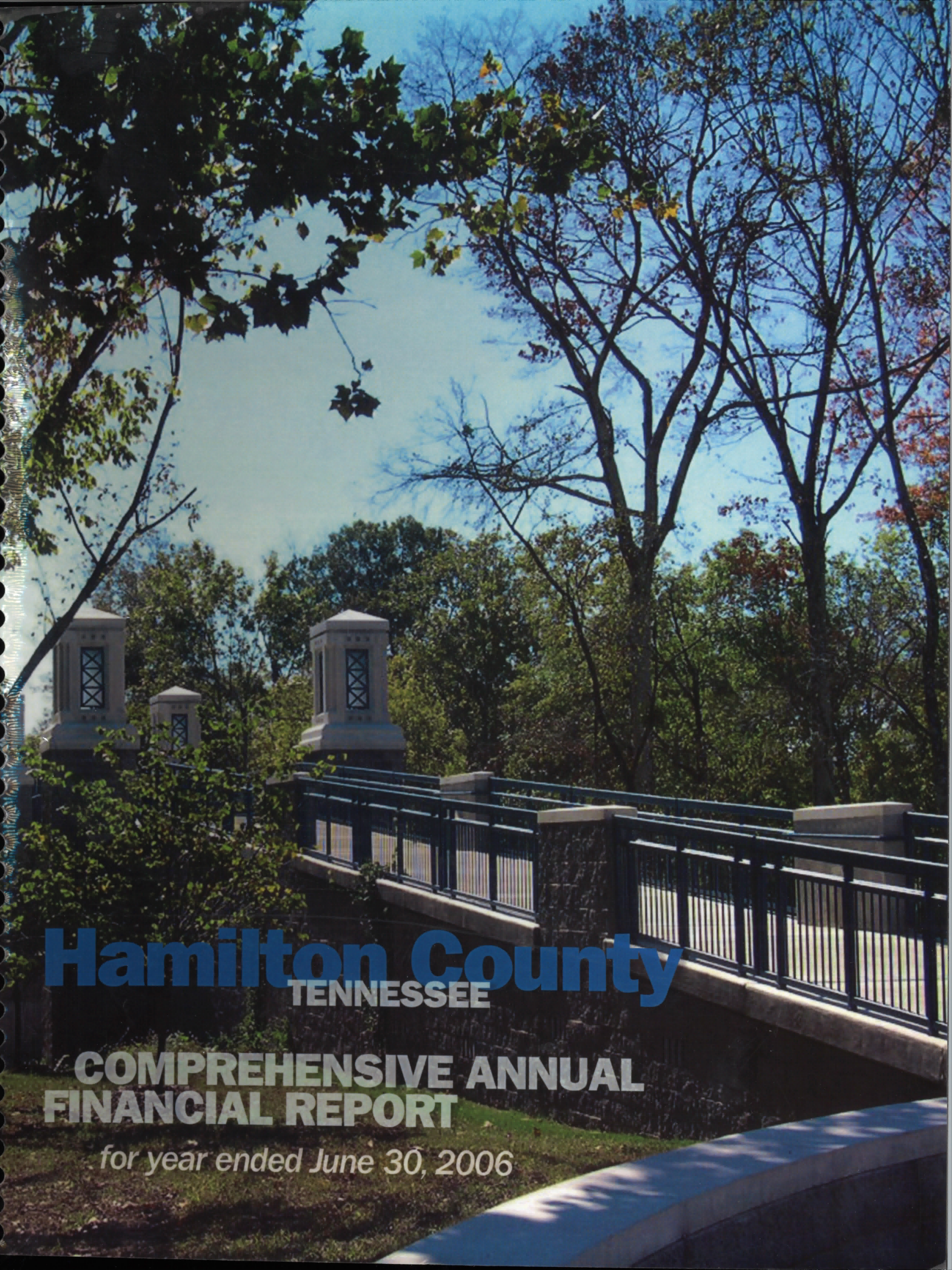
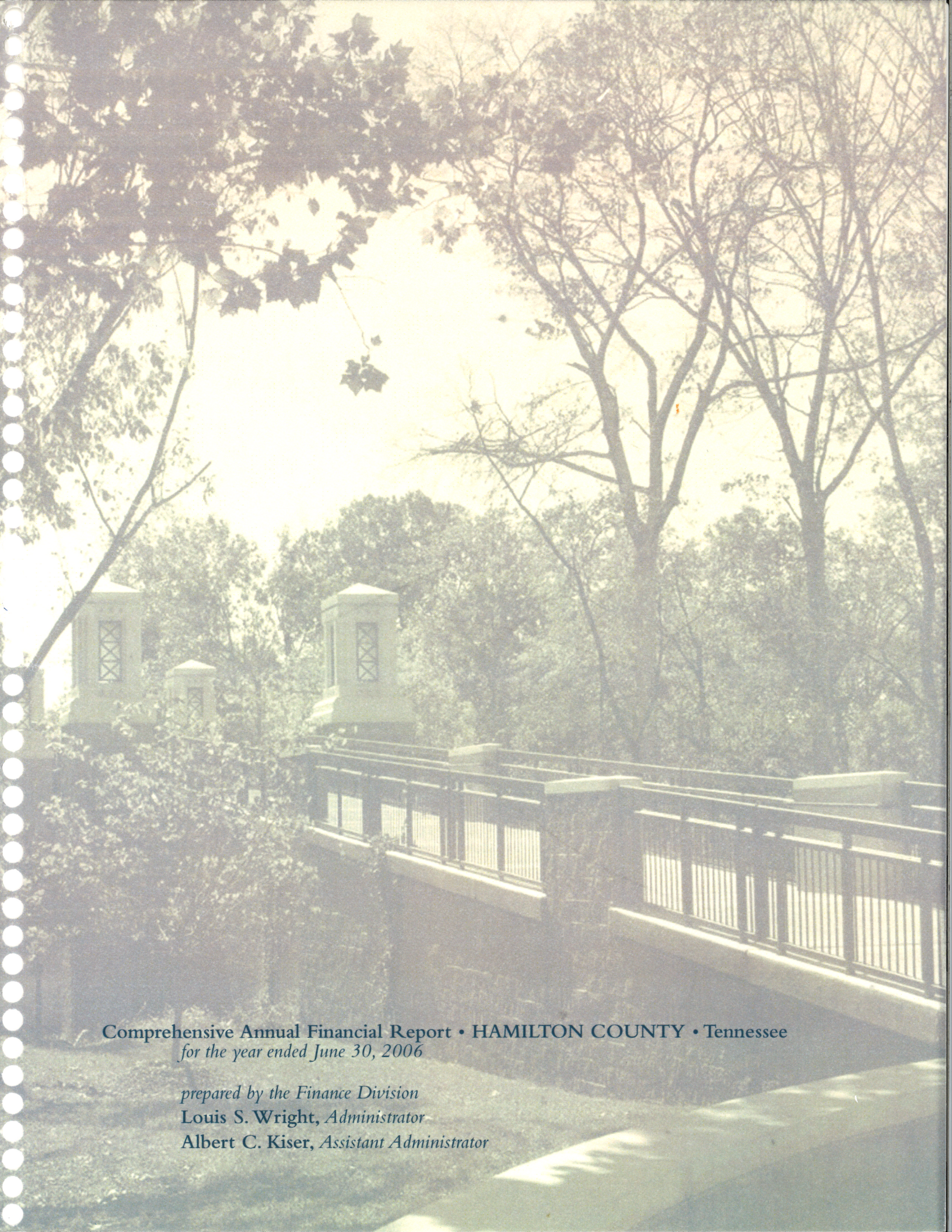


