,100
3,340,173	-	30,757,104
236,541	21,475,018	63,906,651
-	39,429	1,921,990
78,068	20,617	461,792
275,141	88,309	4,651,714
3,929,923	27,461,683	249,784,003
-	10,209,170	50,362,251
-	-	29,259,072
-	2,670,178	4,068,093
-	-	8,217,867
-	-	29,926,931
-	18,607	37,731,583
-	-	10,287,522
-	-	21,540,074
-	3,599,671	6,714,942
-	-	7,358,539
-	-	26,665,621
-	-	9,748,185
6,845,417	-	11,510,232
7,514,503	-	7,514,503
14,359,920	16,497,626	260,905,415
(10,429,997)	10,964,057	(11,121,412)
-	400,000	47,201,886
-	(11,128,030)	(47,201,886)
2,698,829	-	2,750,091
5,000,000	-	5,000,000
7,698,829	(10,728,030)	7,750,091
(2,731,168)	236,027	(3,371,321)
24,429,226	3,656,799	141,990,885
$ 21,698,058	$ 3,892,826	$ 138,619,564

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, 2014

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

Net change in fund balances - total governmental funds	$ (3,371,321)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net assets.	19,024,735
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities.	(12,643,765)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and deferred amount on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment on long-term debt and related items.	23,664,759
The net revenues of internal service funds are reported with governmental activities.	1,960,891
The net effect of various transactions involving capital assets is to decrease net position.	5,838,763
The net effect of capital asset transactions involving the Hamilton County Department of Education is to decrease net position.	(32,510,412)
The net effect of the change in the net OPEB obligation is included in the governmental activities in the statement of activities.	52,653
The net effect of the change in the net pension asset is included in the governmental activities in the statement of activities.	(67,242)
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	214,415
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	(545,390)
The net effect of the change in the Carter Street joint venture is included in the governmental activities in the statement of activities.	32,625
Change in net position of governmental activities	$ 1,650,711

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

STATEMENT OF NET POSITION
PROPRIETARY FUND

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	Governmental Activities - Internal Service Fund
CURRENT ASSETS	
Cash	$ 68,562
Investments	18,151,048
Due from other funds	1,360,150
Inventory	521,516
Prepaid insurance	120,671
Prepaid items	53,407
Total current assets	20,275,354
LIABILITIES	
Current Liabilities	
Accounts payable	9,366
Accrued claims	2,071,820
Total current liabilities	2,081,186
Noncurrent Liabilities	
Accrued claims	416,851
NET POSITION	
Unrestricted	$ 17,777,317

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, 2014

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 30,521,984
Other	1,012,165
Total operating revenues	31,534,149
OPERATING EXPENSES	
Unemployment compensation	27,910
Claims and premiums	24,558,713
Pharmacy	3,975,102
Clinic	64,413
Administration	1,010,527
Total operating expenses	29,636,665
Operating income (loss)	1,897,484
NONOPERATING REVENUES	
Investment earnings	63,407
Change in net position	1,960,891
Net position, beginning	15,816,426
Net position, ending	$ 17,777,317

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, 2014

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	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	$ 28,539,592
Cash received from unemployment compensation	595,941
Cash paid for claims and premiums	(24,829,176)
Cash paid for administration	(1,050,690)
Cash paid for clinic	(64,413)
Cash received for pharmacy	82,221
Net cash provided by (used in) operating activities	3,273,475
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(18,151,047)
Proceeds from sale of investments	14,781,664
Interest on investments	63,407
Net cash provided by (used in) investing activities	(3,305,976)
Net change in cash and cash equivalents	(32,501)
Beginning cash and cash equivalents	101,063
Ending cash and cash equivalents	$ 68,562
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 1,897,484
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Change in receivable	97,071
Change in inventory	(39,516)
Change in accounts payable	(1,705)
Change in accrued claims	(260,219)
Change in prepaid insurance	1,149
Change in due from other funds	1,579,211
Total adjustments	1,375,991
Net cash provided by (used in) operating activities	$ 3,273,475

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, 2014

	OPEB Trust Fund	Pension Trust Funds	Constitutional Officers Agency Funds
ASSETS			
Cash	$ -	$ 101,538	$ 7,968,172
Certificates of deposit	-	-	8,583,378
Investments	-	-	124,761
Investments, at fair value:			
US Gov. Securities	294,376	96,673	-
Municipal Bonds	424,623	195,825	-
Mutual Funds	6,886,657	1,368,878	-
Domestic Equity Securities	4,863,976	425,367	-
Domestic Corporate Bonds	822,224	314,678	-
Foreign Bonds / Notes	261,905	90,988	-
Foreign Equity Securities	692,374	57,796	-
Total investments	14,246,135	2,550,205	-
Receivables:			
Interest	32,878	10,019	-
Accounts	-	-	113,993
Total assets	14,279,013	2,661,762	16,790,304
LIABILITIES			
Accrued items and other	12,433	-	11,845,733
Intergovernmental payables	-	-	4,944,571
Total liabilities	12,433	-	16,790,304
NET POSITION			
Assets held in trust for benefits	$ 14,266,580	$ 2,661,762	$ -

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, 2014

	OPEB Trust Fund	Pension Trust Funds
ADDITIONS		
Contributions:		
Employer	$ 1,600,000	$ 65,888
Other	-	3,738
Total contributions	1,600,000	69,626
Investment earnings:		
Net change in fair value of investments	1,501,272	196,404
Interest	376,743	76,029
Net investment income	1,878,015	272,433
Total additions	3,478,015	342,059
DEDUCTIONS		
Benefits	-	155,792
Misc expense	17,106	-
Administrative expense	74,223	27,409
Total deductions	91,329	183,201
Change in net position	3,386,686	158,858
Net position, beginning	10,879,894	2,502,904
Net position, ending	$ 14,266,580	$ 2,661,762

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

STATEMENT OF NET POSITION
COMPONENT UNITS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	Hamilton County Department of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority (WWTA)	Railroad Authority	Total
ASSETS					
Cash and cash equivalents	$ 14,910,443	$ 221,944	$ 3,827,045	$ 53,431	$ 19,012,863
Certificates of deposit	-	11,761,569	-	-	11,761,569
Investments	74,553,914	193,207	-	-	74,747,121
Receivables, net of allowance for uncollectible	156,860,558	757,227	2,075,431	-	159,693,216
Receivables, restricted	-	-	438,010	-	438,010
Inventories	817,948	-	41,270	-	859,218
Restricted cash	-	-	5,111,748	-	5,111,748
Prepaid items	115,254	-	395,550	-	510,804
Land and other nondepreciable assets	20,121,792	475,555	4,341,310	-	24,938,657
Capital assets, net of accumulated depreciation	300,353,433	5,929,630	87,765,372	1,650	394,050,085
Total assets	567,733,342	19,339,132	103,995,736	55,081	691,123,291
LIABILITIES					
Accounts payable and other current liabilities	39,598,896	1,006,603	1,709,567	71	42,315,137
Due to primary government	32,587	1,261,130	323,424	-	1,617,141
Noncurrent liabilities:					
Due within one year	9,849,734	-	876,555	-	10,726,289
Due in more than one year	22,369,523	-	11,897,941	-	34,267,464
Advance from primary government	321,107	-	14,125,263	-	14,446,370
Total liabilities	72,171,847	2,267,733	28,932,750	71	103,372,401
DEFERRED INFLOWS OF RESOURCES					
Unearned property tax revenue	122,592,559	-	-	-	122,592,559
Total deferred inflows of resources	122,592,559	-	-	-	122,592,559
NET POSITION					
Net investment in capital assets	320,475,225	6,405,185	65,417,186	1,650	392,299,246
Restricted for:					
State statute	15,944	-	-	-	15,944
Centralized cafeteria	1,462,210	-	-	-	1,462,210
WWTA PSLP program	-	-	5,936,019	-	5,936,019
Unrestricted	51,015,557	10,666,214	3,709,781	53,360	65,444,912
Total net position	$ 372,968,936	$ 17,071,399	$ 75,062,986	$ 55,010	$ 465,158,331

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
HAMILTON COUNTY DEPARTMENT OF EDUCATION				
Regular instruction	$ 194,631,416	$ 769,566	$ 14,411,586	$ 16,416,702
Exceptional instruction	42,260,410	455,262	7,405,716	3,416,476
Vocational instruction	9,385,493	-	499,211	760,829
Support services:				
Pupil services	14,901,943	-	3,152,655	1,208,630
Instructional staff	26,777,170	-	15,302,676	2,219,702
Board of education	5,953,617	-	-	491,081
Administration	25,692,888	-	441,906	2,109,732
Business and fiscal services	2,584,404	-	8,830	220,367
Human resources	1,162,894	-	-	95,938
Plant operation and maintenance	38,584,289	-	445,197	2,516,493
Pupil transportation	14,850,659	-	569,989	1,214,887
Central and other	2,114,214	-	2,496	175,823
Operation of noninstructional services:				
Community services	2,821,734	2,859,568	397,834	230,637
Early childhood education	3,116,013	-	3,159,659	247,461
Child Nutrition	18,911,735	5,219,862	13,640,074	1,539,968
TOTAL DEPARTMENT OF EDUCATION	403,748,879	9,304,258	59,437,829	32,864,726
"911" EMERGENCY COMMUNICATIONS				
Emergency communications operations	11,596,933	3,419,583	1,860,626	6,604,999
WATER & WASTEWATER TREATMENT AUTHORITY				
Water and wastewater treatment operations	13,219,707	15,538,950	-	2,233,654
RAILROAD AUTHORITY				
Railroad authority operations	170,209	128,043	45,677	-
TOTAL COMPONENT UNITS	$ 428,735,728	$ 28,390,834	$ 61,344,132	$ 41,703,379

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
$ (163,033,562)				$ (163,033,562)
(30,982,956)				(30,982,956)
(8,125,453)				(8,125,453)
(10,540,658)				(10,540,658)
(9,254,792)				(9,254,792)
(5,462,536)				(5,462,536)
(23,141,250)				(23,141,250)
(2,355,207)				(2,355,207)
(1,066,956)				(1,066,956)
(35,622,599)				(35,622,599)
(13,065,783)				(13,065,783)
(1,935,895)				(1,935,895)
666,305				666,305
291,107				291,107
1,488,169				1,488,169
(302,142,066)				
	$ 288,275			288,275
		$ 4,552,897		4,552,897
			$ 3,511	3,511
				(297,297,383)
130,429,353	-	-	-	130,429,353
62,092,778	-	-	-	62,092,778
134,703,170	-	-	-	134,703,170
269,540	54,072	6,009	-	329,621
327,494,841	54,072	6,009	-	327,554,922
25,352,775	342,347	4,558,906	3,511	30,257,539
347,616,161	16,729,052	70,504,080	51,499	434,900,792
$ 372,968,936	$ 17,071,399	$ 75,062,986	$ 55,010	$ 465,158,331

NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(1) REPORTING ENTITY

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

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

Discretely Presented Component Units

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

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

Hamilton County Water & Wastewater Treatment Authority – The Water & Wastewater Treatment Authority (the Authority) was organized under the Water & Wastewater Treatment Authority Act of the State of Tennessee. The Authority began operations on July 1, 1994, for the

purpose of providing wastewater treatment service to residents of unincorporated areas of Hamilton County, Tennessee. The five-member board is appointed by the Hamilton County Board of Commissioners from recommendations of the County Mayor and is legally separate. The Authority's Board has final decision-making authority for the entity. The County Board of Commissioners does not approve the Authority's budget, but it does finance debt for the Authority's capital projects. Complete financial statements may be obtained from: Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.

Hamilton County Railroad Authority – The Railroad Authority (the Authority) was organized under the Railroad Authority Act of the State of Tennessee. The Authority was established on February 20, 2002 for the purpose of improving rail service in Hamilton County. The five-member Board consists of the County Mayor, City of Chattanooga Mayor, one member elected by the Board of County Commissioners, one member elected by the Chattanooga City Council, and the President and CEO of Chattanooga Area Chamber of Commerce. The Authority's Board has final decision-making authority for the entity. The Board of Commissioners must approve any bonds or indebtedness of the Authority. Additional information may be obtained from: Hamilton County Railroad Authority, 123 East Seventh Street, Chattanooga, TN 37402.

(2) ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is required for fiscal periods beginning after December 12, 2013. The County early-adopted GASB Statement No. 65 as of June 30, 2013.

The County adopted GASB Statement No. 66, which resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by GASB Statements No. 54 and No. 34. This statement was effective as of June 30, 2014.

The County adopted GASB Statement No. 67, which replaces the requirements of GASB Statements No. 25 and No. 50, related to pension plans administered through trusts or similar arrangements. This statement uses existing framework for financial reports of defined benefit pension plans, including a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement also enhances note disclosures and required supplementary information for both defined benefit and defined contribution plans and requires the presentation of information about annual money-weighted rates of return in the notes and in 10-year required supplementary information schedules. This statement was effective as of June 30, 2014.

GASB Statement No. 68 replaces the requirements of GASB statements No. 27 and 50 related to pension plans that are administered through trusts or similar arrangements requiring governments to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also requires revised and new note disclosures and required supplementary information. This statement will be effective for fiscal year ending June 30, 2015.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term "government combinations", includes a variety of transactions referred to as mergers, acquisitions and transfers of operations. The statement is effective for government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis.

(3) 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 R – 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. No other utility district within Hamilton County has a seven-member board. After the board appointments, neither a financial benefit nor a burden to the citizens of Hamilton County arises.

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

Chattanooga-Hamilton County Hospital Authority – The County Mayor appoints, subject to the approval of the County Board of Commissioners, four members of the eleven-member Hospital Authority Board. The County is committed to fund a minimum of $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.

(4) 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, 2014, 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. Emphasis here is on the major governmental funds. Non-major governmental funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the County's

actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statement. Activities accounted for in the Internal Service Funds include: (1) accounting for the payment of workers' compensation and general liability claims; (2) payment of retiree and employee medical premiums, 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 (which have been redefined and narrowed in scope) 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.

(5) BASIS OF PRESENTATION

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred resources of outflows, liabilities, deferred resources of inflows, 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 are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

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

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

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

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

(6) BASIS OF ACCOUNTING

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

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

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

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

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

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

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Under most circumstances, if the eligibility requirements have not been met, the recipient should recognize expenses or revenues for resources transmitted in advance as deferred.

(7) 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, Sheriff Fund, Juvenile Court Clerk Fund, Hotel Motel Fund and Debt Service Fund. Formal budgetary integration is not employed for the remaining Constitutional Officers due to the ability of management to closely monitor and control the transactions in the funds. The remaining special revenue funds are unbudgeted because effective control is maintained through the appropriation of revenues by the General Fund and through management's observation of the limited transactions of these funds. Sheriff and Juvenile Court Clerk Funds were blended into the General Fund after budget adoption.

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, 2014, reflect expenditures for goods and services that had not been received or completed at that date. These items are recorded as commitments of fund balances and provide authority for the carryover of appropriations to the subsequent year in order to complete these transactions. Encumbrances are utilized in the General Fund, the Capital Projects Fund, and the General Purpose School Fund, a component unit.

	General	Capital Projects	Total
Primary Government			
Committed for public safety	$ 92,536	$ -	$ 92,536
Committed for capital projects	-	22,130,270	22,130,270
Assigned for general government	475,142	-	475,142
Assigned for public safety	40,750	-	40,750
Assigned for highways and streets	124	-	124
Assigned for health	84,137	-	84,137
Assigned for culture and recreation	17,961	-	17,961
	$ 710,650	$ 22,130,270	$ 22,840,920

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Board of Education
Component Units				
Committed for education	$ 3,150,234	$ -	$ -	$ 3,150,234
Committed for centralized cafeteria	-	51,986	-	51,986
Committed for capital projects	-	-	1,561,450	1,561,450
	$ 3,150,234	$ 51,986	$ 1,561,450	$ 4,763,670

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 seven separate divisions by function (Constitutional Offices, Supported Agencies, Unassigned, Finance, Public Works, Human Services and Health) and it is at that level that expenditures may not legally exceed appropriations. The Sheriff and Juvenile Court Clerk have separate legally adopted budgets that are combined with the General Fund as established by GASB 54. 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	$ 51,693,154	$ 53,545,851	$ 52,347,457	$ 1,198,394
Supported Agencies	3,898,476	3,957,905	3,948,951	8,954
Unassigned	67,919,260	70,212,947	68,259,218	1,953,729
Finance	7,253,746	8,133,266	7,349,053	784,213
Public Works	15,915,409	15,940,139	14,758,588	1,181,551
Human Services	30,258,753	31,050,180	30,138,124	912,056
Health	20,882,278	21,796,072	19,805,721	1,990,351
	197,821,076	204,636,360	196,607,112	8,029,248
Sheriff	29,081,180	29,959,372	29,244,927	714,445
Juvenile Court Clerk	2,399,193	2,399,193	2,320,434	78,759
Total General Fund	229,301,449	236,994,925	228,172,473	8,822,452
Debt Service	36,673,425	36,673,425	36,413,806	259,619
Hotel Motel	6,100,000	6,100,000	5,824,111	275,889
Primary Government	$ 272,074,874	$ 279,768,350	$ 270,410,390	$ 9,357,960

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

(8) ASSETS, LIABILITIES, DEFERRED Outflows/Inflows of Resources and Net Position/Fund Balance

a) Cash and Cash Equivalents

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

b) Investments

Investments are stated at fair value, except for interest-earning investment contracts that have a remaining maturity of one year or less at the time of purchase. Investments in the State Treasurer's Local Government Investment Pool (LGIP) are classified as investments and are valued at cost. The LGIP is not registered with the SEC as an investment company. However, the LGIP has a policy that it will-and does-operate in a manner consistent with the SEC's rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net position to compute share prices if certain conditions are met. State statutes require the State Treasurer to administer the LGIP under the same terms and conditions, including collateral requirements, as required for other funds invested by the Treasurer. The reported value of the pool is the same as the fair value of the pool shares. Any change in the value of investments recorded at fair value is included in investment earnings. At June 30, 2014, total investments in the LGIP were $193,207.

The County also has investments in the First Tennessee Bank Bizessentials Savings Account. As required by law, these investments are secured by the State Collateral Pool Board. At June 30, 2014, total investments in the Bizessentials Savings Account were $209,268,744.

c) Receivables

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

d) Inventories and Prepaid Items

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

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

e) Capital Assets

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

	Useful Life
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. Historically, the financial statements have not reflected this asset or the depreciation expense for the systematic allocation of its consumption. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

f) Fund Balance

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

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

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

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

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

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

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

g) Deferred Outflows/Inflows of Resources

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

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

h) Pension Plans

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

(9) REVENUES, EXPENDITURES AND EXPENSES

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

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

a) Property Taxes

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

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

Lien date	January 1, 2013
Levy date	October 1, 2013
Tax bills mailed	October 1, 2013
Delinquency date	March 1, 2014
Tax sale – 2010 delinquent property taxes	June 5, 2014

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) Indirect Costs

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

g) Estimates

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

h) Compensated Absences

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

(10) NET POSITION

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

Net Investments 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 – PRIOR PERIOD ADJUSTMENT

Management of the County has determined that a restatement of the beginning fund balance of the General Fund was needed to combine two funds which were previously reported separately from the General Fund. The Sheriff and Juvenile Court Clerk funds did not meet the definition of special revenue funds as reported in prior years. Therefore, in accordance with generally accepted accounting principles, the following restatement to beginning fund balance for the General Fund is as follows:

General Fund as previously reported:	$ 111,169,171
Sheriff beginning fund balance as previously reported	1,907,623
Juvenile Court Clerk beginning fund balance as previously reported	469,666
Beginning General Fund balance, restated:	$ 113,546,460

Hamilton County issued general obligation bonds on January 15, 1995. Six million five hundred thousand dollars ($6,500,000) of the bond issuance was for the Water & Wastewater Treatment Authority (the Authority) as authorized by Resolution 794-45. The Authority has not made a payment on this obligation since inception of the loan. Management has determined the amount may not be collectible and an allowance for doubtful accounts should have been recorded.

Hamilton County entered into a joint venture agreement with the City of Chattanooga and the Carter Street Corporation in a prior year to develop, operate, and manage the Chattanooga/Hamilton County Convention and Trade Center. Management has determined the one-third interest in this joint venture should have been recognized as an asset in the statement of net position of Hamilton County. The effect of this oversight was to understate net position by $3,709,326.

Therefore, in accordance with generally accepted accounting principles, the following restatements to beginning net position were required to show the effects of these transactions:

Net position, Governmental Activities, as previously reported:	$ 179,716,958
Adjustment to reserve for uncollectible accounts	(6,500,000)
Adjustment to record joint venture	3,709,326
Beginning net position, Governmental Activities, restated:	$ 176,926,284

The School Activity Fund of the Department of Education, a discretely presented component unit, was reported as a special revenue fund in prior years. Management determined that the fund should be reported as an agency fund. The restatement resulted in a reduction of beginning net position in the aggregate discretely presented component units and a reduction of the beginning fund balance of the Department of Education Governmental Funds of $6,730,408.

Management determined an adjustment of $7,552,102 to increase the net position of the Department of Education, a discretely presented component unit, was needed to record property tax revenues that were earned in prior years.

Therefore, in accordance with generally accepted accounting principles, the following restatements to beginning net position were required to show the effects of this transaction:

Net position, Department of Education, as previously reported:	$ 346,794,467
Adjustment to record School Activity Fund	(6,730,408)
Adjustment to record property tax revenue	7,552,102
Beginning net position, Department of Education, restated:	$ 347,616,161

A restatement of the beginning net position of the Water & Wastewater Treatment Authority, a discretely presented component unit, was required to record the effects of revenue earned in prior periods. The following restatement to beginning net position was required to show the effects of this transaction:

Net position, Water & Wastewater Treatment Authority, as previously reported:	$ 69,663,742
Adjustment to record revenue	840,338
Beginning net position, Water & Wastewater Treatment Authority, restated:	$ 70,504,080

NOTE C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2014, the County had no material excess of expenditures over appropriations in individual funds.

Net Position/Fund Balance Deficit

At June 30, 2014, the County has a deficit of $60,135,681 in unassigned 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, 2014, the County conveyed $32,510,412 in capital assets to the Department of Education. At June 30, 2014, the County's long-term liabilities include general obligation bonds of $163,433,194 issued for the Department of Education capital projects and notes payable of $321,107 for capital expenditures.

NOTE D – 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, 2014, all deposits were insured or collateralized, as required by Government policy.

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

Investments

At June 30, 2014, investments of the primary government (except for Pension Trust Funds and OPEB Trust Fund) and component units consist of the following:

	Weighted Average Maturity (Days)	Fair Value
Primary Government – Governmental Activities:		
U. S. Government agency securities	730	$ 2,885,087
Investment in local investment pool	38	133,082,744
Certificates of Deposit	62	15,000
Total		$135,982,831
Primary Government – Agency Funds:		
U. S. Government agency securities	730	$ 2,706
Investment in local investment pool	38	122,055
Total		$ 124,761
Component Units:		
U. S. Government agency securities	730	$ 1,112,209
Investment in local investment pool	38	73,381,058
Investment in state investment pool	110	193,207
Certificates of Deposit	304	60,647
Total		$ 74,747,121

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. At June 30, 2014, the County-held investments in U.S. Government agency securities include Federal Home Loan Bank which was rated Aaa by Moody's Investors Service.

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:

	Moody's Rating	Fair Value	Interest Rate
U.S. Treasury Note	Aaa	$ 25,482	0.625-3.125%
Agency Securities – FHLMC	Aaa	42,951	2.375-3.750%
Agency Securities – FNMA	Aaa	28,240	5.375%
Municipal Bonds	A1	26,127	4.122%
Municipal Bonds	A2	62,125	2.942-6.625%
Municipal Bonds	A3	26,555	4.500%
Municipal Bonds	Aa2	15,315	3.450%
Municipal Bonds	Aa3	40,482	2.201-3.350%
Municipal Bonds	Aaa	25,221	2.820%
Domestic Corporate Bonds	A1	10,590	4.800%
Domestic Corporate Bonds	A2	55,023	2.150-5.625%
Domestic Corporate Bonds	A3	65,552	5.700-8.500%
Domestic Corporate Bonds	Baa1	84,171	2.450-6.750%
Domestic Corporate Bonds	Baa2	87,399	2.200-8.500%
Domestic Corporate Bonds	Baa3	11,943	6.500%
Foreign Bonds / Notes	A1	21,290	2.300-5.000%
Foreign Bonds / Notes	A3	25,613	3.125-3.500%
Foreign Bonds / Notes	Aa1	11,114	4.300%
Foreign Bonds / Notes	Baa1	21,724	3.500-5.625%
Foreign Bonds / Notes	Baa2	11,247	5.625%
Mutual Funds	Not rated	1,368,878	Various
Domestic Equity Securities	Not rated	425,367	Various
Foreign Equity Securities	Not rated	57,796	Various
		$ 2,550,205	

OPEB Trust Fund:

	Moody's Rating	Fair Value	Interest Rate
U.S. Treasury Note	Aaa	$ 125,420	0.625-4.000%
Agency Securities – FHLMC	Aaa	89,881	2.375-3.750%
Agency Securities – FNMA	Aaa	79,075	5.375%
Municipal Bonds	A1	52,254	4.122%
Municipal Bonds	A2	76,745	2.942-6.625%
Municipal Bonds	A3	26,555	4.500%
Municipal Bonds	Aa1	35,163	2.197%
Municipal Bonds	Aa2	99,458	1.796-3.450%
Municipal Bonds	Aa3	60,829	2.201-3.350%
Municipal Bonds	Aaa	45,396	2.820%
Municipal Bonds	Not rated	28,223	4.948%
Domestic Corporate Bonds	A1	31,770	4.800%
Domestic Corporate Bonds	A2	143,409	2.150-5.625%
Domestic Corporate Bonds	A3	144,480	5.800-8.500%
Domestic Corporate Bonds	Baa1	230,188	2.450-6.750%
Domestic Corporate Bonds	Baa2	242,519	2.200-8.500%
Domestic Corporate Bonds	Baa3	29,858	6.500%
Foreign Bonds / Notes	A1	63,871	2.300-5.000%
Foreign Bonds / Notes	A3	66,376	3.125-3.500%
Foreign Bonds / Notes	Aa1	33,342	4.300%
Foreign Bonds / Notes	Baa1	64,575	3.500-5.625%
Foreign Bonds / Notes	Baa2	33,741	5.625%
Mutual Funds	Not rated	6,886,657	Various
Domestic Equity Securities	Not rated	4,863,976	Various
Foreign Equity Securities	Not rated	692,374	Various
		$14,246,135	

NOTE E – RECEIVABLES

Receivables at June 30, 2014, consist of the following:

Funds	Property Taxes	Patients	Accounts	Inter-Governmental	Allowance for Uncollectibles	Net
Primary Government:						
General	$130,245,996	$22,703,927	$1,640,772	$ 7,357,905	$(24,641,557)	$137,307,043
Debt service	-	-	44,984	-	-	44,984
Capital projects	-	-	13,484	4,057,984	-	4,071,468
Nonmajor	-	-	975,502	226,912	-	1,202,414
	$130,245,996	$22,703,927	$2,674,742	$11,642,801	$(24,641,557)	$142,625,909
Component Units:						
Governmental	$143,883,291	$ -	$3,549,097	$17,485,291	$ (7,646,767)	$157,270,912
Proprietary	-	-	2,860,314	-	-	2,860,314
	$143,883,291	$ -	$6,409,411	$17,485,291	$ (7,646,767)	$160,131,226

Property tax receivables include uncollected taxes from the past seven years' levies plus the anticipated levy for the current calendar year. Taxes uncollected after that time are written off, and the property is ultimately sold through a back tax property sale. The allowance for uncollectible tax is the weighted average percentage of prior year collections on delinquent taxes to the total delinquent taxes receivable at June 30, 2014.

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

NOTE F – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS

The County utilizes the General Fund to account for post closure care costs of the Hamilton County Birchwood Landfill Area 1 and the TVA Model Landfill. The County completed closure of both Area 1 and the TVA Model Landfill in 2001. In accordance with state and federal regulations, the County is required to perform certain maintenance and monitoring functions for thirty years after closure. The estimated liability for post closure care costs of $180,000 at June 30, 2014, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of $180,000 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, 2014. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in post closure requirements will be covered by appropriations in the General Fund.

NOTE G – COMMITMENTS AND CONTINGENCIES

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

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

The County has entered into various construction commitments. Such contracts include contracts for improvements to schools, industrial parks, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2014. The total contractual commitments outstanding as of June 30, 2014, aggregated approximately $22,158,848. These commitments are reported in the governmental-wide statements. The County has sufficient funds available to cover these commitments.

Hamilton County Water and Wastewater Treatment Authority (the Authority), a discretely presented component unit, is currently defending a court case that seeks to declare the $8 monthly fee charged for the Private Service Lateral Program (PSLP) funding as unlawful. Further, the case seeks to certify a class action suit on behalf of all customers of the Authority. The Authority is contesting the lawsuit vigorously, but no outcome is certain. Should the courts rule against the Authority, the Authority may be required to refund approximately $8 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 H – CONDUIT DEBT OBLIGATION

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

As of June 30, 2014, there is one Industrial Revenue Bond outstanding. The aggregate principal amount payable for the Industrial Revenue Bond series issued at June 30, 2014, is $19,657,200.

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 I – CONSTITUTIONAL OFFICERS

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2014, 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	$ 951,154	$ 274,581	$ 22,310	$ 1,248,045
Clerk and Master	688,014	128,315	-	816,329
County Clerk	1,307,367	431,264	1,007	1,739,638
Criminal Court Clerk	1,216,722	178,506	56,554	1,451,782
Juvenile Court Clerk	-	-	7,138	7,138
Register	345,980	54,338	16,510	416,828
Sheriff	-	-	915,540	915,540
Trustee	354,904	325,684	-	680,588
Election Commission	1,227,096	196,546	1,263,004	2,686,646
Assessor of Property	3,057,602	315,050	39,026	3,411,678
	$ 9,148,839	$ 1,904,284	$2,321,089	$ 13,374,212

NOTE J – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

Primary Government

	Beginning Balance	Current Year Additions	Current Year Retirements	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 66,103,241	$ 1,848,094	$ (855,895)	$ 67,095,440
Construction in progress	58,654,066	11,593,579	(37,119,400)	33,128,245
Total non-depreciable assets	124,757,307	13,441,673	(37,975,295)	100,223,685
Depreciable Assets:				
Buildings	137,456,473	4,370,786	-	141,827,259
Improvements other than buildings	25,272,256	368,535	-	25,640,791
Machinery and equipment	39,691,900	4,202,289	(1,578,877)	42,315,312
Infrastructure	201,622,220	7,082,678	(1,439,733)	207,265,165
Intangibles	4,650,589	1,787,657	(479,536)	5,958,710
Total depreciable assets	408,693,438	17,811,945	(3,498,146)	423,007,237
Less Accumulated Depreciation for:				
Buildings	(61,844,990)	(3,608,498)	-	(65,453,488)
Improvements other than buildings	(13,350,302)	(1,425,309)	-	(14,775,611)
Machinery and equipment	(32,468,931)	(2,192,405)	874,170	(33,787,166)
Infrastructure	(122,653,889)	(5,114,102)	1,219,204	(126,548,787)
Intangibles	(3,792,274)	(303,451)	479,536	(3,616,189)
Total accumulated depreciation	(234,110,386)	(12,643,765)	2,572,910	(244,181,241)
Depreciable Assets, net	174,583,052	5,143,059	(900,115)	178,825,996
Governmental activities capital assets, net	$ 299,340,359	$ 18,609,853	$(38,900,531)	$ 279,049,681

Discretely Presented Component Units

	Beginning Balance	Current Year Additions	Current Year Retirements	Ending Balance
Non-Depreciable Assets:				
Land	$ 20,400,877	$ 103,422	$ (382,507)	$ 20,121,792
Construction in progress	2,095,329	2,821,578	(100,042)	4,816,865
Other non-depreciable assets	-	-	-	-
Total non-depreciable assets	22,496,206	2,925,000	(482,549)	24,938,657
Depreciable Assets:				
Buildings	476,395,963	33,428,038	(4,009,682)	505,814,319
Improvements other than buildings	23,412,114	98,448	(700,000)	22,810,562
Machinery and equipment	35,314,443	3,096,570	(665,693)	37,745,320
Utility plant	116,610,871	2,381,840	-	118,992,711
Total depreciable assets	651,733,391	39,004,896	(5,375,375)	685,362,912
Less Accumulated Depreciation for:				
Buildings	(208,880,940)	(10,127,133)	3,824,068	(215,184,005)
Improvements other than buildings	(18,207,573)	(372,613)	1,153,617	(17,426,569)
Machinery and equipment	(25,129,343)	(1,881,029)	346,006	(26,664,366)
Utility plant	(28,852,447)	(3,185,440)	-	(32,037,887)
Total accumulated depreciation	(281,070,303)	(15,566,215)	5,323,691	(291,312,827)
Depreciable Assets, net	370,663,088	23,438,681	(51,684)	394,050,085
Component units capital assets, net	$ 393,159,294	$ 26,363,681	$ (534,233)	$ 418,988,742

During fiscal year 2014, it was determined that construction in progress previously capitalized related to estimated pollution remediation costs should not have been capitalized. As a result, the beginning balance in construction in progress was reduced by $6,277,820 for the discretely presented component units.

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities**:**	
Ambulance	$ 597,721
Criminal Court	61,492
General Government	3,260,831
Health	205,581
Highway	5,500,503
Juvenile Court	185,424
Public Safety	949,074
Recreation	1,235,515
Sheriff	633,355
Social Services	14,269
Total	$ 12,643,765
Discretely Presented Component Units**:**	
Department of Education	$ 11,711,508
Water & Wastewater Treatment Authority	3,361,482
“911” Emergency Communications	492,675
Railroad Authority	550
Total	$ 15,566,215

Hamilton County donated $33,478,535 assets transferred from construction in progress to the Department of Education. The Department of Education transferred Birchwood Elementary School to Hamilton County for $968,123, resulting in a net transfer to entity-wide statements of $32,510,412.

NOTE K – EMPLOYEE RETIREMENT SYSTEMS

Hamilton County provides retirement benefits through five pension plans. The majority of employees participate in two retirement plans provided by the Tennessee Consolidated Retirement System (TCRS). One of the TCRS plans is the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit plan which is available

for all County employees except teachers. The other TCRS plan, the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), is available to teachers of the Hamilton County School system. It is a cost sharing, multiple-employer, defined benefit pension plan in which most teachers participate.

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

The following is a summary of each of these plans:

Tennessee Consolidated Retirement Systems

(1) POLITICAL SUBDIVISION PENSION PLAN (PSPP)

Plan Description

Employees of Hamilton County, including certain employees of the Hamilton County Department of Education, are members of the Political Subdivision Pension Plan (PSPP), an agent, multiple-employer, defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Hamilton County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/PS/.

Funding Policy

Hamilton County adopted a noncontributory retirement plan for its employees on July 1, 1981 by assuming employee contributions up to 5 percent of annual covered payroll.

Hamilton County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 14.08% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Hamilton County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, Hamilton County's annual pension cost of $14,573,540 to TCRS was equal to Hamilton County's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected 3.0 percent annual rate of inflation; (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (d) projected 3.5 percent annual increase in the Social Security wage base; and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Hamilton County's unfunded actuarial accrued liability is

being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was seven years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	$14,573,540	100.00%	$ -
6/30/13	14,337,306	100.00%	-
6/30/12	14,332,188	100.00%	-

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 91.63% funded. The actuarial accrued liability for benefits was $421.18 million, and the actuarial value of assets was $385.93 million, resulting in an unfunded actuarial accrued liability (UAAL) of $35.25 million. The covered payroll (annual payroll of active employees covered by the plan) was $97.31 million, and the ratio of the UAAL to the covered payroll was 36.23%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the UAALs for benefits.

(2) STATE EMPLOYEES, TEACHERS, AND HIGHER EDUCATION EMPLOYEES PENSION PLAN (SETHEEPP)

Plan Description

Teachers and other certificated employees of the Hamilton County Department of Education have retirement benefits through the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost sharing, multiple-employer defined benefit pension plan administered by the TCRS. TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's highest five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced benefit is available to vested members who are at least age 55 or have twenty-five years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at 3 percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers and certificated employees are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Hamilton County Department of Education is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll. The employer contribution requirement for Hamilton County Department of Education is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for

the years ending June 30, 2014, 2013, and 2012 were $15,421,112, $14,595,203, and $14,747,428, respectively, equal to the required contribution for each year.

Hamilton County Administered Plans

Significant Accounting Policies

Basis of Accounting

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

Method Used to Value Investments

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

Actuarial Assumptions and Estimates

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

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

Plan Description and Provisions

(1) EMPLOYEES' PENSION PLAN

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

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

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

(2) COMMISSIONERS' PENSION PLAN

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

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

(3) TEACHERS' PENSION PLAN

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

	Employees' Pension Plan	Commissioners' Pension Plan	Teachers' Pension Plan
Retirees and beneficiaries receiving benefits	23	11	3
Vested terminated employees	-	3	-
Active employees:			
Fully vested	-	4	-
Non vested	-	5	-
Actuarial valuation date	June 30, 2013	June 30, 2013	June 30, 2013

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, 2014, is show below:

Asset Class	Employees' Plan Target Allocation	Commissioners' Plan Target Allocation
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%
	100.00%	100.00%

The Teachers' Plan only maintains Certificates of Deposit.

Investment Rate of Return

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

Asset Class	Long-term Expected Real Rate of Return
U.S. Large Cap Value	8.58%
U.S. Large Cap Growth	7.51%
U.S. Mid Cap Value	9.34%
U.S. Mid Cap Growth	8.27%
U.S. Small Cap Value	9.21%
U.S. Small Cap Growth	8.62%
Int'l Developed Large/Mid Cap Value	9.51%
Int'l Developed Large/Mid Cap Growth	8.30%
Int'l Developed Small Cap Core	9.40%
Emerging Markets Value	11.37%
Emerging Markets Growth	10.32%
U.S. Core Fixed Income	3.78%
Int'l Fixed Income (Hedged)	3.45%
U.S. High Yield	5.93%
TIPS	4.13%
Emerging Markets Debt	6.55%
Alt Strategies	4.53%
REITs	9.57%
Commodities	6.30%

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, 2014 are shown in the following table:

	County Administered Retirement Plans		
	Employees'	Commissioners'	Teachers'
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	-	$ 65,888	-
Other contributing entities	N/A	N/A	$3,738
Date of last actuarial valuation	June 30, 2013	June 30, 2013	June 30, 2013
Actuarial valuation date for current contributions	June 30, 2013	June 30, 2013	June 30, 2013
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.

	AGE (Sample value per 1,000 lives)			
	60	70	80	90
Mortality Rates				
2013 IRS PPA Combined Mortality Table				
Male	4.70	16.16	52.65	169.28
Female	4.50	14.86	39.87	124.00

Future Mortality Improvement:

The mortality tables include mortality improvement projected after year 2000 under Projection Scale AA to 15 years beyond the valuation date for non-annuitants and to 7 years beyond the valuation date for annuitants.

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

	Discount Rate	Net Pension Liability
Teachers' Plan		
Net Pension Liability, 1% Decrease	4.00%	13,592
Net Pension Liability, Current Rate	5.00%	13,205
Net Pension Liability, 1% Increase	6.00%	12,842
Employees' Plan		
Net Pension Liability, 1% Decrease	6.50%	(1,486,666)
Net Pension Liability, Current Rate	7.50%	(1,511,619)
Net Pension Liability, 1% Increase	8.50%	(1,534,329)
Commissioners' Plan		
Net Pension Liability, 1% Decrease	5.00%	199,757
Net Pension Liability, Current Rate	6.00%	151,076
Net Pension Liability, 1% Increase	7.00%	107,909

Annual Pension Cost

For the year ended June 30, 2014, no employer contributions were made for the Employees' and Teachers' Pension Plans. Other contributions to the Commissioners' Pension Plan totaled $65,888.

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

	Employees' Pension Plan	Commissioners' Pension Plan	Teachers' Pension Plan
Annual required contribution	$ -	$ 51,769	$ 1,393
Interest on net pension obligation (asset)	(15,815)	(10,819)	(32,314)
Adjustment to annual required contribution	30,721	24,500	83,695
Annual pension cost	14,906	65,450	52,774
Contributions made	-	(65,888)	-
Increase in net pension obligation (asset)	14,906	(438)	52,774
Net pension obligation (asset) at beginning of year	(210,872)	(180,320)	(646,270)
Net pension obligation (asset) at the end of year	$ (195,966)	$ (180,758)	$ (593,496)

Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Employees' Plan	6/30/14	$ 14,906	0.0%	$ (195,966)
	6/30/13	16,040	0.0%	(210,872)
	6/30/12	17,259	0.0%	(226,912)
Commissioners' Plan	6/30/14	65,450	100.7%	(180,758)
	6/30/13	63,454	106.2%	(180,320)
	6/30/12	63,128	106.8%	(176,356)
Teachers' Plan	6/30/14	52,774	0.0%	(593,496)
	6/30/13	58,074	0.0%	(646,270)
	6/30/12	63,089	0.0%	(704,344)

Schedule of Funding Progress
(Dollar amounts in thousands)

Hamilton County Administered Plans

Actuarial Valuation Date (entry age normal)	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Employees' Retirement						
06/30/13	$ 1,924	$ 583	$ (1,341) **	330.1%	$ -	N/A
06/30/11	2,025	705	(1,320) **	287.1%	-	N/A
06/30/09	1,787	873	(914) **	204.7%	-	N/A
Commissioners' Retirement						
06/30/13	$ 572	$ 756	$ 184	75.6%	$ 187	98.8%
06/30/11	519	700	181	74.2%	187	96.6%
06/30/09	482	702	220	68.6%	196	112.3%
Teachers' Retirement						
06/30/13	$ 7	$ 18	$ 11	39.5%	$ -	N/A
06/30/11	26	42	16	61.1%	-	N/A
06/30/09	57	64	7	89.1%	-	N/A

******Considered a "funding excess"

Components of Net Pension Liability

Update procedures were used to roll forward the total pension liability from the actuarial valuation date of June 30, 2013, to the plan's most recent fiscal year end.