Hamilton County
TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

for year ended June 30, 2006



Comprehensive Annual Financial Report • HAMILTON COUNTY • Tennessee

for the year ended June 30, 2006

prepared by the Finance Division

Louis S. Wright, *Administrator*

Albert C. Kiser, *Assistant Administrator*

HAMILTON COUNTY, TENNESSEE

Comprehensive Annual Financial Report
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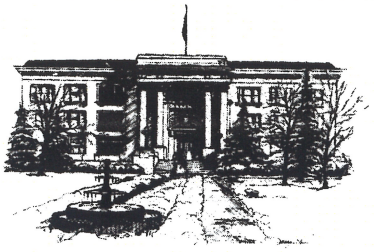


HAMILTON COUNTY
OFFICE OF THE COUNTY MAYOR
208 Courthouse
Chattanooga, Tennessee 37402

February 14, 2007

To the Board of County Commissioners and Citizens of Hamilton County

This report outlines our strategic plan for providing services to Hamilton County citizens. As County Mayor, I am responsible for ensuring that tax dollars are used efficiently to protect health and welfare, improving the quality of life for all who live, work or play in this community.

As I begin my fourth term in office, I continue to focus my efforts toward strengthening economic development and improving our public education system. I believe that these two aspects of our society will determine our future. Enterprise South is listed as one of the top new mega sites in the nation. I feel confident that we will bring in industries that will provide top paying jobs.

The availability of a skilled workforce is a key factor for industry leaders when considering locating in our area. I am working with local educational institutions and the Chamber of Commerce toward workforce development to ensure that our students are trained and prepared to perform the skills necessary to hold good jobs. Fostering the success of high tech businesses in Hamilton County is another focus we're taking through our CEG program – the Center for Entrepreneurial Growth. From inception to mass marketing, the CEG provides assistance to help fledgling businesses grow and succeed.

Our Read 20 program is beginning to make a difference in our community. As one of the recommendations from the 2004's Education Summit, Read 20 promotes reading to children of all ages, beginning at birth. Countless studies have shown that reading early and often is the key to learning. Our goal is to have at least 95 percent of our children reading at or above grade level by the end of third grade. We are working diligently toward that goal.

Obesity has reached national epidemic levels and is listed as one of our country's top health concerns. Step ONE: Optimize with Nutrition and Education, is Hamilton County's program to help eliminate the contributing factors to obesity – namely vending machines without nutritious snacks and restaurants without healthy options – and to provide nutritional education inside grocery stores. Step ONE's strategy is to encourage people to move more and eat nutritiously. Promoting the importance of eating fruits and vegetables and making exercise a part of our daily activities are the keys to this program.

The Hamilton SHINES program is targeted toward reducing litter in our community through education and enforcement of litter laws. Through public education and community support, we are making a difference.

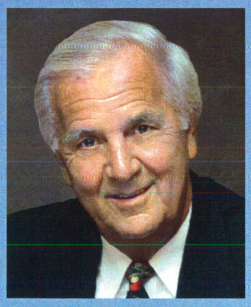
This is one of the most exciting times I've experienced in my twelve years as county mayor. I am excited about what is happening in our community and I'm hopeful for our future. I hope you will work with me to make Hamilton County a great place to call home.

Sincerely,

Claude Ramsey
County Mayor

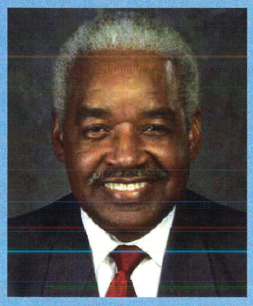
Visit www.hamiltontn.gov

BOARD OF COMMISSIONERS *for fiscal year ending June 30, 2006*



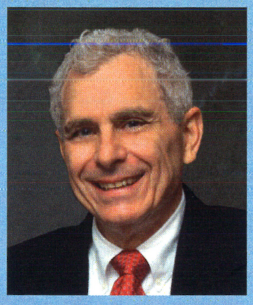
Curtis D. Adams
Commissioner

Warren Mackey
Commissioner



Gregory Beck
Chairman, Pro Tempore

Lou Miller
Commissioner

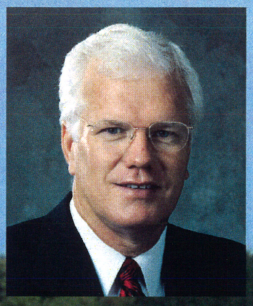


Richard Casavant
Commissioner

Fred Skillern
Commissioner

Larry L. Henry
Chairman

Charlotte Vandergriff
Commissioner



Bill Hullander
Commissioner

HAMILTON COUNTY, TENNESSEE

LOUIS S. WRIGHT

Administrator of Finance

February 14, 2007

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, 2006. 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.