	July 1, 2014		
	Teachers' Plan	Employees' Plan	Commissioners' Plan
Total Pension Liability	$ 11,370	$ 526,921	$ 776,134
Plan Fiduciary Net Position	1,835	(2,038,540)	(625,057)
Net Pension Liability	$ 13,205	$ (1,511,619)	$ 151,077
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	(16.14%)	386.88%	80.53%

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

Combining Statement of Plan Net Position

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
ASSETS:				
Cash	$ 29,452	$ 73,921	$ (1,835)	$ 101,538
Investments, at fair value				
US Gov. Securities	96,673	-	-	96,673
Foreign Bonds/Notes	90,988	-	-	90,988
Mutual Funds	818,456	550,422	-	1,368,878
Domestic Equity Securities	425,367	-	-	425,367
Domestic Corporate Bonds	314,678	-	-	314,678
Foreign Securities	57,796	-	-	57,796
Municipal Bonds	195,825	-	-	195,825
Total investments	1,999,783	550,422	-	2,550,205
Interest receivable	9,305	714	-	10,019
Total Receivables	9,305	714	-	10,019
Total Assets	2,038,540	625,057	(1,835)	2,661,762
LIABILITIES				
Accrued Items & Other	-	-	-	-
NET POSITION				
Held in trust for pension benefits	$ 2,038,540	$ 625,057	$ (1,835)	$ 2,661,762

Combining Statement of Changes in Plan Net Position

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Pension Trust Funds
ADDITIONS:				
Contributions				
Employer	$ -	$ 65,888	$ -	$ 65,888
Other	-	-	3,738	3,738
Total contributions	-	65,888	3,738	69,626
Investments earnings:				
Net increase (decrease) in fair value of investments	166,658	29,746	-	196,404
Interest	59,397	16,629	3	76,029
Net investment income (loss)	226,055	46,375	3	272,433
Total additions	226,055	112,263	3,741	342,059
DEDUCTIONS:				
Benefits	96,114	52,128	7,550	155,792
Consulting Fees	5,197	4,998	4,956	15,151
Miscellaneous expense	-	-	250	250
Administrative expense	10,192	1,816	-	12,008
Total deductions	111,503	58,942	12,756	183,201
Change in net position	114,552	53,321	(9,015)	158,858
Net position, beginning	1,923,988	571,736	7,180	2,502,904
Net position, ending	$ 2,038,540	$ 625,057	$ (1,835)	$2,661,762

NOTE L – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

(1) PLAN DESCRIPTION:

Primary Government

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

Department of Education (Department)

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

(2) FUNDING POLICY:

Primary Government

In fiscal year 2011, the County established an Other Postemployment Benefits Trust (OPEB Trust) which is used to partially pre-fund benefits. The County's General Fund contributes to the OPEB Trust to pre-fund benefits. Only the prefunded portion of the OPEB cost is included in the OPEB Trust. The pay-as-you-go component is funded and accounted for in the County's Governmental Activities - Internal Service Fund. Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During fiscal year 2014, the County and retirees contributed $1,260,854 and $62,120 respectively to the internal service fund for health care benefits for 184 retirees. Funding is established and amended by the County Commission, and no planned increases were approved for fiscal year 2014.

Department of Education (Department)

Eligible retirees pay a premium using a formula based on date of retirement, years of service, and the Department's computed cost for active employees. During fiscal year 2014, the Department contributed $7,749,540 for these health care benefits for 659 retirees. The Department will make contributions to its Department of Education - Internal Service Fund in amounts sufficient to cover the pay-as-you-go component plus administrative costs. The Department has no plans at this time to fund the remaining portion of the annual required contributions. Funding is established and amended by the Hamilton County School Board, and no planned increases were approved for fiscal year 2014.

(3) ANNUAL OPEB COST AND NET OPEB OBLIGATION:

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

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

Annual OPEB Cost and Net OPEB Obligation:

	Primary Government	Department of Education	Total
Net OPEB Obligation – July 1	$ (377,551)	$ 17,402,832	$ 17,025,281
Annual required contribution	3,004,067	12,018,403	15,022,470
Interest on net OPEB obligation	(24,541)	696,113	671,572
Adjustment to annual required contribution	5,152	(662,768)	(657,616)
Annual OPEB cost (expense)	2,984,678	12,051,748	15,036,426
Expected payout for Retiree Benefits	(1,437,331)	(7,749,540)	(9,186,871)
Current Year Contribution to Trust	(1,600,000)	-	(1,600,000)
Contribution made	(3,037,331)	(7,749,540)	(10,786,871)
Increase (decrease) in net OPEB obligation	(52,653)	4,302,208	4,249,555
Net OPEB obligation – June 30	$ (430,204)	$ 21,705,040	$ 21,274,836
% of annual OPEB cost contributed	53.6%	0%	10.6%
% of annual OPEB cost to total contribution	101.8%	64.3%	71.7%

	Year Ended June 30	Annual OPEB Cost	Total Contributions	Percentage Contributed	Net OPEB Obligation End of Year
Primary Government					
	2014	$ 2,984,678	$ 3,037,331	101.8%	$ (430,204)
	2013	2,797,588	2,906,665	103.9%	(377,551)
	2012	3,023,436	3,417,718	113.0%	(268,474)
Dept. of Education					
	2014	$ 12,051,748	$ 7,749,540	64.3%	$ 21,705,040
	2013	11,357,424	7,142,433	62.9%	17,402,832
	2012	9,311,081	7,499,576	80.5%	13,187,841

(4) FUNDED STATUS AND FUNDING PROGRESS:

Primary Government

As of July 1, 2013, the most recent actuarial valuation date, the County employees post retirement medical insurance benefits plan was 32.2% funded. The actuarial accrued liability for benefits was $34,001,560 and the actuarial value of assets was $10,956,074, resulting in an unfunded actuarial accrued liability (UAAL) of $23,045,486. The covered payroll (annual payroll of active employees covered by the plan) was $78,832,201 and the ratio of the UAAL to the covered payroll was 29.2%. In fiscal year 2011, the primary government established an OPEB Trust Fund. For the year ended June 30, 2014, $1,600,000 was contributed to the OPEB Trust, and an additional $1,600,000 has been budgeted for fiscal year ended June 30, 2015.

Department of Education (Department)

As of July 1, 2013, the most recent actuarial valuation date, the Department's employees' post-retirement medical and dental insurance benefits plan was 0% funded. The actuarial accrued liability for benefits was $111,727,631, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $111,727,631. The covered payroll (annual payroll of active employees covered by the plan) was $177,652,632, and the ratio of the UAAL to the covered payroll was 62.9%. The Department will make payments in amounts sufficient to cover annual benefits paid and administrative costs but has no plans at this time to fund the remaining portion of the annual required contributions.

(5) ACTUARIAL VALUATIONS:

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

(6) ACTUARIAL METHODS AND ASSUMPTIONS:

Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Primary Government

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

Department of Education (Department)

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

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

Other key assumptions are as follows:

	Primary Government	Department of Education
Healthcare Cost Trend		
Annual medical costs increase, first year	10%	8.5%
Future annual increases - medical	5% over a 10-year period	5% over a 7-year period
Dental	N/A	Capped at $1,000/year
UAAL Amortization Period	30 years closed	30 years closed
Investment Return	6.5%	4.0%
Inflation Rate	2.5%	2.5%
Projected Salary Increase	3.0%	3.0%
Post Retirement Benefit Increases	None	None

NOTE M – 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:

Purpose	Interest Rates	Principal Amount	Amount Due Within One Year
General Improvement, Series 1998-B	5.00-5.10%	$ 3,955,000	$ 275,000
General Improvement, Series 2008-A	3.50-3.75%	1,922,024	961,012
School, Series 2008-A	3.50-3.75%	11,007,976	5,503,988
General Improvement, Series 2008-B	3.25-4.00%	1,520,561	767,059
School, Series 2008-B	3.25-4.00%	5,209,439	2,627,941
General Improvement, Series 2009	3.00-4.375%	5,945,970	595,020
School, Series 2009	3.00-4.375%	15,139,030	1,514,980
General Improvement, Series 2010-A	3.00-4.00%	7,475,000	-
General Improvement, Series 2010-B	2.50-4.25%	9,660,000	1,610,000
General Improvement, Series 2010-C	2.20-5.00%	3,670,000	330,000
General Improvement, Series 2011-A	3.25-5.00%	11,623,410	660,445
School, Series 2011-A	3.25-5.00%	43,726,590	2,484,555
General Improvement, Series 2011-B	3.00-5.00%	13,089,667	1,434,667
School, Series 2011-B	4.00-5.00%	3,285,333	645,333
General Improvement, Series 2013-A	2.00-4.00%	9,389,547	671,453
School, Series 2013-A	2.00-4.00%	47,175,453	3,373,547
General Improvement, Series 2013-B	2.00-4.00%	6,615,627	51,284
School, Series 2013-B	2.00-4.00%	37,889,373	293,716
Total payable from the Debt Service Fund		$ 238,300,000	$ 23,800,000

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. Hamilton County requested and received a revolving loan of $5,000,000 for the year ended June 30, 2014.

The County entered into a Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 17, 1999. This Agreement reserves funds for the County in the amount of $9,000,000 (the "Loan") from the proceeds of the Authority's adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14-year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2014, the County has withdrawn $8,998,350 of the Funds reserved to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2014, the County has fulfilled its obligation on this Agreement.

The County has entered into an Agreement with the City of Chattanooga to fund a portion of the municipality's debt obligations. This Agreement includes obligations for the University of Tennessee at Chattanooga Stadium project, the Memorial Auditorium project, and the Bessie Smith Hall project. This Agreement represents direct general obligations of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for these payments. As of June 30, 2014, the County's remaining obligations to the City of Chattanooga total $872,500, of which $427,500 is due within one year.

The County has a long-term Agreement with the Corrections Corporation of America ("CCA") for the management of the Hamilton County Penal Farm. This Agreement required the County to make annual payments through 2013. The County's obligation under this Agreement is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. At June 30, 2014, the County has fulfilled its obligation on this 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, 2014, the County has withdrawn $1,361,000 of the funds reserved. At June 30, 2014, the County's remaining obligation was $321,107, of which $90,733 is due within one year.

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

Year	Principal	Interest
General Obligation Bonds:		
2015	23,800,000	9,165,170
2016	23,935,000	8,241,561
2017	20,395,000	7,335,286
2018	20,575,000	6,461,349
2019-2023	98,425,000	19,561,219
2024-2028	49,690,000	4,256,575
2029-2031	1,480,000	103,757
	$ 238,300,000	$ 55,124,917
Notes Payable and Other Debt:		
2015	518,233	29,377
2016	5,535,733	10,013
2017-2018	139,641	-
	$ 6,193,607	$ 39,390

Changes in Long-term Liabilities – During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Primary Government:					
Government Activities:					
General Obligation Bonds	$ 263,545,000	$ -	$ 25,245,000	$ 238,300,000	$ 23,800,000
Notes payable and other debt	2,614,727	5,000,000	1,421,120	6,193,607	518,233
OPEB Obligation	-	3,004,067	3,004,067	-	-
Landfill post closure costs	190,000	-	10,000	180,000	10,000
Compensated absences	15,409,538	6,029,842	6,256,129	15,183,251	3,128,064
	281,759,265	14,033,909	35,936,316	259,856,858	$ 27,456,297
Net deferred premium	20,111,397	-	2,060,912	18,050,485	
	$ 301,870,662	$ 14,033,909	$ 37,997,228	$ 277,907,343	

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Component Units:					
Notes payable and other debt	$ 13,223,572	$ 372,598	$ 833,298	$ 12,762,872	$ 876,555
OPEB Obligation	17,402,832	12,051,748	7,749,540	21,705,040	7,749,540
Compensated absences	11,399,241	58,334	943,358	10,514,217	2,100,194
	42,025,645	12,482,680	9,526,196	44,982,129	$ 10,726,289
Net deferred premium	15,982	-	4,358	11,624	
	$ 42,041,627	$ 12,482,680	$ 9,530,554	$ 44,993,753	

During fiscal year 2014, it was determined that the amount previously reported as pollution remediation liability in the amount of $6,277,820 should not be included for the discretely presented component units.

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

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

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

NOTE N - REFINANCING

On April 24, 2013, the County issued general obligation bonds (Series 2013A Bonds) in the amount of $60,610,000 and general obligation refunding bonds (Series 2013B Bonds) in the amount of $45,080,000. The Series 2013A Bonds were issued to retire $41,556,000 of Bond Anticipation Notes and $20,054,000 for new projects. The bonds were issued at a premium of $11,152,177. The 2013B Bonds were issued to retire $45,255,000 in outstanding debt with call date of March 1, 2016. The present value of savings to Hamilton County is $3,573,353. Proceeds in the amount of $51,163,429 were placed with an escrow agent. The proceeds of the 2013B Bonds will be used to purchase direct non-callable obligations, the principal of and interest on which are unconditionally guaranteed as to full and timely payments by the United States of America and obligations of any agency or instrumentality of the United States (the “Federal Securities”). The principal of and interest of the Federal Securities, together with the cash held in the Escrow fund will be sufficient to pay, when due, the principal of, and the redemption premium and interest on the Refunded Bonds through March 1, 2016, the redemption date.

With the refunding of the 2013B Bonds, the government-wide statements realized a deferred loss on refunding of $3,766,915 which will be amortized until March 1, 2023. At June 30, 2014, $387,266 was amortized with a remaining balance of $3,373,266.

NOTE O – DEFEASED DEBT

In prior years, the County has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in a trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the County's government-wide financial statements. As of June 30, 2014, the County's balance of the defeased debt outstanding was $45,255,000.

NOTE P – 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.

Receivable Primary Government	Payable Primary Government	Amount
General Fund	Nonmajor Government Fund	$ 1,160
General Fund	Capital Projects	3,051
Internal Service Funds	General Fund	1,358,454
Internal Service Funds	Nonmajor Government Fund	1,965
Nonmajor Governmental Fund	General Fund	5,341
		$ 1,369,971

Receivable Primary Government	Payable Component Units	Amount
General Fund	"911" Emergency Communication	$ 1,261,131
General Fund	Water/Wastewater Treatment	323,423
General Fund	Board of Education	30,142
General Fund	Food Service	2,445
		$ 1,617,141

NOTE Q – 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.

Transfers In Primary Government	Transfers Out Primary Government	Amount
General Fund	Nonmajor Governmental Funds	$ 11,128,030
Debt Service	General Fund	35,673,856
Nonmajor Governmental Funds	General Fund	400,000
		$ 47,201,886

NOTE R – 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, 2014, is as follows:

ASSETS	
Cash	$ 1,618,176
Accounts receivable	450,807
Inventories	48,359
Prepaid expenses	51,135
Premises and equipment	9,308,494
Total assets	11,476,971
LIABILITIES AND NET POSITION	
Liabilities	
Accounts payable and accrued items	44,100
Accrued expenses	123,132
Advanced deposits	73,886
Deferred revenue	10,000
Total liabilities	251,118
Net position	
Net investment in capital assets	9,308,494
Unrestricted	1,894,562
Restricted	22,797
Total net position	$11,225,853

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION:

Total operating revenues	$ 3,592,510
Total operating expenses	(3,368,109)
Less depreciation and amortization	(626,525)
Loss from operations	(402,124)
Non-operating revenues	500,000
Non-operating expenses	-
Net income	97,876
Net position at July 1, 2013	11,127,977
Net position at June 30, 2014	$11,225,853

NOTE S – RISK MANAGEMENT

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

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

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

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

	Total Primary Government	Total Component Units
Unpaid claims, June 30, 2012	$ 2,629,282	$ 6,620,503
Incurred claims	25,681,062	54,832,467
Claims payments	(25,561,454)	(53,965,572)
Unpaid claims, June 30, 2013	2,748,890	7,487,398
Incurred claims	28,529,793	55,033,305
Claims payments	(28,790,012)	(54,895,406)
Unpaid claims, June 30, 2014	$ 2,488,671	$ 7,625,297

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, 2014, the Hamilton County Internal Service Fund has net position of $17,777,317, and the Department of Education Internal Service Fund has net position of $28,037,161. These net position balances are designated for future catastrophic losses.

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

HAMILTON COUNTY, TENNESSEE

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 141,382,821	$ 141,382,821	$ 141,470,342	$ 87,521
Licenses and permits	876,300	876,300	776,100	(100,200)
Intergovernmental revenues	21,492,843	25,354,396	24,126,671	(1,227,725)
Charges for services	15,060,818	15,306,944	12,350,759	(2,956,185)
Fines, forfeitures and penalties	1,078,950	1,078,950	1,281,233	202,283
Investment earnings	412,500	412,500	346,730	(65,770)
Miscellaneous	3,318,682	3,447,790	3,601,954	154,164
Total revenues	183,622,914	187,859,701	183,953,789	(3,905,912)
EXPENDITURES				
Current:				
General government	39,225,653	42,032,414	40,087,310	1,945,104
Public safety	47,024,174	48,444,338	46,994,410	1,449,928
Highways and streets	11,281,154	11,283,084	10,285,716	997,368
Health	22,570,826	23,484,620	21,494,269	1,990,351
Social services	2,122,905	2,236,441	2,136,310	100,131
Culture and recreation	7,673,578	7,706,714	7,343,364	363,350
Capital outlay	4,250,671	5,776,634	5,017,091	759,543
Total expenditures	134,148,961	140,964,245	133,358,470	7,605,775
Excess of revenues over expenditures	49,473,953	46,895,456	50,595,319	3,699,863
OTHER FINANCING SOURCES (USES)				
Transfers in	10,612,115	10,920,000	11,128,030	208,030
Transfers out	(63,672,115)	(63,672,115)	(63,248,642)	423,473
Sale of capital assets	-	24,642	24,642	-
Total other financing sources (uses)	(53,060,000)	(52,727,473)	(52,095,970)	631,503
Net change in fund balance	(3,586,047)	(5,832,017)	(1,500,651)	4,331,366
Fund balance allocation	3,586,047	5,832,017	-	5,832,017
	$ -	$ -	(1,500,651)	$ (1,500,651)
Add encumbrances at end of year			618,114	
Less encumbrances at beginning of year			(401,999)	
			(1,284,536)	
Excess of revenues over (under) expenditures for sub-funds budgeted separately from the General Fund				
Sheriff - sub-fund of General Fund			(229,901)	
Juvenile Court Clerk - sub-fund of General Fund			73,588	
Net change in fund balance--(GAAP Modified Accrual Basis)			(1,440,849)	
Fund balance at beginning of year, as restated--(GAAP Modified Accrual Basis)			113,546,460	
Fund balance at end of year--(GAAP Modified Accrual Basis)			$ 112,105,611	

(continued)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND--(continued)

EXPLANATION OF DIFFERENCES:

REVENUES		
Actual amounts (budgetary basis) from the budgetary comparison schedule	$	195,106,461
Component unit accounting services		8,035,397
Ambulance services bad debt		8,471,389
Ambulance services contractual allowance		12,405,417
Sheriff - sub-fund of General Fund - actual GAAP		3,864,277
Juvenile Court Clerk - sub-fund of General Fund - actual GAAP		384,129
Total revenues and other financing sources as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	228,267,070
EXPENDITURES		
Actual amounts (budgetary basis) from the budgetary comparison schedule	$	196,607,112
Adjustment for encumbrances		(216,115)
Component unit payroll		8,035,397
Ambulance services bad debt		8,471,389
Ambulance services contractual allowance		12,405,417
Transfer out for Sheriff and Juvenile Court		(27,174,786)
Sheriff - sub-fund of General Fund - actual GAAP		29,259,071
Juvenile Court Clerk - sub-fund of General Fund - actual GAAP		2,320,434
Total expenditures and other financing uses as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$	229,707,919
FUND BALANCE		
General fund, exclusive of Sheriff and Juvenile Court Clerk sub-funds	$	109,884,635
Sheriff - sub-fund of General Fund		1,677,722
Juvenile Court Clerk - sub-fund of General Fund		543,254
General Fund - GAAP Modified Accrual Basis	$	112,105,611

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Schedule of Funding Progress

(Dollar amounts in thousands)

Tennessee Consolidated Retirement System

Actuarial Valuation Date (frozen initial liability)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Politcial Subdivision Pension Plan (PSPP)						
07/01/13	$ 385,926	$ 421,178	$ 35,253	91.63%	$ 97,308	36.23%
07/01/11	351,799	382,725	30,926	91.92%	97,322	31.78%
07/01/09	290,589	352,880	62,291	82.35%	97,446	63.92%

Hamilton County Administered Plans

Actuarial Valuation Date (entry age normal)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Employees' Retirement						
06/30/13	$ 1,924	$ 583	$ (1,341) **	330.1%	$ -	N/A
06/30/11	2,025	705	(1,320) **	287.1%	-	N/A
06/30/09	1,787	873	(914) **	204.7%	-	N/A
Commissioners' Retirement						
06/30/13	$ 572	$ 756	$ 184	75.6%	$ 187	98.8%
06/30/11	519	700	181	74.2%	187	96.6%
06/30/09	482	702	220	68.6%	196	112.3%
Teachers' Retirement						
06/30/13	$ 7	$ 18	$ 11	39.5%	$ -	N/A
06/30/11	26	42	16	61.1%	-	N/A
06/30/09	57	64	7	89.1%	-	N/A

** Considered a "funding excess"

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Schedule of Funding Progress
(Dollar amounts in thousands)

Schedule of Changes in the Net Pension Liability and Related Ratios

Hamilton County Administered Plans	Plan Year End 2014		
	Teachers' Plan	Employees' Plan	Commissioners' Plan
Total Pension Liability			
Service Cost (normal cost adjusted to end of year)	$ -	$ -	$ 28.2
Interest	0.7	40.2	43.8
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit Payments/Refunds	(7.5)	(96.1)	(52.1)
Net Change in Total Pension Liability	(6.8)	(55.9)	19.9
Total Pension Liability - beginning	18.2	582.9	756.2
Total Pension Liability - ending (a)	$ 11.4	$ 527.0	$ 776.1
Plan Fiduciary Net Position			
Contributions - employer	$ -	$ -	$ 65.9
Contributions - employee	3.7	-	-
Net investment income	-	226.0	46.4
Benefit Payments/Refunds	(7.5)	(96.1)	(52.1)
Administrative expenses	(5.2)	(15.4)	(6.8)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	(9.0)	114.5	53.4
Plan Fiduciary Net Position - beginning	7.2	1,924.0	571.7
Plan Fiduciary Net Position - ending (b)	$ (1.8)	$ 2,038.5	$ 625.1
Net Pension Liability - ending (a) - (b)	$ 13.2	$ (1,511.5)	$ 151.0
Plan Fiduciary Net Position as a % of the Total Pension Liability	(16.1%)	386.8%	80.5%
Covered-employee payroll	$ -	$ -	$ 194.2
Net Pension Liability as a % of covered-employee payroll	N/A	N/A	77.8%

Note: GASB 67 requires this schedule presenting 10 years if the information is available. Future years will present the required disclosures as the information becomes obtainable.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Schedule of Employer Contributions

Tennessee Consolidated Retirement System

Year Ended June 30	PSPP Annual Required Contribution	PSPP Percentage Contributed	SETHEEPP Annual Required Contribution	SETHEEPP Percentage Contributed
2014	$ 14,573,540	100.0%	$ 15,421,112	100.0%
2013	14,337,306	100.0%	14,595,203	100.0%
2012	14,332,188	100.0%	14,747,428	100.0%
2011	14,938,598	100.0%	14,431,297	100.0%
2010	14,406,682	100.0%	10,039,596	100.0%
2009	15,063,655	100.0%	10,344,519	100.0%

Hamilton County Administered Plans

Year Ended June 30	Employees' Retirement Annual Required Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	$ -	$ -	$ -	N/A	N/A
2013	-	-	-	-	N/A
2012	-	-	-	N/A	N/A
2011	-	-	-	-	N/A
2010	-	-	-	N/A	N/A
2009	-	-	-	-	N/A
2008	-	-	-	N/A	N/A
2007	-	-	-	-	N/A
2006	-	-	-	N/A	N/A
2005	-	-	-	-	N/A

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Schedule of Employer Contributions

Hamilton County Administered Plans

	Commissioners' Retirement				
Year Ended June 30	Annual Required Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	$ 51,769	$ 65,888	$ (14,119)	N/A	N/A
2013	50,074	67,418	(17,344)	186,705	36.1%
2012	50,074	67,418	(17,344)	N/A	N/A
2011	47,000	67,418	(20,418)	186,705	36.1%
2010	47,700	75,258	(27,558)	N/A	N/A
2009	52,431	75,258	(22,827)	196,236	38.4%
2008	52,431	75,258	(22,827)	N/A	N/A
2007	49,563	75,258	(25,695)	191,733	39.3%
2006	30,454	75,258	(44,804)	N/A	N/A
2005	27,317	60,000	(32,683)	166,190	36.1%

	Teachers' Retirement				
Year Ended June 30	Annual Required Contribution	Actual Contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2014	$ 1,393	$ -	$ 1,393	N/A	N/A
2013	2,075	-	2,075	-	N/A
2012	2,075	-	2,075	N/A	N/A
2011	938	-	938	-	N/A
2010	938	-	938	N/A	N/A
2009	605	-	605	-	N/A
2008	605	-	605	N/A	N/A
2007	-	-	-	-	N/A
2006	-	-	-	N/A	N/A
2005	928	8,353	(7,425)	-	N/A

Schedule of Investment Returns

Annual rate of return, net of investment expense	2014*
Commissioners'	10.07%
Employees'	11.58%

*Note: GASB 67 requires this schedule presenting 10 years if the information is available. Future years will present the required disclosures as the information becomes obtainable.

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Schedule of Funding Progress for Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Primary Government						
07/01/13	$ 10,956,074	$ 34,001,560	$ 23,045,486	32.2%	$ 78,832,201	29.2%
07/01/12	8,772,754	31,796,250	23,023,496	27.6%	76,586,117	30.1%
07/01/11	6,846,734	34,175,128	27,328,394	20.0%	71,164,995	38.4%
07/01/10	-	32,267,635	32,267,635	0.0%	69,092,228	46.7%
07/01/09	-	26,144,644	26,144,644	0.0%	71,714,440	36.5%
Department of Education						
07/01/13	$ -	$ 111,727,631	$ 111,727,631	0.0%	$ 177,652,632	62.9%
07/01/12	-	108,129,525	108,129,525	0.0%	172,478,284	62.7%
07/01/11	-	89,329,785	89,329,785	0.0%	192,370,258	46.4%
07/01/10	-	87,718,669	87,718,669	0.0%	182,473,427	48.1%
07/01/09	-	99,667,049	99,667,049	0.0%	173,085,756	57.6%

Schedule of Employer Contributions

	Year Ended June 30	Annual Required Contribution	Total Contributions	Percentage Contributed
Primary Government				
	2014	$ 3,004,067	$ 3,037,331	101.1%
	2013	2,888,991	2,906,665	100.6%
	2012	3,033,618	3,417,718	112.7%
	2011	3,316,984	8,031,145	242.1%
	2010	2,987,117	1,657,186	55.5%
Department of Education				
	2014	$ 12,018,403	$ 7,749,540	64.5%
	2013	11,382,578	7,142,433	62.7%
	2012	9,323,251	7,499,576	80.4%
	2011	8,879,110	6,848,928	77.1%
	2010	9,387,660	7,037,350	75.0%

NOTE TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION

HAMILTON COUNTY, TENNESSEE
June 30, 2014

PUBLIC EMPLOYEE RETIREMENT SYSTEMS

Actuarial Information of the County Administered Plans

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

OTHER POST EMPLOYMENT BENEFITS

Actuarial Information of the County Employees Post Retirement Medical Insurance Benefits

The annual required contribution was determined by using the entry age normal funding method and a discount rate of 6.5%. The actuarial value of the unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll over a 30-year period commencing on the valuation date.

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

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

GENERAL FUND

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

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	$ 131,239,921	$ 131,239,921	$ 131,164,226	$ (75,695)
Local sales tax	3,007,500	3,007,500	3,011,186	3,686
Business taxes	6,185,400	6,185,400	6,338,605	153,205
Wholesale beer tax	950,000	950,000	956,325	6,325
Total taxes	141,382,821	141,382,821	141,470,342	87,521
Licenses and permits	876,300	876,300	776,100	(100,200)
Intergovernmental revenues:				
State of Tennessee	16,567,971	19,277,874	18,657,611	(620,263)
United States Government	2,278,500	3,107,265	2,974,029	(133,236)
Cities	2,646,372	2,969,257	2,495,031	(474,226)
Total intergovernmental revenues	21,492,843	25,354,396	24,126,671	(1,227,725)
Charges for services:				
Health department	1,811,713	1,811,713	1,537,169	(274,544)
Other	13,249,105	13,495,231	10,813,590	(2,681,641)
Total charges for services	15,060,818	15,306,944	12,350,759	(2,956,185)
Fines, forfeitures and penalties	1,078,950	1,078,950	1,281,233	202,283
Investment earnings	412,500	412,500	346,730	(65,770)
Miscellaneous	3,318,682	3,447,790	3,601,954	154,164
Total revenues	183,622,914	187,859,701	183,953,789	(3,905,912)
EXPENDITURES				
Current:				
General government:				
County Clerk	1,690,072	1,690,072	1,738,631	(48,559)
Register	410,850	480,850	504,813	(23,963)
County Trustee	709,756	709,756	680,588	29,168
Assessor of Property	3,526,107	3,792,045	3,369,564	422,481
District Attorney General	1,146,254	1,146,254	1,081,816	64,438
Election Commission	1,628,873	2,830,553	2,656,702	173,851
Board of Equalization	6,000	6,000	970	5,030
Soil Conservation	114,687	114,687	115,097	(410)
Agricultural Department	236,410	236,410	227,046	9,364
County-City Planning Commission	559,430	618,859	618,859	-

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
Regional Council of Government & SETTDD	$ 72,293	$ 72,293	$ 72,293	$ -
CARTA	105,200	105,200	105,200	-
Economic Development	600,000	600,000	600,000	-
Representative-General Assembly	20,000	20,000	20,000	-
Utilities	2,000,000	2,000,000	1,910,219	89,781
County Board of Commissioners	707,804	801,848	628,958	172,890
County Mayor	689,220	689,220	651,432	37,788
County Auditor	2,459,008	2,463,908	2,119,135	344,773
Chief of Staff	371,771	371,771	292,421	79,350
Chief Reading Officer	285,924	285,924	279,791	6,133
County Attorney	829,543	829,543	724,309	105,234
Emp Assistance Program	34,800	34,800	30,425	4,375
Human Resources	687,447	687,447	680,246	7,201
Insurance	165,703	223,943	232,529	(8,586)
Employee Benefits	3,755,363	3,757,763	3,592,394	165,369
Trustee's Commission	2,605,000	2,605,000	3,036,748	(431,748)
External Audits	220,000	220,000	204,159	15,841
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,729	6,729	6,729	-
Equal Employment Opportunity	57,500	57,500	56,889	611
Finance Administrator	253,102	253,102	356,361	(103,259)
Accounting	1,927,556	1,927,556	2,015,199	(87,643)
Financial Management	486,665	486,665	464,404	22,261
Information Technology Services	3,240,089	3,503,739	2,925,377	578,362
Purchasing	490,831	490,932	469,905	21,027
Geographic Information System	855,503	1,471,272	1,117,808	353,464
Custodial Services	1,915,543	1,915,543	2,029,483	(113,940)
Real Property	347,047	347,047	327,344	19,703
Recycling	195,107	195,107	201,079	(5,972)
Human Services Administrator	221,077	221,077	219,676	1,401
Development Services	482,685	650,018	651,967	(1,949)
Maintenance	2,970,000	2,973,277	2,932,763	40,514
Railroad Authority	128,767	128,767	128,044	723
Total general government	39,225,653	42,032,414	40,087,310	1,945,104

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Drug Court	$ -	$ 425,000	$ 425,893	$ (893)
Medical Examiner	1,298,456	1,298,456	1,207,127	91,329
Criminal Court Clerk	1,442,115	1,700,679	1,495,776	204,903
Public Defender	615,480	615,480	576,700	38,780
General Sessions Court	1,562,662	1,562,662	1,555,182	7,480
Juries	159,100	159,100	117,268	41,832
Court Judges	473,833	473,833	468,427	5,406
Judicial Commission Magistrates	365,797	365,797	398,011	(32,214)
Juvenile Court	7,010,108	7,066,623	6,874,743	191,880
Forest Fire Prevention	4,000	4,000	4,000	-
Humane Education Society	395,255	395,255	395,255	-
Certified Cost Reimbursement	770,600	770,600	678,825	91,775
Building Inspection	1,120,532	1,120,532	1,046,347	74,185
Emergency Services	3,510,105	3,574,000	3,512,294	61,706
Community Corrections Program	15,169,527	15,169,527	15,027,972	141,555
Litter Grant	547,865	547,865	500,823	47,042
Homeland Security Grants	-	552,555	398,834	153,721
Security Services	1,056,026	1,078,826	861,734	217,092
Volunteer Emergency Services	239,254	264,282	235,095	29,187
WWTA	2,394,971	2,394,971	2,148,700	246,271
Ambulance Services	8,888,488	8,904,295	9,065,404	(161,109)
Total public safety	47,024,174	48,444,338	46,994,410	1,449,928
Highways and streets:				
Public Works Administrator	242,720	242,720	236,302	6,418
Engineering Services	1,874,604	1,874,604	1,655,288	219,316
Highway	9,163,830	9,165,760	8,394,126	771,634
Total highways and streets	11,281,154	11,283,084	10,285,716	997,368

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Health:				
Air Pollution Control	$ 188,548	$ 188,548	$ 188,548	$ -
Baroness Erlanger Hospital	1,500,000	1,500,000	1,500,000	-
Health Department	20,882,278	21,796,072	19,805,721	1,990,351
Total health	22,570,826	23,484,620	21,494,269	1,990,351
Social services:				
Clerk and Master	826,897	826,897	816,442	10,455
Circuit Court Clerk	1,246,008	1,246,008	1,229,912	16,096
Urban League	50,000	50,000	50,000	-
Children's Services	-	113,536	39,956	73,580
Total social services	2,122,905	2,236,441	2,136,310	100,131
Culture and recreation:				
Armed Forces Day Parade	10,000	10,000	10,000	-
Bessie Smith Museum	62,653	62,653	62,653	-
Parks and Recreation Department	7,600,925	7,634,061	7,270,711	363,350
Total culture and recreation	7,673,578	7,706,714	7,343,364	363,350
Capital outlay	4,250,671	5,776,634	5,017,091	759,543
Total budgetary expenditures	134,148,961	140,964,245	133,358,470	7,605,775
Excess of revenues over expenditures	49,473,953	46,895,456	50,595,319	3,699,863

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 10,612,115	$ 10,920,000	$ 11,128,030	$ 208,030
Transfers out	(63,672,115)	(63,672,115)	(63,248,642)	423,473
Sale of capital	-	24,642	24,642	-
Total other financing sources (uses)	(53,060,000)	(52,727,473)	(52,095,970)	631,503
Net change in fund balance	(3,586,047)	(5,832,017)	(1,500,651)	4,331,366
Fund balance allocation	3,586,047	5,832,017	-	(5,832,017)
	$ -	$ -	(1,500,651)	$ (1,500,651)
Add encumbrances at end of year			618,114	
Less encumbrances at beginning of year			(401,999)	
Net change in fund balance--(GAAP Modified Accrual Basis)			(1,284,536)	
Excess of revenues over (under) expenditures for sub-funds budgeted separately from the General Fund				
Sheriff - sub-fund of General Fund			(229,901)	
Juvenile Court Clerk - sub-fund of General Fund			73,588	
Net change in fund balance --(GAAP Modified Accrual Basis)			(1,440,849)	
Fund balance at beginning of year, as restated--(GAAP Modified Accrual Basis)			113,546,460	
Fund balance at end of year--(GAAP Modified Accrual Basis)			$ 112,105,611	

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, 2014

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
ASSETS		
Cash and equivalents	$ 4,918,259	$ 484
Investments	-	128,971
Receivables:		
Accounts	367,698	771
Intergovernmental	226,912	-
Due from other funds	3,503	-
Total assets	$ 5,516,372	$ 130,226
LIABILITIES:		
Accrued items and other	$ 1,815,063	$ 3,129
Due to other funds	2,075	-
Total liabilities	1,817,138	3,129
FUND BALANCES:		
Restricted for general government	1,662,807	-
Restricted for public safety	714,659	
Restricted for social services	1,321,768	-
Committed for public safety	-	127,097
Total fund balances	3,699,234	127,097
Total liabilities and fund balances	$ 5,516,372	$ 130,226

Hotel/ Motel	Economic Crimes	Total Nonmajor Governmental Funds
$ 526,999	$ 500	$ 5,446,242
-	65,207	194,178
607,033	-	975,502
-	-	226,912
-	1,838	5,341
$ 1,134,032	$ 67,545	$ 6,848,175
$ 1,134,032	$ -	$ 2,952,224
-	1,050	3,125
1,134,032	1,050	2,955,349
-	-	1,662,807
		714,659
-	-	1,321,768
-	66,495	193,592
-	66,495	3,892,826
$ 1,134,032	$ 67,545	$ 6,848,175

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
REVENUES		
Taxes	$ -	$ 14,836
Charges for services	21,475,018	-
Fines, forfeitures and penalities	-	-
Investment earnings	19,290	501
Miscellaneous	88,252	-
Total revenues	21,582,560	15,337
EXPENDITURES		
Current:		
General government	4,385,059	-
Public safety:		
Criminal Court	2,670,178	-
Other	-	18,607
Social services	3,580,983	-
Total expenditures	10,636,220	18,607
Excess (deficiency) of revenues over (under) expenditures	10,946,340	(3,270)
OTHER FINANCING SOURCES (USES)		
Transfers in	400,000	-
Transfers out	(11,128,030)	-
Total other financing sources (uses)	(10,728,030)	-
Net change in fund balances	218,310	(3,270)
Fund balances, beginning as restated	3,480,924	130,367
Fund balances, ending	$ 3,699,234	$ 127,097

Hotel/ Motel	Economic Crimes	Total Nonmajor Governmental Funds
$ 5,823,474	$ -	$ 5,838,310
-	-	21,475,018
-	39,429	39,429
637	189	20,617
-	57	88,309
5,824,111	39,675	27,461,683
5,824,111	-	10,209,170
-	-	2,670,178
-	-	18,607
-	18,688	3,599,671
5,824,111	18,688	16,497,626
-	20,987	10,964,057
-	-	400,000
-	-	(11,128,030)
-	-	(10,728,030)
-	20,987	236,027
-	45,508	3,656,799
$ -	$ 66,495	$ 3,892,826

COMBINING BALANCE SHEET
CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	Circuit Court Clerk	Clerk and Master	County Clerk
ASSETS :			
Cash and cash equivalents	$ 335,460	$ 993,133	$ 712,657
Receivables:			
Accounts	5,759	-	17,860
Intergovernmental	-	-	-
Due from other funds	-	-	-
Total assets	$ 341,219	$ 993,133	$ 730,517
LIABILITIES:			
Accrued items and other	$ 7,622	$ 4,962	$ 102,973
Due to other funds	-	-	-
Total liabilities	7,622	4,962	102,973
FUND BALANCES:			
Restricted for general government	-	-	627,544
Restricted for public safety	-	-	-
Restricted for social services	333,597	988,171	-
Total fund balances	333,597	988,171	627,544
Total liabilities and fund balances	$ 341,219	$ 993,133	$ 730,517

Criminal Court Clerk	Register	Trustee	Total Constitutional Officers
$ 1,994,932	$ 273,929	$ 608,148	$ 4,918,259
152,341	-	191,738	367,698
226,912	-	-	226,912
3,503	-	-	3,503
$ 2,377,688	$ 273,929	$ 799,886	$ 5,516,372
$ 1,660,954	$ 12,625	$ 25,927	$ 1,815,063
2,075	-	-	2,075
1,663,029	12,625	25,927	1,817,138
-	261,304	773,959	1,662,807
714,659	-	-	714,659
-	-	-	1,321,768
714,659	261,304	773,959	3,699,234
$ 2,377,688	$ 273,929	$ 799,886	$ 5,516,372

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Circuit Court Clerk	Clerk and Master	County Clerk
REVENUES			
Charges for services	$ 1,957,604	$ 2,290,966	$ 4,361,197
Investment earnings	1,514	4,431	3,427
Miscellaneous	34,085	-	29,499
Total revenues	1,993,203	2,295,397	4,394,123
EXPENDITURES			
Current:			
General government	-	-	2,666,887
Public safety:			
Criminal Court	-	-	-
Social services	2,003,950	1,577,033	-
Total expenditures	2,003,950	1,577,033	2,666,887
Excess (deficiency) of revenues over (under) expenditures	(10,747)	718,364	1,727,236
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(784,411)	(1,790,740)
Total other financing sources (uses)	-	(784,411)	(1,790,740)
Net change in fund balances	(10,747)	(66,047)	(63,504)
Fund balances, beginning as restated	344,344	1,054,218	691,048
Fund balances, ending	$ 333,597	$ 988,171	$ 627,544

Criminal Court Clerk	Register	Trustee	Total Constitutional Officers
$ 2,704,583	$ 1,870,248	$ 8,290,420	$ 21,475,018
1,130	2,277	6,511	19,290
-	24,668	-	88,252
2,705,713	1,897,193	8,296,931	21,582,560
-	736,321	981,851	4,385,059
2,670,178	-	-	2,670,178
-	-	-	3,580,983
2,670,178	736,321	981,851	10,636,220
35,535	1,160,872	7,315,080	10,946,340
400,000	-	-	400,000
-	(1,249,582)	(7,303,297)	(11,128,030)
400,000	(1,249,582)	(7,303,297)	(10,728,030)
435,535	(88,710)	11,783	218,310
279,124	350,014	762,176	3,480,924
$ 714,659	$ 261,304	$ 773,959	$ 3,699,234

FIDUCIARY FUNDS

AGENCY FUNDS

These funds are used to account for assets held by the County in a custodial capacity as an agent on behalf of individuals and other government entities.

Constitutional Officers Funds account for various deposits, bail bonds and performance bonds held by the Constitutional Officers.