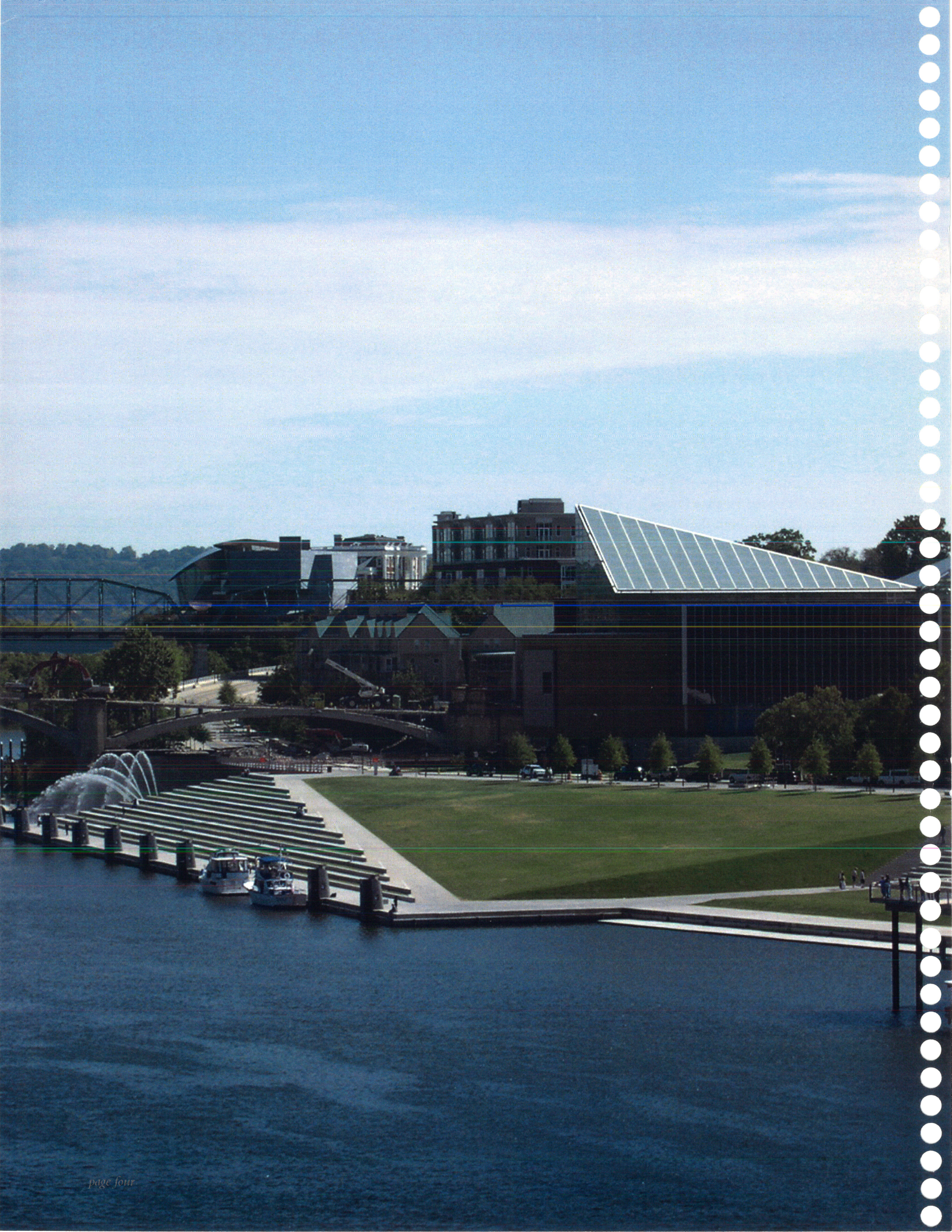
This report is prepared under the accounting model for governments as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Using this approach, the reader can view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

The CAFR is organized into four sections: the Introductory Section, the Financial Section, the Statistical Section and the Single Audit Section. The Introductory Section contains a Table of Contents, Letter of Transmittal, Certificate of Achievement for Excellence in Financial Reporting for the 2005 Comprehensive Annual Financial Report, list of the elected officials and organization chart. The Financial Section includes the Independent Accountant's Report, Management's Discussion and Analysis, and Basic Financial Statements with Notes that provide an overview of the County's financial position and operating results. The Combining Statements, for nonmajor funds and other schedules, provide detailed information relative to the Basic Financial Statements. The Statistical Section provides selected financial, economic and demographic information, which may be used to indicate trends for comparative fiscal periods. The Single Audit Section includes information related to the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-profit Organizations*.

The State of Tennessee requires an annual audit of the County's financial records. An independent firm of certified public accountants, Henderson, Hutcherson & McCullough, PLLC has audited the County's financial statements in accordance with this requirement. The independent firm is responsible to the County Board of Commissioners and is under contract to the State Comptroller of the Treasury. The independent auditor concluded, based upon the audit, that the County's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with GAAP and thus rendered an unqualified opinion. The report of independent accountants is presented in the financial section of this report.

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

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



PROFILE OF HAMILTON COUNTY, TENNESSEE

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

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

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

Even though the Hamilton County Board of Education is a separate entity from Hamilton County, it constitutes a major portion of the funding requirement for the County. With a school system of 5,567 employees and a student population of 39,546, the Board of Education operating budget for fiscal year 2006 was $323,161,974. Hamilton County financed 49.8 percent, or $160,937,878, of this operating budget through local property taxes, sales tax collections and use of fund balance. State and federal appropriations and grants provided $146,320,764, charges for services provided $10,812,500 and miscellaneous items provided $5,090,832.

FACTORS AFFECTING FINANCIAL CONDITION

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

LOCAL ECONOMIC OUTLOOK

In a period of economic uncertainty, Hamilton County remains strong and healthy. Unemployment remains below the state and national averages with more new jobs on the horizon. Continued development of the riverfront and downtown is a positive mark for the local economy, as well as the aggressive development and promotion of the Enterprise South Industrial Park.

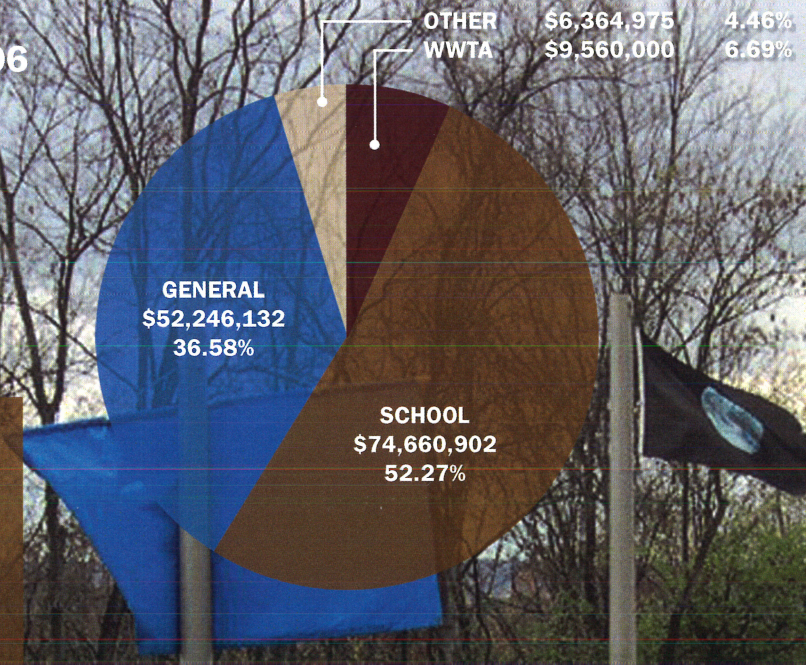
Hamilton County's year-end fund balances continue to remain healthy. Our strong reserves allow us to manage any unexpected shortfalls in revenues.

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

	General Fund	Special Revenue Funds	Debt Service Fund
1997	21,819	5,543	17,862
1998	23,436	3,531	17,342
1999	43,654	3,217	619
2000	45,938	11,623	1,438
2001	57,536	7,286	2,725
2002	55,315	8,897*	1,685
2003	53,605	9,251*	832
2004	52,619	8,338*	1,277
2005	49,714	6,709*	1,343
2006	55,363	8,440	1,421

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

HAMILTON COUNTY
TOTAL DEBT AS OF JUNE 30, 2006
$142,832,009



RATIO OF NET GENERAL BONDED DEBT OUTSTANDING

Fiscal Year Ended June 30	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1997	166,325,000	1.38%	$ 549
1998	168,410,000	1.23%	$ 552
1999	152,365,000	1.08%	$ 499
2000	135,890,000	0.93%	$ 443
2001	173,680,000	1.15%	$ 564
2002	154,960,000	0.88%	$ 502
2003	139,070,000	0.77%	$ 450
2004	162,040,000	0.89%	$ 524
2005	143,380,000	0.77%	$ 463
2006	125,510,000	0.57%	$ 404

MANAGEMENT'S GOALS AND OBJECTIVES

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

SCHOOLS

Hamilton County has embarked on an aggressive capital plan to build new schools and to bring many older schools into the twenty-first century. Since 1996, Hamilton County has provided funding for the completion of eleven new schools (one with private funding) and major renovation of eighteen existing structures for a total cost of over $146 million.