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
CIRCUIT COURT CLERK				
Cash	$ 1,063,597	$ 7,131,274	$ 6,942,224	$ 1,252,647
Certificates of deposit	2,924,339	626,617	985,782	2,565,174
Total assets	$ 3,987,936	$ 7,757,891	$ 7,928,006	$ 3,817,821
Accrued items and other	$ 3,872,911	$ 6,287,889	$ 6,453,594	$ 3,707,206
Intergovernmental payables	115,025	1,470,002	1,474,412	110,615
Total liabilities	$ 3,987,936	$ 7,757,891	$ 7,928,006	$ 3,817,821
CLERK AND MASTER				
Cash	$ 1,439,098	$ 15,274,655	$ 13,943,661	$ 2,770,092
Certificates of deposit	4,880,804	2,496,477	1,996,009	5,381,272
Total assets	$ 6,319,902	$ 17,771,132	$ 15,939,670	$ 8,151,364
Accrued items and other	$ 6,319,818	$ 7,288,920	$ 6,582,504	$ 7,026,234
Intergovernmental payables	84	10,482,212	9,357,166	1,125,130
Total liabilities	$ 6,319,902	$ 17,771,132	$ 15,939,670	$ 8,151,364
COUNTY CLERK				
Cash	$ 2,197,234	$ 24,981,421	$ 24,954,323	$ 2,224,332
Accounts receivable	2,457	16,801	17,043	2,215
Total assets	$ 2,199,691	$ 24,998,222	$ 24,971,366	$ 2,226,547
Accrued items and other	$ 146,690	$ 524,973	$ 521,162	$ 150,501
Intergovernmental payables	2,053,001	24,473,249	24,450,204	2,076,046
Total liabilities	$ 2,199,691	$ 24,998,222	$ 24,971,366	$ 2,226,547

(continued)

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
CRIMINAL COURT CLERK				
Cash	$ 51,780	$ 5,317,670	$ 5,333,279	$ 36,171
Accounts receivable	86,158	23,859	-	110,017
Total assets	$ 137,938	$ 5,341,529	$ 5,333,279	$ 146,188
Accrued items and other	137,938	$ 1,164,262	$ 1,156,012	$ 146,188
Intergovernmental payables	-	4,177,267	4,177,267	-
Total liabilities	$ 137,938	$ 5,341,529	$ 5,333,279	$ 146,188
JUVENILE COURT CLERK				
Cash	$ 64,990	$ 795,431	$ 822,707	$ 37,714
Certificates of deposit	688,821	45,052	96,941	636,932
Investments	17,348	25,991	-	43,339
Total assets	$ 771,159	$ 866,474	$ 919,648	$ 717,985
Accrued items and other	$ 771,159	$ 866,474	$ 919,648	$ 717,985
Total liabilities	$ 771,159	$ 866,474	$ 919,648	$ 717,985
REGISTER				
Cash	$ 751,237	$ 9,050,837	$ 9,018,098	$ 783,976
Accounts receivable	4,097	49,984	52,320	1,761
Total assets	$ 755,334	$ 9,100,821	$ 9,070,418	$ 785,737
Intergovernmental payables	$ 755,334	$ 9,100,821	$ 9,070,418	$ 785,737
Total liabilities	$ 755,334	$ 9,100,821	$ 9,070,418	$ 785,737

(continued)

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
SHERIFF				
Cash	$ 83,683	$ 1,028,273	$ 1,095,759	$ 16,197
Investments	76,599	4,823	-	81,422
Total assets	$ 160,282	$ 1,033,096	$ 1,095,759	$ 97,619
Accrued items and other	$ 160,282	$ 1,033,096	$ 1,095,759	$ 97,619
Total liabilities	$ 160,282	$ 1,033,096	$ 1,095,759	$ 97,619
TRUSTEE				
Cash	$ 630,258	$ 27,114,343	$ 26,897,558	$ 847,043
Total assets	$ 630,258	$ 27,114,343	$ 26,897,558	$ 847,043
Intergovernmental payables	$ 630,258	$ 27,114,343	$ 26,897,558	$ 847,043
Total liabilities	$ 630,258	$ 27,114,343	$ 26,897,558	$ 847,043
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	$ 6,281,877	$ 90,693,904	$ 89,007,609	$ 7,968,172
Certificates of deposit	8,493,964	3,168,146	3,078,732	8,583,378
Investments	93,947	30,814	-	124,761
Accounts receivable	92,712	90,644	69,363	113,993
Total assets	$ 14,962,500	$ 93,983,508	$ 92,155,704	$ 16,790,304
Accrued items and other	$ 11,408,798	$ 17,165,614	$ 16,728,679	$ 11,845,733
Intergovernmental payables	3,553,702	76,817,894	75,427,025	4,944,571
Total liabilities	$ 14,962,500	$ 93,983,508	$ 92,155,704	$ 16,790,304

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	$ 602,594	$ 602,594	$ 699,737	$ 97,143
Charges for current services	550,000	550,000	537,919	(12,081)
Investment earnings	2,000	2,000	1,820	(180)
Miscelleneous	70,769	70,769	65,143	(5,626)
Total revenues	1,225,363	1,225,363	1,304,619	79,256
EXPENDITURES				
Debt Service:				
Principal retirement	26,659,211	26,659,211	26,665,621	(6,410)
Interest and fiscal charges	10,014,214	10,014,214	9,748,185	266,029
Total budgetary expenditures	36,673,425	36,673,425	36,413,806	259,619
Excess (deficiency) of revenues over (under) budgetary expenditures	(35,448,062)	(35,448,062)	(35,109,187)	338,875
OTHER FINANCING SOURCES (USES)				
Transfers in	35,448,062	35,448,062	35,673,856	225,794
Total other financing sources (uses)	35,448,062	35,448,062	35,673,856	225,794
Net change in fund balance	-	-	564,669	564,669
Fund balance allocation	-	-	-	-
	$ -	$ -	564,669	$ 564,669
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			358,400	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ 923,069	

BUDGETARY COMPARISON SCHEDULE
NONMAJOR GOVERNMENTAL FUND

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Hotel / Motel Fund			
	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Hotel/Motel Occupancy tax	$ 6,098,170	$ 6,098,170	$ 5,823,474	$ (274,696)
Investment earnings	1,830	1,830	637	(1,193)
Total revenues	6,100,000	6,100,000	5,824,111	(275,889)
EXPENDITURES				
Hotel/Motel Occupancy tax	6,100,000	6,100,000	5,824,111	275,889
Total budgetary expenditures	6,100,000	6,100,000	5,824,111	275,889
Excess (deficiency) of revenues over (under) budgetary expenditures	-	-	-	-
Fund balance allocation	-	-	-	-
	$ -	$ -	-	$ -
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			-	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ -	

BUDGETARY COMPARISON SCHEDULE
JUVENILE COURT CLERK - sub-fund of General Fund

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for current services	$ 383,300	$ 383,300	$ 372,588	$ (10,712)
Investment earnings	-	-	2,331	2,331
Miscellaneous	6,000	6,000	9,210	3,210
Total revenues	389,300	389,300	384,129	(5,171)
EXPENDITURES				
Current:				
Public safety:				
Juvenile Court	1,376,574	1,376,574	1,341,359	35,215
Social Services:				
Child support	1,022,619	1,022,619	979,075	43,544
Total budgetary expenditures	2,399,193	2,399,193	2,320,434	78,759
Excess (deficiency) of revenues over (under) budgetary expenditures	(2,009,893)	(2,009,893)	(1,936,305)	73,588
OTHER FINANCING SOURCES (USES)				
Transfers in	2,009,893	2,009,893	2,009,893	-
Net change in fund balance--(GAAP)	$ -	$ -	$ 73,588	$ 73,588

For reporting purposes this fund is a sub-fund of the General Fund and previously stated fund balance has been combined with the General Fund (B-1).

BUDGETARY COMPARISON SCHEDULE
SHERIFF - sub-fund of General Fund

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Budgeted Amounts		Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES	Original	Final		
Intergovernmental	$ 1,990,963	$ 2,668,930	$ 2,590,523	$ (78,407)
Charges for current services	16,300	16,300	21,624	5,324
Fines, forfeitures and penalties	559,097	559,097	601,328	42,231
Investment earnings	13,900	13,900	12,213	(1,687)
Miscellaneous	537,621	537,621	603,803	66,182
Total revenues	3,117,881	3,795,848	3,829,491	33,643
EXPENDITURES				
Current Public Safety				
Administration	2,019,092	2,071,261	2,027,863	43,398
Patrol	9,150,576	9,622,861	8,855,471	767,390
Jail	10,940,916	10,971,483	11,026,743	(55,260)
Process and court servers	876,576	876,576	902,468	(25,892)
Communications	871,806	872,161	888,044	(15,883)
Major crimes	1,911,484	1,911,484	1,927,881	(16,397)
Fugitive warrant	1,101,269	1,101,450	1,164,382	(62,932)
Civil process	608,584	608,584	609,028	(444)
Special operations	925,450	925,450	848,043	77,407
Inmate commissary	235,000	235,000	304,727	(69,727)
Governor's highway safety grant	-	322,635	189,517	133,118
Information system	243,236	243,236	310,920	(67,684)
IV-D civil process	197,191	197,191	189,840	7,351
Total budgetary expenditures	29,081,180	29,959,372	29,244,927	714,445
Excess (deficiency) of revenues over (under) budgetary expenditures	(25,963,299)	(26,163,524)	(25,415,436)	748,088
OTHER FINANCING SOURCES (USES)				
Transfers in	25,164,893	25,164,893	25,164,893	-
Sale of capital assets	-	-	26,620	26,620
Total Other Financing Sources (Uses)	25,164,893	25,164,893	25,191,513	26,620
Net change in fund balance	(798,406)	(998,631)	(223,923)	774,708
Fund balance allocation	798,406	998,631	-	(998,631)
	$ -	$ -	(223,923)	$ (223,923)
Add encumbrances at end of year			92,536	
Less encumbrances at beginning of year			(98,092)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses (Sheriff Special Projects)			(422)	
Net change in fund balance--(GAAP)			$ (229,901)	

For reporting purposes this fund is a sub-fund of the General Fund and previously stated fund balance has been combined with the General Fund (B-1).

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.

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

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

PROPRIETARY FUND TYPES

Hamilton County 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.

COMBINING BALANCE SHEET
HAMILTON COUNTY DEPARTMENT OF EDUCATION GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
ASSETS:				
Cash	$ 5,615,687	$ 4,054,199	$ 148,073	$ 9,817,959
Investments	74,545,360	8,554	-	74,553,914
Receivables (net of allowances for uncollectibles):				
Property taxes	136,236,524	-	-	136,236,524
Accounts	1,118,767	-	-	1,118,767
Intergovernmental	17,468,565	16,726	-	17,485,291
Due from other DOE funds	1,472,243	-	4,297,325	5,769,568
Inventories	113,678	704,270	-	817,948
Total assets	$ 236,570,824	$ 4,783,749	$ 4,445,398	$ 245,799,971
LIABILITIES:				
Accounts payable	$ 3,234,977	$ 31,835	$ 344,414	$ 3,611,226
Accrued items and other	26,959,993	107,059	61,011	27,128,063
Intergovernmental payables	241,019	-	-	241,019
Due to other DOE funds	31,786,758	2,423,944	986,902	35,197,604
Due to primary government	30,142	2,445	-	32,587
Total current liabilities	62,252,889	2,565,283	1,392,327	66,210,499
DEFERRED INFLOWS OF RESOURCES:				
Uncollected property taxes	129,716,589	-	-	129,716,589
Other	442,857	-	-	442,857
Total deferred inflows of resources	130,159,446	-	-	130,159,446
FUND BALANCES:				
Nonspendable	113,678	704,270	-	817,948
Restricted for centralized cafeteria	-	1,462,210	-	1,462,210
Restricted for education	1,821,914	-	-	1,821,914
Restricted for instruction	31,369	-	-	31,369
Committed for education	4,955,063	-	-	4,955,063
Committed for capital projects	-	-	3,053,071	3,053,071
Committed for instruction	1,664,008	-	-	1,664,008
Committed for centralized cafeteria	-	51,986	-	51,986
Assigned for education	1,957,091	-	-	1,957,091
Unassigned	33,615,366	-	-	33,615,366
Total fund balances	44,158,489	2,218,466	3,053,071	49,430,026
Total liabilities, deferred inflows of resources and fund balances	$ 236,570,824	$ 4,783,749	$ 4,445,398	$ 245,799,971

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Differences in amounts reported for the Department of Education in the statement of net position on page A-15:

Fund balances - total Department of Education governmental funds	$	49,430,026
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.		320,475,226
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.		7,566,887
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.		28,037,161
Long-term payable to primary government is not due until the related long-term liability is due and payable.		(321,107)
Long-term liabilities, consisting of accumulated leave, OPEB obligation and other long-term debt, are not due and payable in the current period and therefore are not reported in the funds.		(32,219,257)
Net position of the Department of Education	$	372,968,936

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	General Purpose School	Centralized Cafeteria	Education Capital Projects	Total Department of Education Governmental Funds
REVENUES				
Taxes	$ 192,950,202	$ -	$ -	$ 192,950,202
Intergovernmental	176,198,441	13,818,993	-	190,017,434
Charges for services	4,084,396	5,219,862	-	9,304,258
Investment earnings	260,907	8,552	465	269,924
Miscellaneous	4,102,337	33,620	757,197	4,893,154
Total revenues	377,596,283	19,081,027	757,662	397,434,972
EXPENDITURES				
Current:				
Education	369,562,449	18,546,172	-	388,108,621
Capital outlay	128,316	-	8,834,988	8,963,304
Total expenditures	369,690,765	18,546,172	8,834,988	397,071,925
Excess (deficiency) of revenues over (under) expenditures	7,905,518	534,855	(8,077,326)	363,047
OTHER FINANCING SOURCES (USES)				
Transfers between DOE funds	(7,785,985)	-	7,785,985	-
Net change in fund balances	119,533	534,855	(291,341)	363,047
Fund balances, beginning as restated	44,038,956	1,683,611	3,344,412	49,066,979
Fund balances, ending	$ 44,158,489	$ 2,218,466	$ 3,053,071	$ 49,430,026

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, 2014

Differences in amounts reported for governmental activities in the statement of activities on pages A-16 and A-17:	
Net change in fund balances - total Department of Education governmental funds	$ 363,047
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.	(11,711,508)
Bond payments are reported as expenditures in the Department of Education's governmental activities in the period paid.	97,765
The net effect of various transactions involving capital assets is to increase net position.	34,196,056
The loss on sale/abandonment of capital assets is not recognized in the Department of Education's governmental funds.	(534,233)
Other post employment benefits will not be funded therefore the expense is not recognized in the funds.	(4,302,208)
The net revenues of internal service funds are reported with governmental activities.	7,039,327
Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	885,740
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	(681,211)
Change in net position of governmental activities	$ 25,352,775

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	$ 129,462,249	$ 130,162,249	$ 130,857,425	$ 695,176
Local sales tax	62,998,596	62,498,596	62,092,778	(405,818)
Total taxes	192,460,845	192,660,845	192,950,203	289,358
Intergovernmental revenues:				
State of Tennessee:				
Education	138,521,074	139,230,417	138,490,232	(740,185)
Food service	176,000	176,000	191,606	15,606
Federal funds received from State of Tennessee and other sources:				
Education	33,356,860	44,439,942	37,708,208	(6,731,734)
Food service	13,644,878	12,832,104	13,627,387	795,283
Total intergovernmental revenues	185,698,812	196,678,463	190,017,433	(6,661,030)
Charges for services:				
Education	4,298,682	4,472,236	4,084,396	(387,840)
Food service	5,928,301	7,266,535	5,219,862	(2,046,673)
Total charges for current services	10,226,983	11,738,771	9,304,258	(2,434,513)
Investment earnings:				
Education	250,000	250,000	260,907	10,907
Food service	9,650	9,650	8,552	(1,098)
Total investment earnings	259,650	259,650	269,459	9,809
Miscellaneous:				
Education	3,457,594	4,227,997	4,102,337	(125,660)
Food service	-	-	33,620	33,620
Total miscellaneous	3,457,594	4,227,997	4,135,957	(92,040)
Total revenues	392,103,884	405,565,726	396,677,310	(8,888,416)

(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, 2014

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	$ 173,225,139	$ 176,662,977	$ 172,520,412	$ 4,142,565
Special education program	33,719,255	34,356,646	33,880,957	475,689
Vocational education program	8,578,641	8,746,789	8,665,364	81,425
Attendance	1,631,554	1,712,028	1,621,950	90,078
Health services	3,312,865	3,394,839	3,265,426	129,413
Other student support	6,607,345	6,674,464	6,585,094	89,370
Regular instruction support	8,762,592	8,896,570	8,212,864	683,706
Special education support	2,984,211	2,993,643	2,945,952	47,691
Vocational education support	253,294	285,008	274,996	10,012
Board of education	6,187,849	6,188,599	5,915,076	273,523
Office of superintendent	999,080	1,023,744	973,480	50,264
Office of principal	23,514,298	23,977,823	23,940,687	37,136
Fiscal services	2,711,943	2,818,861	2,651,727	167,134
Human resources	1,221,994	1,257,280	1,162,666	94,614
Operation of plant	24,707,889	24,008,351	22,623,278	1,385,073
Maintenance of plant	7,964,785	8,106,889	7,682,557	424,332
Transportation	14,611,383	14,610,204	14,027,100	583,104
Central and other	2,174,679	2,139,626	2,122,322	17,304
Community services	2,985,896	2,986,682	2,400,931	585,751
Early childhood	2,793,638	2,810,172	2,804,914	5,258
Federal programs	32,853,860	45,763,177	38,972,792	6,790,385
Other self funded projects	2,463,330	3,651,123	3,231,854	419,269
Charter Schools	6,025,702	5,225,702	5,156,567	69,135
Education debt service	97,500	97,500	97,500	-
Food service	19,758,829	19,758,829	18,574,860	1,183,969
Total education	390,147,551	408,147,526	390,311,326	17,836,200
Capital outlay:				
Education	130,000	130,000	128,316	1,684
Total budgetary expenditures	390,277,551	408,277,526	390,439,642	17,837,884
OTHER FINANCING USES				
Transfers to other DOE funds	(3,000,000)	(7,785,985)	(7,785,985)	-
Net change in fund balance	(1,173,667)	(10,497,785)	(1,548,317)	8,949,468
Fund balance allocation	1,173,667	10,497,785	-	(10,497,785)
	$ -	$ -	(1,548,317)	$ (1,548,317)
Add encumbrances at end of year			3,202,220	
Less encumbrances at beginning of year			(999,515)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses (Education Capital Projects)			(291,341)	
Net change in fund balance--(GAAP Modified Accrual Basis)			363,047	
Fund balances at beginning of year, as restated--(GAAP Modified Accrual Basis)			49,066,979	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ 49,430,026	

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	Department of Education Internal Service Fund
CURRENT ASSETS	
Cash	$ 5,092,484
Receivables	2,019,975
Due from other DOE funds	29,428,036
Prepaid items	115,254
Total current assets	36,655,749
LIABILITIES	
Current Liabilities	
Accounts payable	993,291
Accrued claims	6,386,802
Total current liabilities	7,380,093
Noncurrent Liabilities	
Accrued claims	1,238,495
NET POSITION	
Unrestricted	$ 28,037,161

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, 2014

	Department of Education Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 66,452,613
Other	5,568
Total operating revenues	66,458,181
OPERATING EXPENSES	
Unemployment compensation	146,430
Claims and premiums	59,271,775
Total operating expenses	59,418,205
Operating income (loss)	7,039,976
NONOPERATING REVENUES (EXPENSES)	
Interest cost	(649)
Change in net position	7,039,327
Net position, beginning	20,997,834
Net position, ending	$ 28,037,161

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Department of Education Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	$ 62,154,546
Cash paid for unemployment compensation	(146,430)
Cash paid for claims and premiums	(58,915,999)
Net cash provided by operating activities	3,092,117
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid for interest cost	(649)
Net cash used in investing activities	(649)
Net change in cash and cash equivalents	3,091,468
Beginning cash and cash equivalents	2,001,016
Ending cash and cash equivalents	$ 5,092,484
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	$ 7,039,976
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in accounts receivable	(230,412)
Change in due from other funds	(4,073,224)
Change in prepaid items	7,463
Change in accounts payable	210,415
Change in accrued claims	137,899
Total adjustments	(3,947,859)
Net cash provided by operating activities	$ 3,092,117

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

ASSETS		
Cash	$	7,373,683
Accounts Receivable		4,096
Prepaid Items		400
Total Assets	$	7,378,179
LIABILITES		
Due to Others	$	7,378,179
Total Liabilities	$	7,378,179

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

HAMILTON COUNTY, TENNESSEE
Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash	$ 6,727,695	$ 13,491,961	$ 12,845,973	$ 7,373,683
Accounts receivable	291	4,096	291	4,096
Inventories	4,474	-	4,474	-
Prepaid items	400	-	-	400
Total assets	$ 6,732,860	$ 13,496,057	$ 12,850,738	$ 7,378,179
LIABILITES				
Accounts payable	$ 2,452	$ -	$ 2,452	$ -
Due to others	6,730,408	13,496,057	12,848,286	7,378,179
Total liabilities	$ 6,732,860	$ 13,496,057	$ 12,850,738	$ 7,378,179

SCHEDULE OF PROPERTY TAXES RECEIVABLE

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Year of Levy		Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2014	*	$ 248,658,122	$ 11,535,999	$ 237,122,123
2013		16,130,464	523,632	15,606,832
2012		4,088,411	560,930	3,527,481
2011		2,902,343	699,175	2,203,168
2010		1,020,025	726,054	293,971
2009		98,671	88,853	9,818
2008		795,639	795,639	-
2007		435,612	435,612	-
		$ 274,129,287	$ 15,365,894	$ 258,763,393
DISTRIBUTION TO PRIMARY GOVERNMENT				
County General		$ 130,245,996	$ 7,719,127	$ 122,526,869
DISTRIBUTION TO COMPONENT UNIT				
General Purpose School		143,883,291	7,646,767	136,236,524
		$ 274,129,287	$ 15,365,894	$ 258,763,393

* 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, 2014

	Maturity Date	Interest Rate	Amount
PRIMARY GOVERNMENT:			
AGENCY FUNDS			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	$ 2,565,174
Clerk and Master	Various	Various	5,381,272
Juvenile Court Clerk	Various	Various	636,932
Total primary government			8,583,378
COMPONENT UNITS:			
PROPRIETARY FUNDS			
"911" Emergency Communication:			
First Tennessee Bank	09/30/14	0.480%	9,737,950
First Tennessee Bank	05/24/15	0.400%	1,004,555
First Tennessee Bank	06/13/15	0.440%	1,019,064
Total component units			11,761,569
Total			$ 20,344,947

SCHEDULE OF INVESTMENTS BY FUND

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	MATURITY DATE	INTEREST RATE	FACE VALUE	BOOK VALUE
PRIMARY GOVERNMENT				
GENERAL FUND				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	$ 98,887,043	$ 98,887,043
Certificate of Deposit Classified as Investments	various	various	15,000	15,000
DEBT SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	877,547	877,547
CAPITAL PROJECTS				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	13,671,194	13,671,194
First TN Investment Pool	N/A	Monthly Weighted Average	4,186,821	4,186,821
OTHER GOVERNMENTAL FUNDS				
Governmental Law Library:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	128,971	128,971
Economic Crimes:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	$ 65,207	$ 65,207