RIVERWALK

The Tennessee Riverpark extends some thirteen miles from downtown Chattanooga to the Chickamauga Dam. Hamilton County joined with the City of Chattanooga and the RiverCity Company in developing this world-class facility. Over the period of 1986 to 2006, more than $57 million in public and private funds were used for design and construction. The Riverpark has received national media recognition and designation as one of sixty "Great American Places." It has been honored with awards from organizations including the American Institute of Architects, American Society of Landscape Architects, National Association of Counties and American Planning Association.

ENTERPRISE SOUTH INDUSTRIAL PARK

The Enterprise South Industrial Park is becoming a premier industrial site with potential for an enormous impact on the region's economy. In May 2005, it was certified by the Tennessee Valley Authority as Tennessee's first industrial megasite suitable for major automotive manufacturing. The total funding required to develop the site is estimated at $20 million. The project has received $1.5 million in EDA assistance for initial infrastructure development of two hundred acres of the site. With the purchase of approximately 20 miles of the existing rail system throughout the property, the site is now 1,900 acres. Hamilton County and the City of Chattanooga have each pledged an equal amount of support. Flour Global Locations Services has been retained to assist development and identify target markets including manufacturers of medical components, automobiles and automotive parts. A $23 million interchange is under constuction on Interstate 75 to provide direct interstate access to the industrial park. Other roadways within the park will also be constructed to facilitate access. The interstate interchange is expected to be completed by end of 2006.

In April 2005, 2,800 passive acres were deeded to the City and County through the federal government's Lands to Parks Program to be used as a nature park. Deemed too hilly for development, the nature park will include a system of trails for walking, hiking, cycling and horseback riding. The nature park will be one of the largest parks in the State of Tennessee.

CAPITAL OUTLAY

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

FUND BALANCE

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

FINANCIAL INFORMATION

ACCOUNTING SYSTEM AND INTERNAL CONTROL

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

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

BUDGET CONTROLS

The Board of Commissioners adopted the 2006 annual budget for the County in August 2005. A formal budget is employed as a management control device. The budgets are prepared on a basis consistent with GAAP except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. The level at which expenditures may not legally exceed appropriations is the division level.

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

CASH MANAGEMENT POLICIES AND PRACTICES

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

During fiscal year 2006, the County's cash resources were primarily invested in AmSouth Bank's investment pool. The County did not invest in any derivatives or similar debt and investment instruments. The interest rates received by the County for the fiscal year ranged from 3.10 percent to 4.95 percent and yielded $3,863,328 of interest income.

The Hamilton County Board of Commissioners has adopted an investment policy, which sets as its goal the maximizing of investment earnings, while at the same time protecting the security of the principle and maintaining liquidity to meet the cash requirements. The policy sets forth the allowable types of investments as well as the individuals responsible for making those investments. The policy also calls for a quarterly report, which is provided to the County Mayor, the County Board of Commissioners, and the County Auditor.

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

RISK MANAGEMENT

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

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

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

GROUP INSURANCE

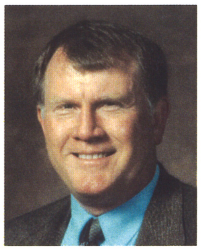
Each full-time employee is eligible for group medical and life insurance on the first of the month following thirty days of employment. The County offers a PPO (Preferred Provider Organization) which is fully insured with BlueCross BlueShield of Tennessee. The County also provides $20,000 of group term life insurance and $20,000 of accidental death & dismemberment insurance at no cost to each full-time employee.

PENSION TRUST FUNDS

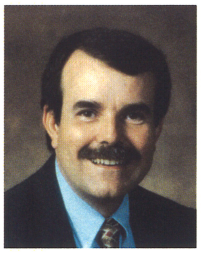
The vast majority of employees participate in the State of Tennessee Consolidated Retirement System (TCRS). The remaining employees participate in three very small County-administered plans. More detailed information concerning these plans can be found in Note H.

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

AWARDS AND ACKNOWLEDGEMENTS



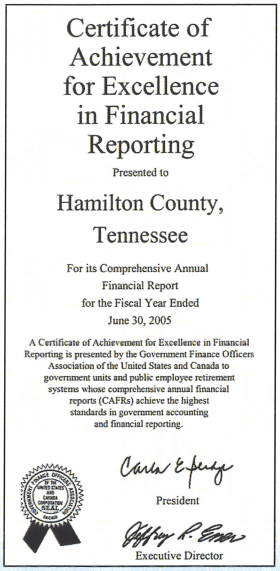
LOUIS S. WRIGHT
Administrator of Finance



ALBERT C. KISER
Assistant Administrator of Finance

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, 2005. Hamilton County has received this award for twenty-five consecutive years.



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, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

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

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

In addition, the County received the GFOA's Popular Annual Financial Report Award for the reporting period ending June 30, 2005. This is the eighth consecutive year that the County has won this award. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, the County must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

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, 2005. This is the fourth consecutive year Hamilton County received this award for the CABR. In order to be awarded a Distinguished Budget Presentation Award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Budget Report, which must conform to program standards and satisfy both generally accepted accounting principles and applicable legal requirements. Like the Certificate of Achievement for Financial Reporting, this award is valid for a period of one year only. We believe our CABR for the fiscal year beginning July 1, 2006 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

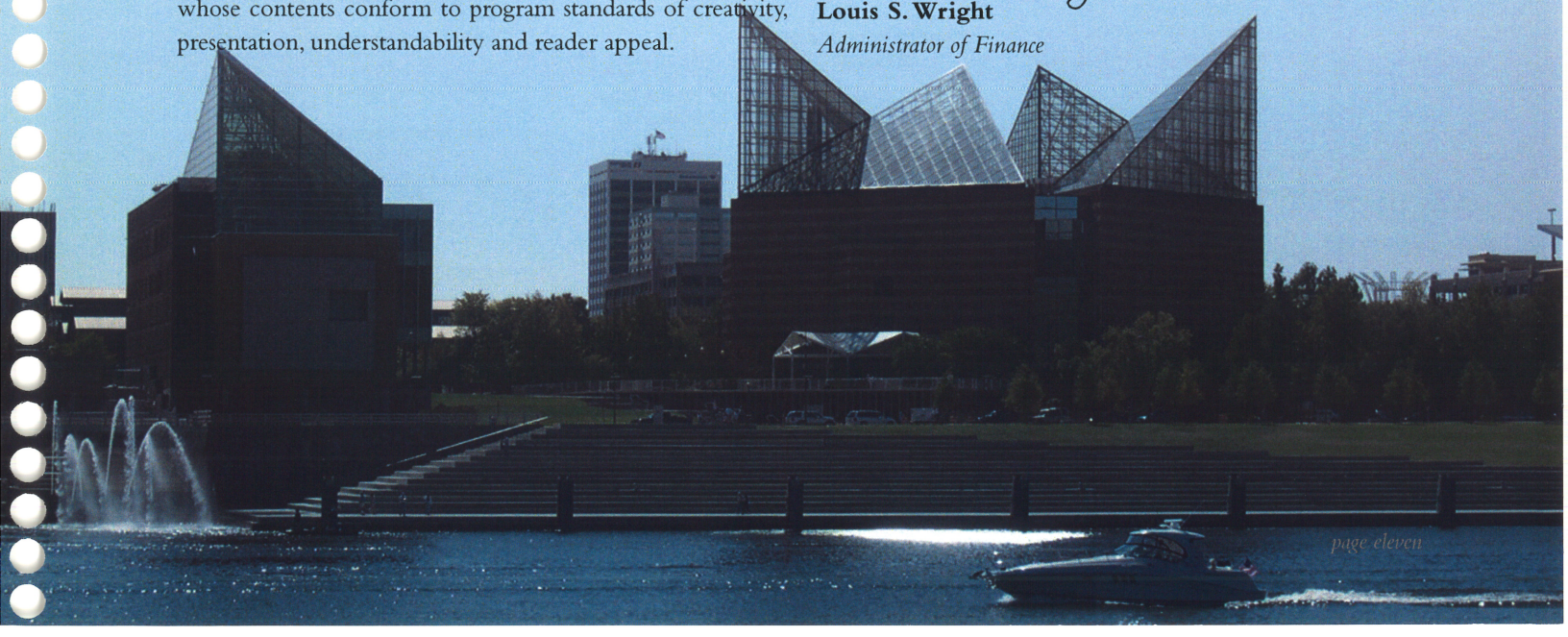
ACKNOWLEDGEMENTS

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

Respectfully submitted,

Louis S. Wright

Louis S. Wright
Administrator of Finance



HAMILTON COUNTY GENERAL GOVERNMENT OFFICIALS *(as of June 30, 2006)*

Claude T. Ramsey, *County Mayor*
Jeannine Alday, *Chief of Staff*
Rebecca Hunter, *Director of Human Resources*
Wade Hinton, *Director of Equal Employment Opportunity*
Dan Saieed, *Director of Development*

Board of Commissioners
Curtis D. Adams
Richard Casavant
Warren Mackey
Gregory Beck, *Chairman, Pro Tempore*
Larry L. Henry, *Chairman*
Bill Hullander
Lou Miller
Fred Skillern
Charlotte Vandergriff

Legislative
Carolyn Collins, *Administrator*

Constitutional Officers
S. Lee Akers, *Clerk & Master*
Suzanne Bailey, *Juvenile Court Judge*
Bill Bennett, *Assessor of Property*
Bill Cox, *District Attorney*
John Cupp, *Sheriff*
Ardena Garth, *District Public Defender*

Constitutional Officers — continued
Pam Hurst, *Register of Deeds*
Bud Knowles, *Registrar-at-Large*
Election Commission
Dr. Frank King, *Medical Examiner*
William F. Knowles, *County Clerk*
Paula Thompson, *Circuit Court Clerk*
Carl E. Levi, *Trustee*
Ron Swafford, *Juvenile Court Clerk*
Gwen Tidwell, *Criminal Court Clerk*

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

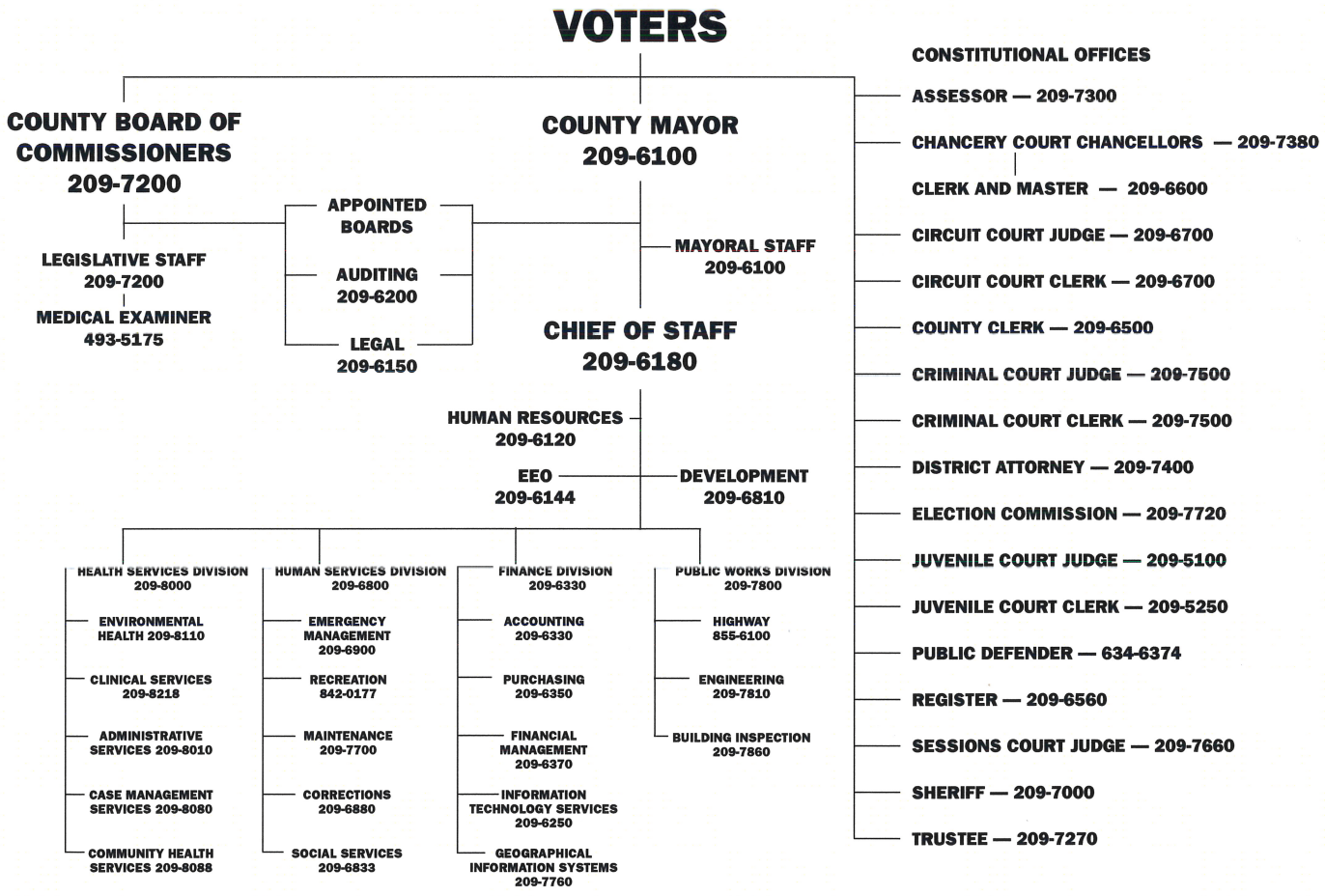
FINANCE
Louis S. Wright, *Administrator*
Albert C. Kiser, *Assistant Administrator of Finance*
T. Kenneth Blankenship, *Director of Purchasing and Contract Management*
Brian D. Turner, *Director of Information Technology Services and Director of Geographical Information Systems*
Katherine K. Walker,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