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	MATURITY DATE	INTEREST RATE	FACE VALUE	BOOK VALUE
INTERNAL SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	18,151,048	18,151,048
Total Primary Government Funds				135,982,831
PENSION TRUST FUND				
Mutual Funds	Various	Various	1,368,878	1,368,878
Domestic Corporate Bonds	Various	Various	314,678	314,678
Foreign Bonds / Notes	Various	Various	90,988	90,988
Domestic Equity Securities	Various	Various	425,367	425,367
Foreign Equity Securities	Various	Various	57,796	57,796
US Government Securities	Various	Various	96,673	96,673
Municipal Bonds	Various	Various	195,825	195,825
OPEB TRUST FUND				
Mutual Funds	Various	Various	6,886,657	6,886,657
Domestic Corporate Bonds	Various	Various	822,224	822,224
Foreign Bonds / Notes	Various	Various	261,905	261,905
Domestic Equity Securities	Various	Various	4,863,976	4,863,976
Foreign Equity Securities	Various	Various	692,374	692,374
US Government Securities	Various	Various	294,376	294,376
Municipal Bonds	Various	Various	424,623	424,623
AGENCY FUNDS				
Constitutional Officers:				
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	43,339	43,339
Sheriff:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	$ 81,422	$ 81,422
Total Fiduciary Funds				16,921,101

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE
June 30, 2014

	MATURITY DATE	INTEREST RATE	FACE VALUE	BOOK VALUE
COMPONENT UNITS				
GOVERNMENTAL FUNDS				
General Purpose School:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	74,484,713	74,484,713
Certificate of Deposit Classified as Investments	04/30/15	0.50%	60,647	60,647
Centralized Cafeteria:				
First TN Investment Pool	N/A	Monthly Weighted Average	8,554	8,554
ENTERPRISE FUNDS				
"911" Emergency Communication:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	193,207	193,207
Total Component Units				74,747,121
Total Investments				$ 227,651,053

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER DEBT

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT						
General Improvement	03/01/98 B	$ 6,100,000	Aug/Feb	5.000	$275,000; due 08/01/2014	$ 275,000
				5.000	$290,000; due 08/01/2015	290,000
				5.100	$305,000; due 08/01/2016	305,000
				5.100	$320,000; due 08/01/2017	320,000
				5.100	$335,000; due 08/01/2018	335,000
				5.100	$355,000; due 08/01/2019	355,000
				5.100	$370,000; due 08/01/2020	370,000
				5.100	$395,000; due 08/01/2021	395,000
				5.100	$415,000; due 08/01/2022	415,000
				5.100	$435,000; due 08/01/2023	435,000
				5.100	$460,000; due 08/01/2024	460,000
						3,955,000
General Improvement	04/08/08 A	14,418,900	Sept/Mar	3.500	$961,012; due 03/01/2015	961,012
				3.750	$961,012; due 03/01/2016	961,012
						1,922,024
School	04/08/08 A	82,581,100	Sept/Mar	3.500	$5,503,988; due 03/01/2015	5,503,988
				3.750	$5,503,988; due 03/01/2016	5,503,988
						11,007,976
General Improvement	04/08/08 B	8,317,900	Nov/May	3.250	$767,059; due 11/01/2014	767,059
				4.000	$753,503; due 11/01/2015	753,502
						1,520,561
School	04/08/08 B	28,497,100	Nov/May	3.250	$2,627,941; due 11/01/2014	2,627,941
				4.000	$2,581,497; due 11/01/2015	2,581,498
						5,209,439
General Improvement	03/10/09	8,883,000	Sept/Mar	3.500	$595,020; due 03/01/2015	595,020
				4.000	$595,020 a year; due 03/01/2016-17	1,190,040
				3.500	$595,020; due 03/01/2018	595,020
				4.000	$595,020 a year; due 03/01/2019-21	1,785,060
				4.000	$593,610; due 03/01/2022	593,610
				4.125	$593,610; due 03/01/2023	593,610
				4.375	$593,610; due 03/01/2024	593,610
						5,945,970

(continued)

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
School	03/10/09	$ 22,617,000	Sept/Mar	3.500	$1,514,980; due 03/01/2015	$ 1,514,980
				4.000	$1,514,980 a year; due 03/01/2016-17	3,029,960
				3.500	$1,514,980; due 03/01/2018	1,514,980
				4.000	$1,514,980 a year; due 03/01/2019-21	4,544,940
				4.000	$1,511,390; due 03/01/2022	1,511,390
				4.125	$1,511,390; due 03/01/2023	1,511,390
				4.375	$1,511,390; due 03/01/2024	1,511,390
						15,139,030
General Improvement	03/10/10 B	16,115,000	Sept/Mar	3.000	$1,610,000; due 03/01/2015	1,610,000
(taxable to bondholder)				3.000	$1,610,000; due 03/01/2016	1,610,000
				4.000	$1,610,000 a year; due 03/01/2017-18	3,220,000
				4.125	$1,610,000; due 03/01/2019	1,610,000
				4.250	$1,610,000; due 03/02/2020	1,610,000
						9,660,000
General Improvement	03/10/10 C	4,980,000	Sept/Mar	2.800	$330,000; due 03/01/2015	330,000
(Recovery Zone Economic				3.200	$330,000; due 03/01/2016	330,000
Development Bonds				3.500	$330,000; due 03/01/2017	330,000
- taxable to bondholder) *				3.700	$330,000; due 03/01/2018	330,000
				4.000	$330,000; due 03/01/2019	330,000
				4.150	$330,000; due 03/01/2020	330,000
				4.350	$330,000; due 03/01/2021	330,000
				4.600	$330,000; due 03/01/2022	330,000
				4.700	$330,000; due 03/01/2023	330,000
				4.850	$330,000; due 03/01/2024	330,000
				5.000	$370,000; due 03/01/2025	370,000
						3,670,000
General Improvement	03/10/10 A	7,475,000	Sept/Mar	3.000	$1,610,000 a year; due 03/01/2021-22	3,220,000
(Recovery Zone Facility Bonds)				3.250	$1,610,000; due 03/01/2023	1,610,000
				3.500	$1,610,000; due 03/01/2024	1,610,000
				4.000	$1,035,000; due 03/01/2025	1,035,000
						7,475,000

(continued)

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
General Improvement	11/08/11 A	$ 12,875,000	July/Jan	5.000	$660,445; due 01/01/2015	$ 660,445
				5.000	$692,995; due 01/01/2016	692,995
				5.000	$727,644; due 01/01/2017	727,644
				5.000	$764,395; due 01/01/2018	764,395
				5.000	$802,194; due 01/01/2019	802,194
				5.000	$843,143; due 01/01/2020	843,143
				5.000	$885,143; due 01/01/2021	885,143
				5.000	$929,243; due 01/01/2022	929,243
				5.000	$975,442; due 01/01/2023	975,442
				4.000	$1,024,792; due 01/01/2024	1,024,792
				4.000	$1,065,742; due 01/01/2025	1,065,742
				3.250	$1,107,741; due 01/01/2026	1,107,741
				3.500	$1,144,491; due 01/01/2027	1,144,491
						11,623,410
School	11/08/11 A	48,435,000	July/Jan	5.000	$2,484,555; due 01/01/2015	2,484,555
				5.000	$2,607,005; due 01/01/2016	2,607,005
				5.000	$2,737,356; due 01/01/2017	2,737,356
				5.000	$2,875,605; due 01/01/2018	2,875,605
				5.000	$3,017,806; due 01/01/2019	3,017,806
				5.000	$3,171,857; due 01/01/2020	3,171,857
				5.000	$3,329,857; due 01/01/2021	3,329,857
				5.000	$3,495,757; due 01/01/2022	3,495,757
				5.000	$3,669,558; due 01/01/2023	3,669,558
				4.000	$3,855,208; due 01/01/2024	3,855,208
				4.000	$4,009,258; due 01/01/2025	4,009,258
				3.250	$4,167,259; due 01/01/2026	4,167,259
				3.500	$4,305,509; due 01/01/2027	4,305,509
						43,726,590
General Improvement	11/08/11 B	7,923,000	July/Jan	5.000	$1,114,667; due 01/01/2015	1,114,667
				5.000	$1,124,167; due 01/01/2016	1,124,167
				5.000	$1,133,667; due 01/01/2017	1,133,667
				5.000	$1,146,333; due 01/01/2018	1,146,333
				5.000	$1,155,833; due 01/01/2019	1,155,833
						5,674,667

(continued)

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
Water & Wastewater Treatment Authority	11/08/11 B	$ 8,025,000	July/Jan	5.000	$320,000; due 01/01/2015	$ 320,000
				5.000	$330,000; due 01/01/2016	330,000
				5.000	$350,000; due 01/01/2017	350,000
				5.000	$365,000; due 01/01/2018	365,000
				5.000	$385,000; due 01/01/2019	385,000
				4.000	$410,000; due 01/01/2020	410,000
				3.000	$425,000; due 01/01/2021	425,000
				3.000	$435,000; due 01/01/2022	435,000
				3.000	$450,000; due 01/01/2023	450,000
				3.000	$460,000; due 01/01/2024	460,000
				3.250	$475,000; due 01/01/2025	475,000
				3.375	$490,000; due 01/01/2026	490,000
				3.500	$510,000; due 01/01/2027	510,000
				3.500	$530,000; due 01/01/2028	530,000
				3.625	$545,000; due 01/01/2029	545,000
				3.750	$565,000; due 01/01/2030	565,000
				3.750	$370,000; due 01/01/2031	370,000
						7,415,000
School	11/08/11 B	4,587,000	July/Jan	5.000	$645,333; due 01/01/2015	645,333
				5.000	$650,833; due 01/01/2016	650,833
				5.000	$656,333; due 01/01/2017	656,333
				5.000	$663,667; due 01/01/2018	663,667
				5.000	$669,167; due 01/01/2019	669,167
						3,285,333
General Improvement	04/10/13 A	10,061,000	Sept/Mar	4.000	$671,453; due 03/01/2015	671,453
				4.000	$670,623 a year; due 03/01/2016-22	4,694,361
				2.000	$670,623; due 03/01/2023	670,623
				2.125	$670,622; due 03/01/2024	670,622
				2.250	$670,622; due 03/01/2025	670,622
				2.375	$670,622; due 03/01/2026	670,622
				2.500	$670,622; due 03/01/2027	670,622
				2.750	$670,622; due 03/01/2028	670,622
						9,389,547

(continued)

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
BONDED DEBT--(continued)						
School	04/10/13 A	$ 50,549,000	Sept/Mar	4.000	$3,373,547; due 03/01/2015	$ 3,373,547
				4.000	$3,369,377 a year; due 03/01/2016-22	23,585,639
				2.000	$3,369,377; due 03/01/2023	3,369,377
				2.125	$3,369,378; due 03/01/2024	3,369,378
				2.250	$3,369,378; due 03/01/2025	3,369,378
				2.375	$3,369,378; due 03/01/2026	3,369,378
				2.500	$3,369,378; due 03/01/2027	3,369,378
				2.750	$3,369,378; due 03/01/2028	3,369,378
						47,175,453
General Improvement	04/10/13 B	6,701,100	Sept/Mar	2.000	$51,284; due 03/01/2015	51,284
				2.000	$52,027; due 03/01/2016	52,027
				4.000	$950,611; due 03/01/2017	950,611
				4.000	$943,922; due 03/01/2018	943,922
				4.000	$936,489; due 03/01/2019	936,489
				4.000	$929,800; due 03/01/2020	929,800
				4.000	$921,624; due 30/01/2021	921,624
				3.000	$920,138; due 03/01/2022	920,138
				3.000	$909,732; due 03/01/2023	909,732
						6,615,627
School	04/10/13 B	38,378,900	Sept/Mar	2.000	$293,716; due 03/01/2015	293,716
				2.000	$297,973; due 03/01/2016	297,973
				4.000	$5,444,389; due 03/01/2017	5,444,389
				4.000	$5,406,078; due 03/01/2018	5,406,078
				4.000	$5,363,511; due 03/01/2019	5,363,511
				4.000	$5,325,200; due 03/01/2020	5,325,200
				4.000	$5,278,376; due 03/01/2021	5,278,376
				3.000	$5,269,862; due 03/01/2022	5,269,862
				3.000	$5,210,268; due 03/01/2023	5,210,268
						37,889,373
TOTAL BONDED DEBT						$ 238,300,000

(continued)

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

HAMILTON COUNTY, TENNESSEE
June 30, 2014

			DEBT REMAINING AT JUNE 30, 2014			
	DATE	ORIGINAL	INTEREST			
TYPE OF ISSUE	OF ISSUE	ISSUE	DATES	RATES	MATURITY SCHEDULE	PRINCIPAL
OTHER DEBT OBLIGATIONS						
Qualified Zone Academy Bonds, Series 2003	Various	$ 1,365,000	-	None	$90,733; due 12/23/2014	$ 90,733
					$90,733; due 12/23/2015	90,733
					$90,733; due 12/23/2016	90,733
					$48,908; due 12/23/2017	48,908
						321,107
Agreement between the County and City of Chattanooga regarding Finley Stadium	03/01/02	6,500,000	Sept/Mar	4.380	$427,500; due 09/01/2014	427,500
				4.500	$445,000; due 09/01/2015	445,000
						872,500
Revolving Credit Agreement	02/14/14	5,000,000	Monthly	Variable	**	5,000,000
						5,000,000
TOTAL BONDS, NOTES PAYABLE AND OTHER DEBT						$244,493,607

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

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

DEBT SERVICE REQUIREMENTS TO MATURITY

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS Bond Principal	Interest	Total
2015	$ 33,512,780	$ 23,800,000	$ 9,165,170	$ 32,965,170
2016	37,722,307	23,935,000	8,241,561	32,176,561
2017	27,821,019	20,395,000	7,335,286	27,730,286
2018	27,085,257	20,575,000	6,461,349	27,036,349
2019	26,342,836	20,755,000	5,587,836	26,342,836
2020	23,816,129	19,125,000	4,691,129	23,816,129
2021	23,177,171	19,300,000	3,877,171	23,177,171
2022	22,607,509	19,530,000	3,077,509	22,607,509
2023	22,042,574	19,715,000	2,327,574	22,042,574
2024	15,501,082	13,860,000	1,641,082	15,501,082
2025	12,613,961	11,455,000	1,158,961	12,613,961
2026	10,582,994	9,805,000	777,994	10,582,994
2027	10,494,069	10,000,000	494,069	10,494,069
2028	4,754,469	4,570,000	184,469	4,754,469
2029	599,819	545,000	54,819	599,819
2030	600,063	565,000	35,063	600,063
2031	383,875	370,000	13,875	383,875
	$ 299,657,914	$ 238,300,000	$ 55,124,917	$ 293,424,917

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

NOTES PAYABLE AND OTHER DEBT

Note Principal	Interest (1)	Total
$ 518,233	$ 29,377	$ 547,610
5,535,733	10,013	5,545,746
90,733	-	90,733
48,908	-	48,908
-		-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
$ 6,193,607	$ 39,390	$ 6,232,997

HAMILTON COUNTY, TENNESSEE
June 30, 2014

Statistical Section

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

Contents **Page**

Financial Trends **F-1**

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

Revenue Capacity **F-9**

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

Debt Capacity **F-16**

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

Demographic and Economic Information **F-19**

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

Operating Information **F-21**

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

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

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

	2014	2013	2012	2011
Governmental activities				
Net investment in capital assets	$ 238,660,378	$ 282,129,410	$ 241,279,539	$ 177,199,640
Restricted	52,298	541,385	607,360	716,194
Unassigned	(60,135,681)	(102,953,837)	(78,744,095)	(76,522,919)
Total governmental activities net position	$ 178,576,995	$ 179,716,958	$ 163,142,804	$ 101,392,915
Primary government				
Net investment in capital assets	$ 238,660,378	$ 282,129,410	$ 241,279,539	$ 177,199,640
Restricted	52,298	541,385	607,360	716,194
Unassigned	(60,135,681)	(102,953,837)	(78,744,095)	(76,522,919)
Total primary government net position	$ 178,576,995	$ 179,716,958	$ 163,142,804	$ 101,392,915

Fiscal Year					
2010	**2009**	**2008**	**2007**	**2006**	**2005**
$ 143,726,882	$ 250,836,816	$ 245,443,716	$ 197,381,058	$ 172,743,851	$ 196,706,802
25,363,259	26,820,351	39,198,251	20,087,313	26,796,148	34,178,104
(67,221,963)	(71,766,690)	(58,222,559)	(18,991,416)	(11,889,667)	(59,663,380)
$ 101,868,178	$ 205,890,477	$ 226,419,408	$ 198,476,955	$ 187,650,332	$ 171,221,526
$ 143,726,882	$ 250,836,816	$ 245,443,716	$ 197,381,058	$ 172,743,851	$ 196,706,802
25,363,259	26,820,351	39,198,251	20,087,313	26,796,148	34,178,104
(67,221,963)	(71,766,690)	(58,222,559)	(18,991,416)	(11,889,667)	(59,663,380)
$ 101,868,178	$ 205,890,477	$ 226,419,408	$ 198,476,955	$ 187,650,332	$ 171,221,526

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

	2014	2013	2012	2011
Expenses				
Governmental activities:				
General Government	$ 54,450,998	$ 55,107,145	$ 58,143,030	$ 71,919,720
Public Safety:				
Sheriff	29,934,441	28,915,718	28,342,846	29,218,502
Criminal Court	4,181,671	4,185,439	3,874,884	4,126,994
Juvenile Court	8,112,975	8,022,995	8,816,800	8,947,936
Ambulance Services	30,390,527	28,986,494	23,104,366	22,343,290
Other	38,328,360	41,630,920	35,477,004	35,313,682
Highways and streets	8,542,153	14,995,362	15,369,248	18,405,626
Health	21,478,078	20,031,449	20,231,080	22,159,904
Social Services	6,624,641	7,145,934	6,199,607	8,932,771
Culture and recreation	7,018,607	8,069,498	9,079,005	11,018,276
Education	32,510,412	2,452,772	4,097,398	19,312,528
Interest on long-term debt	7,770,919	8,558,921	8,863,280	8,343,186
Total governmental activities expenses	249,343,782	228,102,647	221,598,548	260,042,415
Total primary government expenses	249,343,782	228,102,647	221,598,548	260,042,415
Program Revenues				
Governmental activities:				
Charges for services				
General Government	19,044,471	19,360,899	17,742,600	16,164,972
Public Safety:				
Sheriff	1,234,909	1,045,569	1,133,673	1,267,582
Criminal Court	2,715,418	2,463,580	2,250,415	2,265,859
Juvenile Court	381,798	420,352	342,337	360,824
Ambulance Services	27,936,524	29,900,324	21,180,453	22,093,664
Other	10,314,006	9,455,129	8,908,857	8,918,963
Highways and streets	2,803,123	2,789,369	2,515,109	2,490,007
Health	1,806,662	1,825,028	1,893,258	2,229,402
Social Services	4,322,084	4,310,818	4,079,181	4,476,458
Culture and recreation	697,461	600,408	632,217	606,726
Operating grants and contributions	27,009,289	25,125,782	27,124,454	25,675,026
Capital grants and contributions	3,340,173	3,506,316	11,819,153	23,786,966
Total governmental activities program revenues	101,605,918	100,803,574	99,621,707	110,336,449
Total primary government program revenues	101,605,918	100,803,574	99,621,707	110,336,449
Net (Expense)/Revenue				
Governmental activities	(147,737,864)	(127,299,073)	(121,976,841)	(149,705,966)
Total primary government net expense	(147,737,864)	(127,299,073)	(121,976,841)	(149,705,966)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	131,026,476	127,585,203	128,640,070	128,028,643
Sales taxes	3,011,186	2,992,738	2,691,376	12,827,069
Business taxes	6,338,605	6,284,366	5,728,456	5,825,899
Hotel/Motel taxes	5,823,474	5,469,608	5,571,577	5,250,752
Other taxes	971,162	947,753	940,809	873,942
Unassigned grants and contributions	32,625	-	-	24,279
Investment earnings	525,199	593,559	623,836	797,443
Miscellaneous	1,659,848	-	(366,650)	(4,397,324)
Total governmental activities	149,388,575	143,873,227	143,829,474	149,230,703
Total primary government	149,388,575	143,873,227	143,829,474	149,230,703
Change in Net Position				
Governmental activities	1,650,711	16,574,154	21,852,633	(475,263)
Total primary government	$ 1,650,711	$ 16,574,154	$ 21,852,633	$ (475,263)