Division & Department Heads — continued
HEALTH SERVICES
Becky Barnes, *Administrator*
Tammy M. Burke, *Director of Clinical Services*
Kaye Greer, *Director of Case Management Services*
Bonnie Deakins, *Director of Environmental Health*
Marti Smith, *Director of Administrative Services*
Bill Ulmer, *Director of Community Health Services*

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

LEGAL
Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS
Dan Wade, *Administrator*
Harold Austin, *Director of Highway Department*
Mike Howard, *County Engineer, Director of Engineering*
Pat Payne, *Director of Building Inspection*



HENDERSON HUTCHERSON
& McCULLOUGH, PLLC
Certified Public Accountants

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

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee (the County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the discretely presented component units of the County as of and for the year ended June 30, 2006 as displayed in the County's basic financial statements, except as described in the last two sentences of this paragraph. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Hamilton County "911" Emergency Communications District, which represent 5 percent and 3 percent, respectively, of the assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District in the discretely presented component units, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the general fund and the sheriff fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each of the discretely presented component units, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

1000 Riverfront Parkway • Chattanooga, Tennessee 37402-2103 • 423.756.7771 • Email: cpa@hhmcpas.com • Fax: 423.265.8125

An Independent Member of the BDO Seidman Alliance Business Consultants & Financial Advisors

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2007, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages iii-xvi of the Financial Section and the required supplementary information on pages B-1 through B-3 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards on pages G-1 through G-7 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund (presented on pages C-1 through C-18), combining and individual fund financial statements of the Board of Education (a discretely presented component unit) (pages D-1 through D-9), and financial schedules (pages E-1 through E-17) are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the debt service fund, combining and individual fund financial statements of the Board of Education (a discretely presented component unit), financial schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Chattanooga, Tennessee
February 14, 2007

Henderson Hutcherson & McCullough, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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, 2006. It is designed to:

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

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

FINANCIAL HIGHLIGHTS

- The government-wide assets of Hamilton County at the close of fiscal year 2006 were $442,277,387
- Revenues for governmental funds increased $11,817,547 or 6.3 percent over last year
- Expenditures for governmental funds decreased $6,786,318 or 3.3 percent over last year
- Capital project expenditures were $14,799,315 with $4,599,993 spent for education
- Total bonded debt at June 30, 2006 for the County was $142,832,009, of which $74,660,902 was for the Hamilton County Board of Education for capital improvements

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements contain three components:

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The Statement of Activities presents information showing how the government's net assets changed during fiscal year 2006. Program revenues, which directly offset costs of specific functions, are allocated to those functions, resulting in the net expenses for governmental activities. General revenues, such as taxes, fines and interest earnings, offset the remaining costs resulting in the annual increase or decrease in net assets. This statement is intended to summarize the user's analysis of the net cost of various governmental services that are supported by general revenues.

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages A-20 to A-45 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 Board of Education and various financial and statistical tables. Combining and individual fund schedules can be found on pages C-6 to D-9; the various financial and statistical tables can be found on pages E-1 to F-20.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

HAMILTON COUNTY, TENNESSEE
NET ASSETS

	Governmental Activities	
	2006	2005
ASSETS		
Current and Other Assets	$ 227,064,904	$ 227,262,151
Capital Assets	215,212,483	218,275,715
TOTAL ASSETS	442,277,387	445,537,866
LIABILITIES		
Long-term Liabilities	156,806,478	177,022,417
Other Liabilities	97,820,577	97,293,923
TOTAL LIABILITIES	254,627,055	274,316,340
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	172,743,851	196,706,802
Restricted	26,796,148	34,178,104
Unrestricted	(11,889,667)	(59,663,380)
TOTAL NET ASSETS	**$ 187,650,332**	**$ 171,221,526**

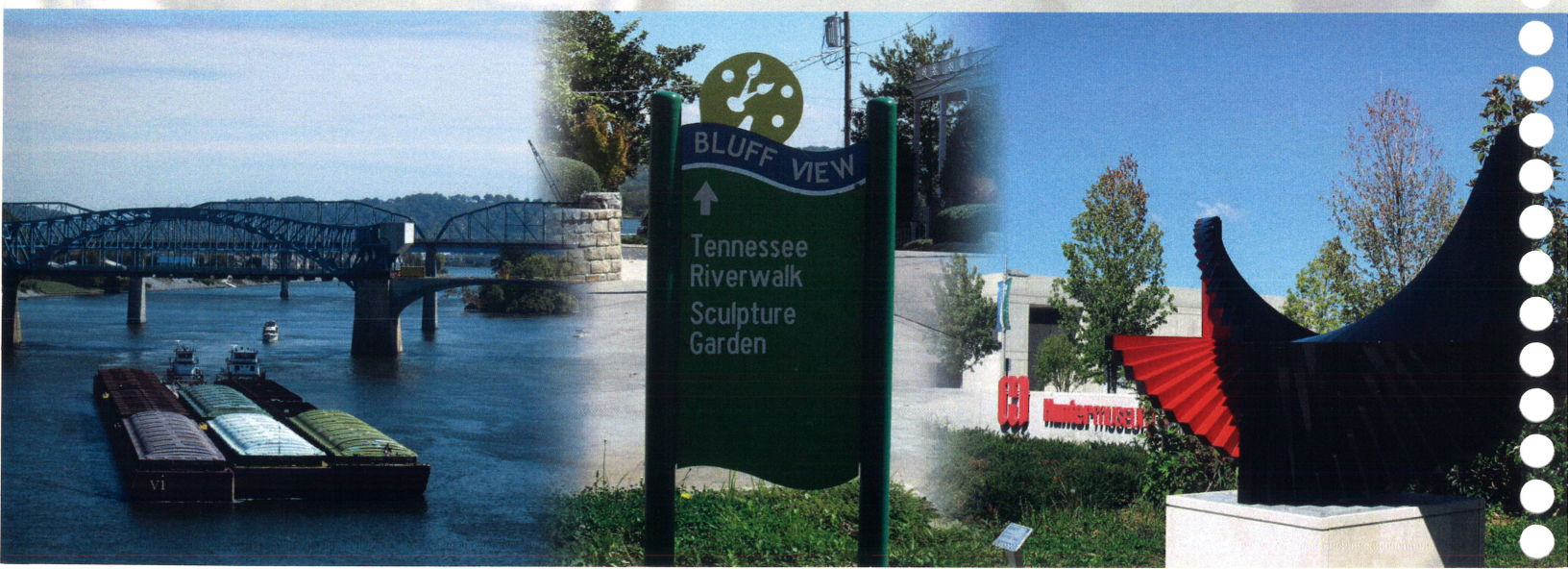
As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $187,650,332 at the close of the fiscal year ended June 30, 2006.