Fiscal Year					
2010	**2009**	**2008**	**2007**	**2006**	**2005**
$ 60,945,951	$ 50,151,407	$ 42,045,548	$ 38,442,141	$ 34,981,305	$ 31,552,148
28,205,975	28,107,384	24,640,408	26,176,514	25,294,547	23,797,816
4,199,909	4,108,437	3,973,378	3,835,788	3,586,288	3,516,738
7,804,678	8,701,955	8,581,230	7,960,486	7,638,342	7,214,860
22,613,585	21,720,861	20,122,892	19,676,312	17,811,039	17,687,413
35,685,195	36,181,342	27,865,271	25,372,780	22,751,522	21,415,997
16,709,116	18,635,187	15,801,736	15,540,503	13,673,235	15,464,132
22,289,607	22,234,163	21,746,737	20,528,751	19,121,961	18,231,342
9,922,024	9,048,831	8,357,336	7,911,773	7,776,426	7,914,628
10,867,943	10,953,584	10,369,561	12,513,987	10,460,777	7,427,337
51,348,798	94,734,470	17,923,690	13,011,783	12,792,560	35,440,590
8,744,210	8,127,516	7,437,956	6,344,384	6,533,192	7,109,395
279,336,991	312,705,137	208,865,743	197,315,202	182,421,194	196,772,396
279,336,991	312,705,137	208,865,743	197,315,202	182,421,194	196,772,396
16,003,648	15,611,825	15,357,585	15,358,345	17,509,655	13,905,047
1,252,013	1,194,102	1,279,627	1,581,710	1,187,587	1,174,128
2,365,764	2,206,055	2,616,360	2,641,719	2,393,387	2,312,890
387,503	507,980	553,234	676,830	752,358	686,231
21,513,200	20,584,282	20,228,681	18,697,842	18,387,291	17,770,987
9,413,644	4,837,997	2,848,975	2,711,231	2,856,527	2,691,956
2,554,986	2,346,478	2,228,804	1,960,832	514,874	1,342,931
2,375,089	2,369,463	2,435,325	2,758,815	3,006,494	2,841,652
4,394,572	4,519,884	4,374,293	4,351,989	3,762,669	3,427,119
605,779	602,550	603,712	560,931	536,093	463,407
24,716,541	27,141,888	28,400,517	24,838,263	24,653,509	22,965,548
3,894,488	68,688,249	8,033,704	5,230,533	3,091,343	9,706,722
89,477,227	150,610,753	88,960,817	81,369,040	78,651,787	79,288,618
89,477,227	150,610,753	88,960,817	81,369,040	78,651,787	79,288,618
(189,859,764)	(162,094,384)	(119,904,926)	(115,946,162)	(103,769,407)	(117,483,778)
(189,859,764)	(162,094,384)	(119,904,926)	(115,946,162)	(103,769,407)	(117,483,778)
124,907,475	122,782,141	118,523,153	96,081,225	90,818,279	85,451,188
12,931,526	12,940,031	13,361,357	13,547,577	15,715,561	12,102,963
5,066,223	4,992,580	4,980,398	4,938,615	5,096,014	1,830,352
4,523,689	4,235,794	4,492,971	4,174,410	3,960,862	3,748,663
852,642	816,315	732,465	2,222,336	744,167	1,244,418
496,928	-	-	-	-	-
864,264	1,841,224	5,757,035	5,808,622	3,863,330	3,024,794
(63,805,282)	(6,042,632)	-	-	-	-
85,837,465	141,565,453	147,847,379	126,772,785	120,198,213	107,402,378
85,837,465	141,565,453	147,847,379	126,772,785	120,198,213	107,402,378
(104,022,299)	(20,528,931)	27,942,453	10,826,623	16,428,806	(10,081,400)
$ (104,022,299)	$ (20,528,931)	$ 27,942,453	$ 10,826,623	$ 16,428,806	$ (10,081,400)

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

	2014	2013	2012	2011
General Fund				
Nonspendable	$ 1,461,681	$ 1,827,632	$ 1,309,794	$ 1,281,429
Assigned	4,388,787	3,691,467	3,721,297	3,100,039
Restricted	676,543	-	-	-
Committed	635,790	-	384,773	1,537,756
Unassigned	104,942,810	105,650,072	99,015,009	90,048,014
Total General Fund	$ 112,105,611	$ 111,169,171	$ 104,430,873	$ 95,967,238
All Other Governmental Funds				
Committed	$ 22,323,862	$ 12,509,279	$ 34,122,497	$ 3,564,407
Restricted	3,699,234	541,385	607,360	716,194
Assigned	(4,509,143)	17,771,050	(26,516,244)	(41,245,184)
Total all other governmental funds	$ 21,513,953	$ 30,821,714	$ 8,213,613	$ (36,964,583)

General Fund
Reserved
Undesignated
Total General Fund

All Other Governmental Funds
Reserved
Undesignated, reported in:
Special revenue funds
Capital projects funds
Debt service funds
Total all other governmental funds

	Fiscal Year					
	2010	**2009**	**2008**	**2007**	**2006**	**2005**
	$ 2,201,425	$ 2,240,047	$ 2,350,255	$ 1,573,982	$ 2,723,959	$ 2,962,829
	85,718,733	81,829,708	74,751,577	56,760,180	52,638,869	46,751,479
	$ 87,920,158	$ 84,069,755	$ 77,101,832	$ 58,334,162	$ 55,362,828	$ 49,714,308
	$ 16,661,834	$ 18,080,304	$ 61,761,770	$ 131,501,016	$ 24,050,251	$ 19,709,997
	5,764,206	4,772,420	5,607,353	5,434,029	3,547,007	2,578,486
	(30,688,283)	(19,622,546)	(15,833,094)	(104,202,005)	9,245,897	21,133,440
	297,560	227,025	240,340	1,653,012	1,421,249	1,343,179
	$ (7,964,683)	$ 3,457,203	$ 51,776,369	$ 34,386,052	$ 38,264,404	$ 44,765,102

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

	2014	2013	2012	2011
Revenues				
Taxes	$ 147,308,652	$ 143,132,173	$ 144,261,287	$ 151,836,030
Licenses, fees, and permits	776,100	793,667	731,556	519,985
Fines and penalties	1,921,990	1,476,871	1,594,138	1,523,798
Charges for services	63,906,651	64,816,716	54,163,275	55,056,770
Intergovernmental	30,757,104	29,029,942	36,063,983	45,514,101
Investment earnings	461,792	521,109	508,669	635,415
Other revenues	4,651,714	4,869,399	7,228,358	7,715,385
Total revenues	249,784,003	244,639,877	244,551,266	262,801,484
Expenditures				
General government	50,362,251	47,663,878	46,958,454	46,162,369
Public Safety:	-	-		
Sheriff	29,259,072	27,896,776	27,592,036	27,915,703
Criminal Court	4,068,093	4,122,911	3,809,165	3,778,962
Juvenile Court	8,217,867	7,902,056	7,647,160	8,794,247
Ambulance Services	29,926,931	28,412,229	22,716,010	21,746,243
Other	37,731,583	34,370,090	33,902,939	34,323,045
Highways and streets	10,287,522	12,569,217	12,689,019	11,521,034
Health	21,540,074	20,020,045	19,633,044	22,015,989
Social Services	6,714,942	7,100,228	7,157,261	8,879,493
Culture and recreation	7,358,539	7,348,349	7,149,295	9,823,405
Capital Outlay				
General government	11,510,232	19,944,142	16,284,473	49,800,770
Education	7,514,503	32,030,140	23,105,086	6,330,913
Debt service				
Interest	9,748,185	9,687,025	8,652,232	9,072,871
Principal	26,665,621	22,149,648	22,930,469	23,755,338
Total expenditures	260,905,415	281,216,734	260,226,643	283,920,382
Excess of revenues over/(under) expenditures	(11,121,412)	(36,576,857)	(15,675,377)	(21,118,898)
Other Financing Sources (Uses)				
Transfers in	47,201,886	67,988,512	65,894,981	65,892,738
Transfers out	(47,201,886)	(67,988,512)	(65,894,981)	(65,892,738)
Bond and note proceeds	5,000,000	105,690,000	68,652,693	-
Bond premium	-	11,152,177	-	-
Payment to refunded bond escrow agent	-	(51,163,429)	-	-
Sale of capital assets	2,750,091	244,508	664,515	166,078
Total other financing sources (uses)	7,750,091	65,923,256	69,317,208	166,078
Net change in fund balances	$ (3,371,321)	$ 29,346,399	$ 53,641,831	$ (20,952,820)
Debt service as a percentage of noncapital expenditures	15.1%	13.9%	14.3%	14.4%

Fiscal Year 2010	2009	2008	2007	2006	2005
$ 148,111,703	$ 144,276,429	$ 140,393,598	$ 120,511,933	$ 116,247,392	$ 103,885,905
570,241	481,224	797,046	1,003,230	1,118,017	996,136
1,645,613	1,743,208	1,833,694	1,901,904	1,908,302	2,033,385
53,818,065	48,899,791	44,286,784	43,750,881	42,471,528	40,461,142
28,211,594	88,237,432	36,434,220	31,579,697	27,744,852	32,777,664
721,590	1,460,315	4,787,729	5,003,729	3,160,096	2,495,371
5,231,714	3,656,393	5,609,073	4,644,229	5,409,088	3,592,125
238,310,520	288,754,792	234,142,144	208,395,603	198,059,275	186,241,728
44,204,640	45,220,838	43,766,409	38,105,787	35,410,918	34,050,720
27,098,751	27,233,714	26,485,549	25,276,122	24,518,755	22,599,098
3,866,689	3,809,610	3,655,426	3,534,185	3,261,864	3,219,691
7,634,147	8,470,204	8,401,507	7,841,180	7,388,345	7,005,899
22,072,669	21,292,132	20,091,509	19,276,996	17,479,465	17,514,899
34,836,832	28,981,590	26,738,109	24,015,988	22,200,063	20,359,518
11,906,366	12,922,294	12,059,582	11,387,520	9,638,478	9,663,858
22,318,932	22,054,237	21,474,905	20,281,542	19,009,220	17,873,029
9,843,579	9,025,813	8,262,557	7,878,541	7,747,039	7,774,655
9,382,528	9,312,831	8,953,438	11,154,441	10,245,016	9,331,150
27,279,773	78,016,936	14,924,623	9,221,715	12,700,379	20,860,077
21,897,496	40,495,222	80,904,133	30,744,012	4,599,993	9,424,380
9,547,473	8,722,581	5,369,261	19,951,308	6,800,427	20,716,808
23,884,805	46,909,239	18,674,736	6,626,765	19,978,367	7,370,865
275,774,680	362,467,241	299,761,744	235,296,102	200,978,329	207,764,647
(37,464,160)	(73,712,449)	(65,619,600)	(26,900,499)	(2,919,054)	(21,522,919)
66,275,753	87,257,125	56,145,380	59,602,211	57,900,713	55,682,262
(66,275,753)	(87,257,125)	(56,145,380)	(59,477,211)	(57,775,713)	(55,557,262)
28,570,000	31,500,000	101,493,337	25,000,000	-	934
216,242	690,409	-	-	-	-
-	-	-	-	-	-
1,106,435	170,797	284,250	868,481	1,941,876	2,554,615
29,892,677	32,361,206	101,777,587	25,993,481	2,066,876	2,680,549
$ (7,571,483)	$ (41,351,243)	$ 36,157,987	$ (907,018)	$ (852,178)	$ (18,842,370)
14.8%	22.8%	11.8%	13.6%	14.6%	15.8%

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
		Residential Property	Commercial Property	Other Multi-Use Property	
2006	2005	3,511,594,235	2,136,195,594	93,950,970	527,095,881
2007	2006	3,631,674,980	2,197,164,974	96,515,955	561,772,393
2008	2007	3,791,887,727	2,276,582,369	102,219,515	533,938,891
2009	2008	3,892,376,937	2,347,954,299	104,523,805	556,193,467
2010	2009	4,585,377,106	2,743,690,312	114,177,025	616,574,058
2011	2010	4,640,933,356	2,723,942,772	108,325,420	600,198,491
2012	2011	4,681,094,025	2,698,950,897	108,689,970	602,424,839
2013	2012	4,718,378,925	2,700,654,267	113,267,860	634,320,306
2014	2013	4,702,746,714	2,800,636,391	134,546,620	628,761,261
2015	2014	4,769,391,038	2,828,250,473	134,609,987	635,961,929

Source: Hamilton County Assessor's Office

Notes: Property in Hamilton County is reassessed once every four years. The County assesses property at approximately 25% of actual value for residential property, 40% of actual value for commercial property and 30% of actual value for other multi-use property and personalty property. The public utilities assessments are made by the State of Tennessee for all counties and cities in the state. The Electric Power Board (EPB) is not included in these totals. The assessed and estimated values for the EPB for fiscal year 2015 are $393,434,299 and $715,335,089, respectively.

Public Utilities Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
333,289,963	-	6,602,126,643	2.894	22,063,003,846
329,134,150	-	6,816,262,452	2.894	22,812,332,576
299,212,058	-	7,003,840,560	3.154	23,523,556,774
306,586,243	-	7,207,634,751	3.154	24,199,213,935
340,109,973	-	8,399,928,474	2.765	28,254,952,916
304,075,212	-	8,377,475,251	2.765	28,288,200,746
315,421,659	-	8,406,581,390	2.765	28,415,629,965
323,769,821	-	8,490,391,179	2.765	28,716,763,388
317,189,690	-	8,583,880,676	2.765	28,356,937,437
N/A	-	8,368,213,427	2.765	28,716,763,388

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						
	General Government	Department of Education	District Road	Total Direct Rate	Chattanooga	East Ridge	Red Bank
2005	1.4128	1.6334	0.0148	3.0610	2.5160	1.2500	1.2200
2006	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600
2007	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600
2008	1.5759	1.5655	0.0126	3.1540	2.2020	1.0770	1.2600
2009	1.5759	1.5655	0.0126	3.1540	2.2020	1.2870	1.2600
2010	1.3816	1.3726	0.0110	2.7652	1.9390	1.1227	1.1001
2011	1.3816	1.3726	0.0110	2.7652	2.3090	1.4200	1.1001
2012	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500
2013	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3561
2014	1.3816	1.3726	0.0110	2.7652	2.3090	1.4227	1.3500

Source: Hamilton County Trustee's Office

Overlapping Rates							Total Direct & Overlapping Rates
Lookout Mountain	Signal Mountain	Collegedale	Soddy-Daisy	Lakesite	Ridgeside	Walden	
2.7000	1.6500	1.0500	0.4900	0.3390	1.9300	0.5800	16.7860
2.0136	1.4250	0.9520	0.7800	0.2900	1.5010	0.5000	14.8946
1.8000	1.7750	1.2000	0.7800	0.2900	1.5010	0.5000	15.2790
1.8000	1.7750	1.2000	0.7800	0.2900	1.6000	0.5000	15.6380
1.8000	1.7750	1.3200	0.7800	0.2900	1.8000	0.5000	16.1680
1.4700	1.5134	1.1500	0.6860	0.2400	1.6070	0.4300	14.0234
1.4700	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400	15.6477
1.6200	1.6634	1.3400	1.0000	0.2400	1.9000	0.4400	16.0503
1.6200	1.5684	1.3713	1.3524	0.2352	1.9063	0.4290	16.3356
1.6600	1.5684	1.3713	1.3524	0.2350	2.0100	0.4290	16.4730

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

	2014		
Taxpayer	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	$ 393,434,299	1	4.70%
TVA	160,173,848	2	1.91%
Volkswagen	97,410,126	3	1.16%
CBL Properties	86,995,234	4	1.04%
Bellsouth Telecommunications	65,842,838	5	0.79%
McKee Baking/Foods Corp.	61,086,317	6	0.73%
Tennessee-American Water Co.	58,029,337	7	0.69%
Blue Cross Blue Shield	54,835,801	8	0.66%
Walmart	42,615,366	9	0.51%
Norfolk Southern	38,739,262	10	0.46%
E. I. Dupont	-		-
Chattanooga Gas Company	-		-
Provident Life & Accident	-		-
Stone Fort Land & Tallan Prop.	-		-
	$ 1,059,162,428		12.65%

Source: Hamilton County Trustee

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

2005		
Taxable Assessed Value	Rank	% of Total Assessed Valuation
$ 175,699,266	1	3.13%
103,568,003	2	1.85%
-		-
61,573,386	4	1.10%
67,413,661	3	1.20%
40,034,026	8	0.71%
42,260,561	6	0.75%
-		-
-		-
-		-
49,567,874	5	0.88%
35,624,602	9	0.63%
40,326,462	7	0.72%
14,307,760	10	0.25%
$ 630,375,601		11.22%

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
2005	$ 162,140,351	$ 153,718,818	94.806%	$ 7,601,449	$ 161,320,267	99.494%
2006	181,473,837	173,318,379	95.506%	7,774,924	181,093,303	99.790%
2007	187,738,019	179,757,257	95.749%	7,986,028	187,743,285	100.003%
2008	211,448,308	201,229,831	95.167%	10,041,686	211,271,517	99.916%
2009	217,659,937	205,689,580	94.500%	11,065,654	216,755,234	99.584%
2010	222,870,484	210,841,565	94.603%	10,526,733	221,368,298	99.326%
2011	223,245,685	210,215,791	94.163%	10,000,546	220,216,337	98.643%
2012	223,736,777	211,687,655	94.615%	6,944,395	218,632,050	97.718%
2013	225,823,440	213,711,111	94.636%	7,402,649	221,113,760	97.914%
2014	228,590,172	217,614,995	95.199%	-	217,614,995	95.199%

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

	Governmental Activities					
Fiscal Year	**General Obligation Bonds**	**Notes Payable**	**Short-Term Obligation**	**Total Primary Government**	**Percentage of Personal Income**	**Total Debt Per Capita**
2005	$ 143,380,000	$ 19,570,147	$ -	$ 162,950,147	1.53%	$ 526
2006	125,510,000	17,322,009	-	142,832,009	1.28%	459
2007	107,730,000	14,989,671	25,000,000	147,719,671	1.23%	472
2008	188,260,000	12,649,202	25,000,000	225,909,202	1.79%	684
2009	200,110,000	10,389,963	46,560,000	257,059,963	2.03%	772
2010	206,960,000	8,030,725	43,060,000	258,050,725	2.10%	765
2011	185,550,000	5,677,713	64,616,000	255,843,713	1.98%	760
2012	223,705,000	4,170,834	28,556,000	256,431,834	1.89%	752
2013	263,545,000	2,614,726	-	266,159,726	1.87%	770
2014	238,300,000	6,193,607	-	244,493,607	1.67%	701

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Bonded Debt Per Capita
2004	$ 162,040,000	0.88%	$ 524
2005	143,380,000	0.65%	463
2006	125,510,000	0.55%	404
2007	107,730,000	0.46%	344
2008	188,260,000	0.78%	570
2009	200,110,000	0.71%	601
2010	206,960,000	0.73%	614
2011	185,550,000	0.65%	551
2012	223,705,000	0.78%	656
2013	263,545,000	0.93%	763
2014	238,300,000	0.83%	683

Schedule XI
Hamilton County, TN
Direct and Overlapping Governmental Activities Debt
As of June 30, 2014

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Chattanooga	$ 160,814,875	57.569%	$ 92,579,515
Town of East Ridge	3,376,566	3.936%	132,902
Town of Red Bank	765,423	2.143%	16,403
Town of Lookout Mountain	-	1.304%	-
Town of Signal Mountain	1,608,666	3.105%	49,949
Town of Collegedale	2,585,483	3.051%	78,883
Town of Soddy Daisy	-	2.803%	-
Town of Walden	-	0.874%	-
Other debt			
City of Chattanooga	146,933,903	57.569%	84,588,379
Town of East Ridge	-	3.936%	-
Town of Red Bank	692,300	2.143%	14,836
Town of Lookout Mountain	-	1.304%	-
Town of Signal Mountain	-	3.105%	-
Town of Collegedale	1,017,444	3.051%	31,042
Town of Soddy Daisy	-	2.803%	-
Town of Walden	-	0.874%	-
Subtotal, overlapping debt			177,491,910
Hamilton County direct debt			239,493,607
Total direct and overlapping debt			$ 416,985,517

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

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

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

Calendar Year	Population	Personal Income (000's)	Per Capita Income	Unemployment Rate
2004	309,729	10,684,213	34,495	3.5%
2005	310,935	11,149,618	35,858	5.8%
2006	312,905	12,008,126	38,376	5.4%
2007	330,168	12,598,201	38,157	3.9%
2008	332,848	12,664,312	38,048	5.8%
2009	337,175	12,269,016	36,388	9.8%
2010	336,463	12,946,232	38,477	8.7%
2011	340,855	13,580,088	39,841	8.3%
2012	345,545	14,236,475	41,200	8.5%
2013	348,673	14,637,944	41,982	7.2%

Sources: Personal income and per capita income information provided by the Chamber of Commerce: Bureau of Economic Analysis (BEA). For 2011, 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 2007-2010. Population estimate was found at the U.S. Census Bureau. Unemployment information provided by State Deparment of Employment Security.

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

	2014			2005		
Employer	**Employees**	**Rank**	**Percentage of Total County Employment**	**Employees**	**Rank**	**Percentage of Total County Employment**
Hamilton County Department of Education	4,480	1	2.40%	4,546	1	2.37%
Blue Cross Blue Shield of Tennessee	4,238	2	2.27%	4,315	2	2.25%
Tennessee Valley Authority	4,126	3	2.21%	3,968	5	2.07%
Erlanger Health System	3,468	4	1.86%	3,429	3	1.79%
Memorial Health Care System	2,832	5	1.52%	2,658	7	1.39%
UnumProvident Corporation	2,800	6	1.50%	2,918	6	1.52%
McKee Foods Corporation	2,750	7	1.47%	3,200	4	1.67%
City of Chattanooga	2,685	8	1.44%	2,364	8	1.23%
Volkswagen Chattanooga	2,107	9	1.13%	-	-	-
Amazon.com.dedc LLC	1,966	10	1.05%	-	-	-
CIGNA Health Care System	-	-	-	1,975	9	1.03%
Pilgrim's Pride Corporation	-	-	-	1,839	10	0.96%
Total	31,452		16.85%	31,212		16.28%

Source: Chattanooga Area Chamber of Commerce

Schedule XIV
Hamilton County, TN
Full-time Equivalent County Government Employees by Function/Program
As of June 30, 2014

	Full-time Equivalent Employees								
Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government	649	654	659	718	751	754	769	660	536
Public Safety [1]	662	656	652	500	534	447	384	379	365
Highways and Streets	95	98	97	98	97	125	130	129	111
Health [2]	269	269	267	267	277	291	262	238	278
Social Services[3]	0	0	0	0	58	108	108	83	97
Culture and Recreation	90	85	91	92	88	98	81	83	89
Total	1,765	1,762	1,766	1,675	1,805	1,823	1,734	1,572	1,476

Source: Hamilton County Human Resources Department

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

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

[1] The 2010 increase in the number of employees in Public Safety was due to the consolidation of the City and County 911 service

[2] There was an increase (2009) in the number of employees in the Health Dept because more manpower was needed to administer the 2 flu vaccines

[3] Social Services department was dissolved in June 2011

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

Function/Program	2014	2013	2012	2011
General Government				
County Clerk (DMV) - transactions processed	400,000	411,547	368,604	326,795
Register - documents recorded	69,147	65,559	65,953	63,309
Recycling - tons collected	2,239	2,189	3,006	3,910
Election Commission - registered voters	206,444	220,480	216,003	210,160
Election Commission - votes cast in last election	53,685	142,161	50,562	87,817
Purchasing - bids posted	132	168	144	147
Public Safety				
Building Inspections - permits issued	1,149	1,424	983	950
Building Inspections - inspections and investigations	12,540	12,216	12,000	11,445
[3] Building Inspections - processed appl for new/existing septic system	378	351	333	702
Jail - average number inmates housed	635	522	519	514
Sheriff's Dept - physical arrests	6,175	8,080	7,865	8,016
Juvenile Court Judge - cases heard	5,346	5,522	6,496	6,463
Criminal Court Judge - cases heard	7,895	8,185	8,762	8,711
Ambulance Services - responded calls	21,462	22,278	22,942	22,944
Police Protection (Sworn, Correctional, Civilian and Others)	387	373	395	371
Highways and Streets				
Engineering Services - projects administered	45	77	89	72
[4] Highways & Streets - bridges maintained	67	67	67	67
Health				
Health Dept - patients seen	33,004	34,892	37,274	40,055
Social Services				
[1] Emergency Assistance Program of Financial Services - households served	351	319	367	432
[1] Emergency Assistance Program of Financial Services - of services	443	403	450	528
Chancery Court Judge - cases heard	2,330	2,430	2,297	2,300
Circuit Court Judge - cases heard	5,514	3,578	3,371	3,461
Culture & Recreation				
# Facilities Maintained	32	32	32	32
# Programs Offered	14	14	13	17
Education				
[2] Public School Enrollment	42,141	42,525	42,435	42,236
Private School Enrollment	10,372	10,456	10,377	10,439

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

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

[2] Note on public school enrollment - The increase in 2009 school enrollment was largely due to the opening of the new Middle/High School and 2 public charter schools.

[3] Note on Building Inspections - The current housing crisis has drastically affected the groundwater protection program. With very few houses being built, bought or sold means a large decrease in the number or applications for new/existing septic systems.

[4] Note on Highways & Streets bridges maintained - The number of bridges maintained has decreased because some bridges are now maintained by other city annexed areas.

Fiscal Year					
2010	2009	2008	2007	2006	2005
328,766	347,946	366,029	381,072	404,066	393,942
67,824	73,441	79,036	78,300	81,687	89,228
3,137	3,157	2,235	2,342	2,218	2,200
207,961	205,382	184,792	184,099	182,250	176,671
51,805	148,480	74,417	109,401	50,968	137,272
173	164	190	153	150	135
909	998	1,420	1,600	1,616	1,609
11,210	15,051	22,214	25,292	24,562	22,838
1,166	467	2,250	2,131	828	1,044
525	555	592	610	583	561
7,558	7,002	6,654	6,728	6,723	6,843
6,325	7,287	7,618	9,255	7,574	7,699
8,508	8,444	4,306	5,000	4,866	4,396
22,247	21,580	21,382	20,393	20,536	20,624
378	401	361	373	393	385
74	56	70	80	69	100
67	81	81	81	81	81
59,096	43,467	44,452	47,383	49,817	58,808
503	488	448	425	350	331
620	607	645	548	420	386
2,241	2,383	2,253	2,521	2,520	2,266
3,846	3,016	2,925	2,892	3,088	3,357
32	32	34	34	34	34
17	17	15	18	18	17
41,950	41,372	40,578	40,430	40,826	40,376
10,606	10,514	10,813	11,351	11,330	11,348

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

Function/Program	2014	2013	2012	2011	2010
General Government					
Libraries	9	9	9	9	9
Recycling Stations	5	5	6	6	6
Telecommunications locations supported	212	224	224	223	208
Election Commission ballot boxes	127	127	127	125	125
Public Safety					
Volunteer Fire Stations	18	18	18	18	18
Ambulance Stations	15	15	15	15	15
[1] Sheriff patrol cars	262	241	247	271	262
Highways and Streets					
Miles of paved streets	2,665	2,665	2,624	2,622	2,380
Health					
Healthcare Facilities	5	5	5	5	5
Culture & Recreation					
Number of Parks	122	122	122	122	90
Golf Courses	21	21	21	21	21
Recreation Centers	16	16	15	15	15
Theaters	17	17	17	17	17
Bowling Alleys	3	3	3	3	3

Sources: Prior year CAFRs and various department personnel

[1] New Sheriff patrol cars were received near the end of FY11 but could not be stripped and surplused until FY12

Fiscal Year				
2009	2008	2007	2006	2005
9	9	9	9	9
6	6	6	5	5
202	202	202	202	202
125	125	122	122	122
17	17	17	17	17
15	15	15	15	15
244	225	211	224	207
2,380	2,380	2,380	2,435	2,380
5	5	5	5	5
90	98	98	97	92
21	21	21	21	21
16	17	17	17	17
15	15	15	14	14
3	3	3	3	3

Schedule XVII
Hamilton County, TN
Salaries and Surety Bonds of Principal Officers
Fiscal Year ended June 30, 2014

Official Title	Salary	Bond
County Mayor	$ 154,781	$ 100,000
Superintendent of Schools	160,637	100,000
County Coroner	178,950	N/A
County Attorney	151,077	N/A
Finance Administrator	131,847	N/A
County Auditor	132,661	N/A
County Commissioners:		
Chester Bankston	21,902	N/A
Gregory Beck	21,902	N/A
Tim Boyd	21,902	N/A
James A. Fields	25,254	N/A
Joe Graham	21,902	N/A
Larry Henry	21,902	N/A
Warren Mackey	21,902	N/A
William Haynes	21,902	N/A
Fred Skillern	28,611	N/A
Constitutional Officers		
Assessor of Property	$ 112,016	$ 50,000
Circuit Court Clerk	106,016	100,000
Clerk and Master	106,016	100,000
County Clerk	106,016	100,000
Criminal Court Clerk	106,016	100,000
Juvenile Court Judge	165,206	100,000
Juvenile Court Clerk	106,016	100,000
Register	106,016	100,000
Sheriff	116,617	100,000
Trustee	106,016	13,510,443

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Economic Development Initiative-Special Project	14.251	B-09-SP-TN-0252	$ 6,986
Total U.S. Department of Housing and Urban Development			6,986
U.S. DEPARTMENT OF JUSTICE			
Edward Byrne Memorial Justice Assistance Grant	16.738	7603	29,967
2012 Justice Assistance Grant Program	16.738	N/A	43,302
			73,269
Safe Havens Grant	16.527	2011-CW-AX-K001	198,889
State Criminal Alien Assistance Progam	16.606	2013-AP-BX-0109	18,455
		2012-H4896-TN-AP	6,175
			24,630
Public Safety Partnership and Community Policing Grants	16.710	2013-UL-WX-0019	16,506
Passed through the Tennessee Commission of Children and Youth			
Domestic Violence	16.590	2010-WC-AX-K003	16,464
		2013-FL-AX-0024	80,494
			96,958
Total U.S. Department of Justice			410,252
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Tennessee Commission on Children and Youth			
Supplemental Nutrition program for Women, Infants and Children	10.557	GG-14-38816-00	1,521,290
Total U.S. Department of Agriculture			1,521,290

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Tennessee Department of Human Services			
Child Support Program Title IV-D	93.563	GG-09-25249-02	$ 189,840
		GG-13-39307	401,915
			591,755
Social Services Block Grant	93.667	Z-14-49307 & 49306	263,619
Passed through the Tennessee Department of Health			
Maternal, Infant and Early Childhood Home Visiting Program	93.505	GG-13-39084-00	357,194
		GG-14-38606-00	77,238
			434,432
Project Grants and Cooperative Agreements for Tuberculosis Control	93.116	GG-14-3820-00	376,640
		GG-10-29175-00	64,500
			441,140
Centers for Disease Control and Prevention: Injury Prevention and Control Research and State and Community-Based Programs	93.136	GG-14-40659-00	36,096
Family Planning Services	93.217	GU-13-38855-00	581,700
Immunization Cooperative Agreements	93.268	GG-14-41167-00	157,988
		GG-13-35709-00	136,470
			294,458
Centers for Disease Control and Prevention, Investigations and Technical Assistance	93.283	GG-13-34829-00	39,947
Affordable Care Act Grants for Capital Development in Health Centers	93.526	C8ACS11242-01-00	912,475
Hospital Preparedness Program & Public Health Emergency Preparedness	93.074	GG-14-37433-00	542,900
Medical Assistance Program	93.778	GG-11-34066-00	160,591
HIV Care Formula Grants	93.917	GG-14-40561-00	181,617
Preventive Health Services Grant: Sexually Trasmitted Diseases Control	93.977	GG-14-39846-00	184,949
Preventive Health and Health Services Block Grant	93.991	GG-14-37205-00	121,700
Assistance Programs for Chronic Disease Prevention and Control	93.945	GG-14-40752-00	514
HIV Prevention Activities - Health Department Based	93.944	GG-14-39846-00	245,185
Maternal and Child Health Services Block Grant - States and Local	93.994	GU-13-39100-00	13,100
		GG-14-36367-00	55,000
		GG-14-37386-00	256,400
			324,500

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Center Cluster:			
Health Center Program	93.224	H80CS00023-12-00	$ 1,060,535
Affordable Care Act Grants for New and Expanded Services	93.527	H80CS00023-13-00	46,634
			1,107,169
Total U.S. Department of Health and Human Services			6,464,747
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through the Tennessee Emergency Management Agency			
Emergency Management Performance Grants	97.042	None	156,604
Homeland Security Grant Program	97.067	EMW-2012-SS-00107	119,032
		EMW-2011-SS-00069	282,375
			401,407
Total U.S. Department of Homeland Security			558,011
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through the Tennessee Department of Transportation			
Highway and Planning Construction	20.205	STP-M-9202(106)	835,508
		STP-EN-9202(113)	250,000
			1,085,508
Child Safety and Chld Booster Seats Incentive Grants	20.613	32860	28,488
Alcohol Open Container Requirements	20.607	32862	6,956
		37410	88,374
			95,330
National Priority Safety Programs	20.616	37413	65,698
Total U.S. Department of Transportation			1,275,024
Total expenditures of federal awards-primary government			$ 10,236,310

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS - continued
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
COMPONENT UNITS			
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.555	None	$ 1,326,463
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	3,319,223
National School Lunch Program	10.555	None	10,020,735
			14,666,421
Fresh Fruit and Vegetable Program	10.582	None	117,751
Total U.S. Department of Agriculture			14,784,172
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education:			
Title I Grants to Local Educational Agencies	84.010	None	14,544,984
Title II Part A Teacher and Principal Training and Recruiting	84.367	None	2,056,366
English Language Acquisition Grants	84.365	None	277,835
Career and Technical Education- Basic Grants to States	84.048	None	768,251
Safe and Drug-Free Schools and Communities National Programs	84.184	None	181,288
Education for Homeless Children and Youth	84.196	None	91,374
Twenty-First Century Community Learning Centers	84.287	None	476,750
ARRA - Race to the Top	84.395	None	4,839,915
Teacher Incentive Fund	84.374	None	554,280
Special Education Cluster:			
Special Education- Grants to States	84.027	None	9,952,502
Special Education- Preschool Grants	84.173	None	192,088
			10,144,590
School Improvements Grants Cluster:			
School Improvement Grants	84.377	None	2,383,385
ARRA - School Improvement	84.388	None	296,105
			2,679,490
Impact Aid	84.041	None	8,783
Fund for the Improvement of Education	84.215	None	267,319
Total U.S. Department of Education			36,891,225
Total expenditures of federal awards-component units			51,675,397
Total Expenditures of Federal Awards- Reporting Entity			$ 61,911,707

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
STATE GRANTS			
Board of Probation and Payroll	N/A	37157	$ 322,210
Juvenile Detention Unit	N/A	GG-10-29840-00	9,000
Governor's Highway Child Safety Program	N/A	N/A	7,870
Child Welfare Research and Demonstration - Casa Program	93.608	N/A	16,500
Help America Vote Act (HAVA)	N/A	N/A	1,200,545
TN Dept. of Mental Health and Substance Abuse Services-Drug Court Program	N/A	38647	424,469
TN Dept. of Health - Safety Net Primary Care Services	N/A	GG-14-39857-00	32,815
TN Dept. of Health - Grant in Aid	N/A	GG-12-36781-00	371,300
TN Dept. of Health - Environmental Health Programs	N/A	GU-09-26086-00	289,713
TN Dept. of Health - HUGS	N/A	GG-14-35571-00	378,400
TN Dept. of Health - Oral Health	N/A	GG-12-36575-00	338,800
TN Dept. of Health - Fetal Infant Mortality Review	N/A	GU-14-36907-00	151,900
TN Dept. of Health - TENNdercare Community Outreach	N/A	GG-14-38606-00	317,714
TN Dept. of Transportation	N/A	35835	293,070
TN Dept. of Environment & Conservation - Recycling & Waste Oil	N/A	N/A	10,128
TN Dept. of Environment & Conservation - Waste Tire	N/A	DG-12-35171-00	218,604
TN Dept. of Education - Tennessee Arts Commission	N/A	N/A	24,250
TN Dept. of Education - Family Resource Centers	N/A	N/A	94,040
TN Dept. of Education - Coordinated School Health	N/A	N/A	184,885
TN Dept. of Education - Safe Schools	N/A	N/A	159,995
TN Dept. of Education - Pre-K Pilot and Expansion	N/A	N/A	2,675,517
TN Dept. of Education - Internet Carryover	N/A	N/A	29,500
TN Dept. of Education - ConnectTN Internet	N/A	N/A	304,766
TN Dept. of Education - Technology Upgrade Fund	N/A	N/A	1,392,320
Total Expenditures of State Awards			9,248,311
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ 71,160,018

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2014

NOTE A. BASIS OF PRESENTATION

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

NOTE B. SUBRECIPIENTS

Program Title	Federal CFDA Number	Amount Provided To Subrecipient
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 67,448
Social Services Block Grant	93.667	330,000
Homeland Security Grant Program	97.067	288,610
Title I - Grants to Local Educational Agencies	84.010	388,716
Title II - Part A	84.367	23,200
School Improvement Grant 1003g	84.377	182,553
School Improvement Grant 1003g ARRA	84.388	124,992
IDEA, Part B	84.027	370,714
Safe School Climate	84.184	94,256
State funded Safe Schools Act	N/A	14,000

MAULDIN & JENKINS

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

County Commission
of Hamilton County, Tennessee
Chattanooga, Tennessee

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County Tennessee (the "County") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 27, 2015. Our report includes a reference to other auditors who audited the financial statements of the Hamilton County "911" Emergency Communications District as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2014-001 through 2014-004, to be material weaknesses.

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*.

Hamilton County, Tennessee's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
February 27, 2015

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

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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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Chattanooga, Tennessee
February 27, 2015

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION I
SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	__X__ yes ____ 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 Section 510(a) of OMB Circular?	____ yes __X__ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.395	Race to the Top
84.010	Title I
84.377, 84.388	School Improvement Grants Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$1,857,351
Auditee qualified as low-risk auditee?	____ yes __X__ no

SECTION II
FINANCIAL STATEMENT FINDINGS

2014 - 001. Restatement of Fund Classifications-

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity of the County.

Condition: Internal controls were not sufficient to detect certain misstatements in the County's financial statements for the fiscal year ended June 30, 2013.

Context/Cause: During our audit for the year ended June 30, 2014, we noted the following which required restatement of the prior year's financial statements:

- In 2013, the County reported the School Activity Fund of a discretely presented component unit, the Hamilton County Department of Education, as a special revenue fund. The activity in this fund is more accurately reported in the County's financial statements as an agency fund, as these funds are merely held by the County for the benefit of another entity.
- In 2013, the County reported the Sheriff and Juvenile Court Clerk as special revenue funds. It was determined that these funds would be more accurately reported as part of the County General Fund based upon the provisions of *Government Accounting Standards Board Statement 54 – Fund Balance Reporting and Governmental Fund Type Definitions*.

Effects: The effect of the above resulted in the following restatements of prior period equity balances:

- reduction of the net position of the Department of Education as of June 30, 2013 of $6,730,408;
- increase in fund balance of the General Fund of $2,377,289; reduction of the fund balance of the Sheriff special revenue fund of $1,907,623; and reduction of the fund balance of the Other Governmental Funds of $469,666.

Recommendation: We recommend the County review all funds annually to ensure they are appropriately categorized in the financial statements.

Auditee's Response: Historically, based upon our review of authoritative literature and consultation with our auditors and the Tennessee State Comptroller's Office, we have reported the operating results for the School Activity Funds, Sheriff and Juvenile Court Clerk in special revenue funds. We reevaluated the presentation of the funds in the fiscal year 2014 financial statements and believe that the above noted changes are a better presentation for these funds.

SECTION II
FINANCIAL STATEMENT FINDINGS (Continued)

2014 - 002. Restatement for Allowance on Advance to Component Unit -

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity of the County.

Condition: Internal controls were not sufficient to detect certain misstatements in the County's financial statements for the fiscal year ended June 30, 2013.

Context/Cause: During our audit for the year ended June 30, 2014, we noted an advance to a discretely presented component unit, the Water & Wastewater Treatment Authority, had been outstanding without repayment since the advance was made. Without an agreement in place to collect the advance, it was determined an allowance should have been recorded in the full amount of the advance.

Effects: The net position of the Governmental Activities as of and for the year ended June 30, 2013 should have been $6,500,000 lower than previously reported.

Recommendation: We recommend the County review all amounts due from other entities to determine their collectability.

Auditee's Response: We have reviewed the prior period adjustment and agree with the restatement.

2014 - 003. Restatement for Equity Investment in Joint Venture -

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity of the County.

Condition: Internal controls were not sufficient to detect certain misstatements in the County's financial statements for the fiscal year ended June 30, 2013.

Context/Cause: During our audit for the year ended June 30, 2014, we noted the County had an equity investment in Carter Street Corporation, a joint venture. The investment in the joint venture was not recorded as an asset in the 2013 entity-wide financial statements. Since the County has an equity investment in the joint venture, the proportional share of income of the joint venture should be recorded in the financial statements of the County on an annual basis.

Effects: The net position of the Governmental Activities as of and for the year ended June 30, 2013 should have been $3,709,326 higher than previously reported.

SECTION II
FINANCIAL STATEMENT FINDINGS (Continued)

2014 - 003. Restatement for Equity Investment in Joint Venture – (Continued)

Recommendation: We recommend the County review all transactions and agreements with related parties to ensure all equity investments are properly disclosed in the financial statements.

Auditee's Response: We have reviewed the prior period adjustment and agree with the restatement.

2014 - 004. Restatement for Component Unit Property Tax Revenue -

Criteria: Internal controls should be in place to ensure that financial statements properly present all financial activity of the County.

Condition: Internal controls were not sufficient to detect certain misstatements in the County's financial statements for the fiscal year ended June 30, 2013.

Context/Cause: During our audit for the year ended June 30, 2014, we noted the Department of Education, a discretely presented component unit, recorded the accrual for certain property tax receivables in the 2013 entity-wide financial statements as a deferred inflow of resources rather than correctly recording the accrual as property tax revenue.

Effects: The net position of the Department of Education as of and for the year ended June 30, 2013 should have been $7,552,102 higher than previously reported.

Recommendation: We recommend the County review all accruals at the government-wide level for proper classification in the financial statements.

Auditee's Response: We have reviewed the prior period adjustment and agree with the restatement.

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV
STATUS OF PRIOR AUDIT FINDINGS

None reported

CHATTANOOGA FIRE-RESCUE

COVER PHOTO
*The Hamilton County Courthouse Centennial Celebration, June 29, 2013**

INSIDE FRONT COVER / INSIDE BACK
*The Head of the Hooch, fall 2013**

PAGE 3
*A view of the Walnut Street Bridge from Coolidge Park**

PAGES 4 AND 5
*Chester Frost Park, winter, 2014**

PAGE 6
*The Courthouse, early spring 2014**

PAGE 9
*An acrobat on the Community Stage at the County Fair, 2013**

PAGE 11
Passat Assembly Line, VW plant, courtesy Volkswagen Chattanooga

PAGE 13
*Volkswagen USA Cycling Professional Road and Time Trial National Championships, May 2014**

PAGES 16 AND 17
*Wolftever Creek Elementary School, Christmas at the Courthouse, 2013**

PAGE 18
*Tennessee Aquarium**

PAGE iv
*The Block, Chattanooga's new Downtown outdoor climbing wall**

PAGES vii
*Performer on the TN Valley Credit Union Stage, Riverbend, 2014**

PAGES xii and xiii
*Young performers on the Community Stage at the 2013 Hamilton County Fair; soccer at Finley Stadium; Mountain Bike Camp participants at Enterprise South Nature Park; performers at Riverbend**

PAGES xiv and xv
Aerial view of VW plant, courtesy Volkswagen Chattanooga

PAGE xvii
*Fantasy Maze, 2013**

PAGE xviii
*A view of Downtown from the North Shore**

BACK
*Great Blue Heron, Ross's Landing**

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* *Special thanks to Shelia Cannon in the Hamilton County Finance Division for her photo contributions to the 2014 CAFR.*

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