Net assets are comprised of three elements:

(1) Investment in capital assets (e.g., land, buildings, infrastructures and equipment), less any related outstanding debt;

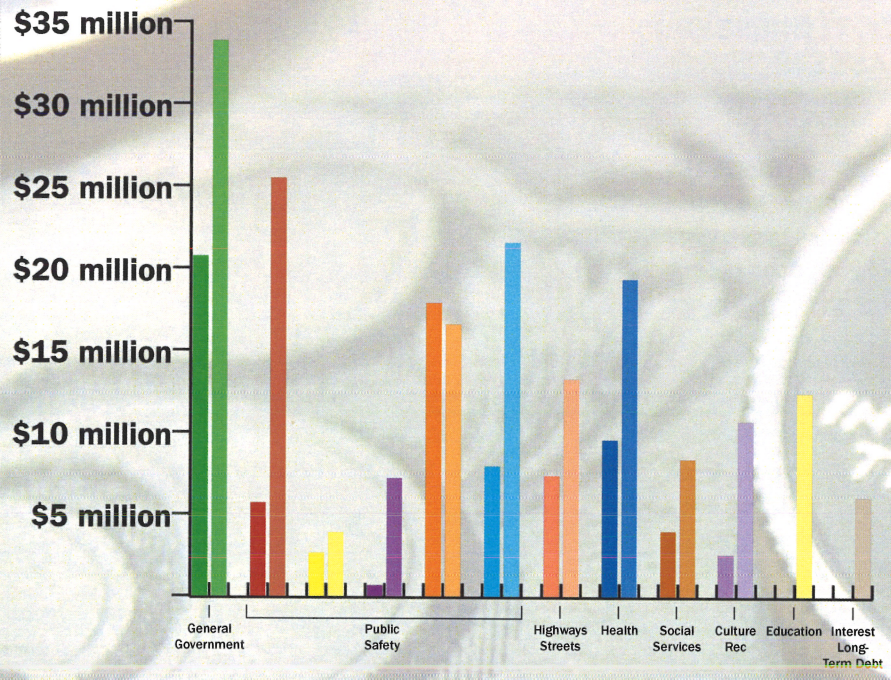
(2) Restricted assets held for future capital improvements, debt repayment and other restrictions as prescribed by law; and

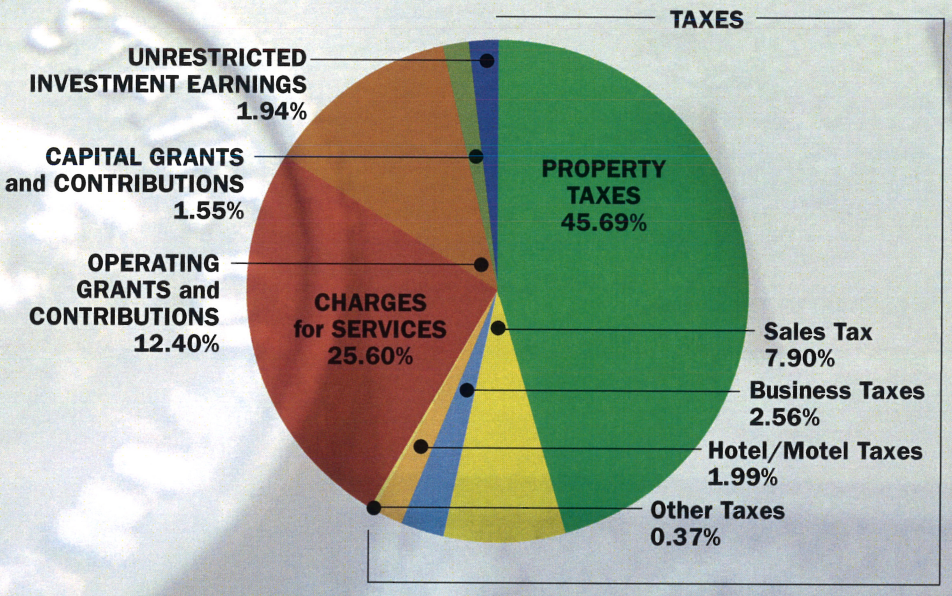
(3) Unrestricted assets. The long-term liabilities of $156,806,478 include $74,660,902 of debt for assets contributed to the Hamilton County Board of Education, a component unit, which results in negative unrestricted net assets.



HAMILTON COUNTY, TENNESSEE
CHANGES IN NET ASSETS

	Governmental Activities	
	2006	2005
REVENUES		
Program Revenues		
Charges for Services	$ 50,906,935	$ 46,616,348
Operating Grants and Contributions	24,653,509	22,965,548
Capital Grants and Contributions	3,091,343	9,706,722
Total Program Revenues	78,651,787	79,288,618
General Revenues		
Property Taxes	90,818,279	85,451,188
Other Taxes	25,516,604	18,926,396
Other	3,863,330	3,024,794
Total General Revenues	120,198,213	107,402,378
TOTAL REVENUES	198,850,000	186,690,996
EXPENSES		
General Government	34,981,305	31,552,148
Public Safety	77,081,738	73,632,824
Highways and Streets	13,673,235	15,464,132
Health	19,121,961	18,231,342
Social Services	7,776,426	7,914,628
Culture and Recreation	10,460,777	7,427,337
Education	12,792,560	35,440,590
Interest on Long-Term Debt	6,533,192	7,109,395
TOTAL EXPENSES	182,421,194	196,772,396
INCREASE (DECREASE) IN NET ASSETS	**$ 16,428,806**	**$ (10,081,400)**


$35 million
$30 million
$25 million
$20 million
$15 million
$10 million
$5 million
General Government
Public Safety
Highways Streets
Health
Social Services
Culture Rec
Education
Interest Long-Term Debt


TAXES
UNRESTRICTED INVESTMENT EARNINGS 1.94%
CAPITAL GRANTS and CONTRIBUTIONS 1.55%
OPERATING GRANTS and CONTRIBUTIONS 12.40%
CHARGES for SERVICES 25.60%
PROPERTY TAXES 45.69%
Sales Tax 7.90%
Business Taxes 2.56%
Hotel/Motel Taxes 1.99%
Other Taxes 0.37%

The County's net assets increased by $16,428,806 during the current fiscal year. Elements key to this increase include:

- Property taxes increased by $5,367,091 or 6.3 percent. Most of this increase is a result of growth and new development.
- Other taxes increased by $6,590,208 or 34.8 percent. This growth in largely attributed to the increases of $3,612,598 or 29.8 percent in sales tax and $3,265,662 or 178.4 percent in business taxes.

In total, expenses decreased by $14,351,202 or 7.3 percent. This decrease is largely due to the decrease in the contribution of assets to Hamilton County Board of Education, a component unit, as reflected in the $22,648,030 decrease in education expenses. Excluding education, expenses, for the most part, increased in relation to the demand for services.

EXPENSES AND PROGRAM REVENUES

for fiscal year ending June 30, 2006

	REVENUES	EXPENSES
General Government	$ 20,860,780	$ 34,981,305
Public Safety		
Sheriff	5,489,801	25,294,547
Criminal Court	2,393,387	3,586,288
Juvenile Court	752,358	7,638,342
Ambulance Services	18,387,291	17,811,039
Other	8,129,951	22,751,522
Highways and Streets	6,910,738	13,673,235
Health	9,453,910	19,121,961
Social Services	4,160,555	7,776,426
Culture and Recreation	2,113,016	10,460,777
Education	—	12,792,560
Interest on long-term debt	—	6,533,192
TOTAL	$ 78,651,787	$ 182,421,194

REVENUES BY SOURCE

for fiscal year ending June 30, 2006

	2006	PERCENTAGE	2005	PERCENTAGE
Taxes				
Property Taxes	$ 90,818,279	45.69%	$ 85,451,188	45.77%
Sales Tax	15,715,561	7.90%	12,102,963	6.48%
Business Taxes	5,096,014	2.56%	1,830,352	0.98%
Hotel/Motel Tax	3,960,862	1.99%	3,748,663	2.01%
Other taxes	744,167	0.37%	1,244,418	0.67%
Charges for Services	50,906,935	25.60%	46,616,348	24.97%
Operating Grants and Contributions	24,653,509	12.40%	22,965,548	12.30%
Capital Grants and Contributions	3,091,343	1.55%	9,706,722	5.20%
Unrestricted Investment Earnings	3,863,330	1.94%	3,024,794	1.62%
TOTAL	$ 198,850,000	100.00%	$ 186,690,996	100.00%

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

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

As of the end of fiscal year 2006, the County's governmental funds reported combined ending fund balances of $93,627,232 a decrease of $852,178. The unreserved portion of fund balance was $65,431,773. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed:

1) to liquidate contracts and purchase orders of the prior period $14,034,133;
2) for inventories, prepaid items and notes advances $7,847,300;
3) to pay debt service $1,421,249; and
4) to cover other legal requirements $4,892,777.

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

The General Fund is the chief operating fund of the County. At the end of fiscal year 2006, unreserved fund balance of the General Fund was $52,638,869, while the total fund balance was $55,362,828. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 42.89 percent of the total General Fund expenditures, while total fund balance represents 45.11 percent of that same amount.

The unreserved fund balance of the County's General Fund increased by $5,887,390 during the current fiscal year. The major reasons for that change are as follows:

- Business taxes increased by $3,265,662 or 178.42 percent
- Property taxes increased by $5,367, 091 or 6.28 percent due to growth in the tax base and new development

The Debt Service fund has a total fund balance of $1,421,249 Beginning with the 1998 tax levy, the debt service tax levy was moved into the General Fund to better comply with federal arbitrage regulations. Funds are transferred to the Debt Service fund as needed.

Capital Projects has a total fund balance of $28,403,371. This represents $20,054,865 from the issuance of bonds, $2,244,685 from interest earnings and $6,103,821 from other sources. Of the total fund balance, commitments are $3,078,254 or 10.8 percent for school construction, $11,210,694 or 39.5 percent for economic development, $2,868,113 or 10.1 percent for recreation projects and $11,246,310 or 39.6 percent for general government improvements.

The Sheriff's fund balance of $1,148,356 increased by $1,000,823 from the prior year. The increase was largely due to an increase of $3,554,379 in operating transfers from the general fund.

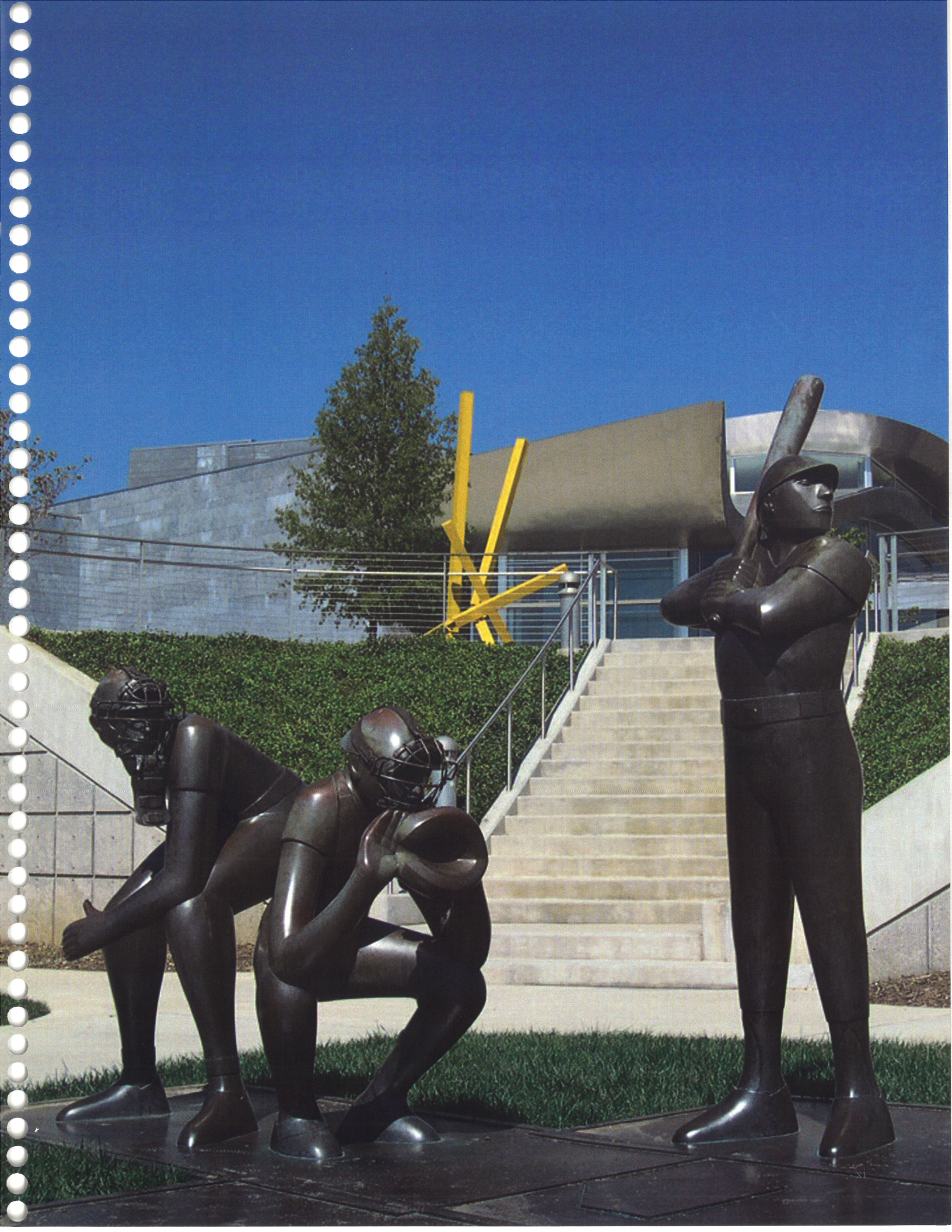
PROPRIETARY FUNDS

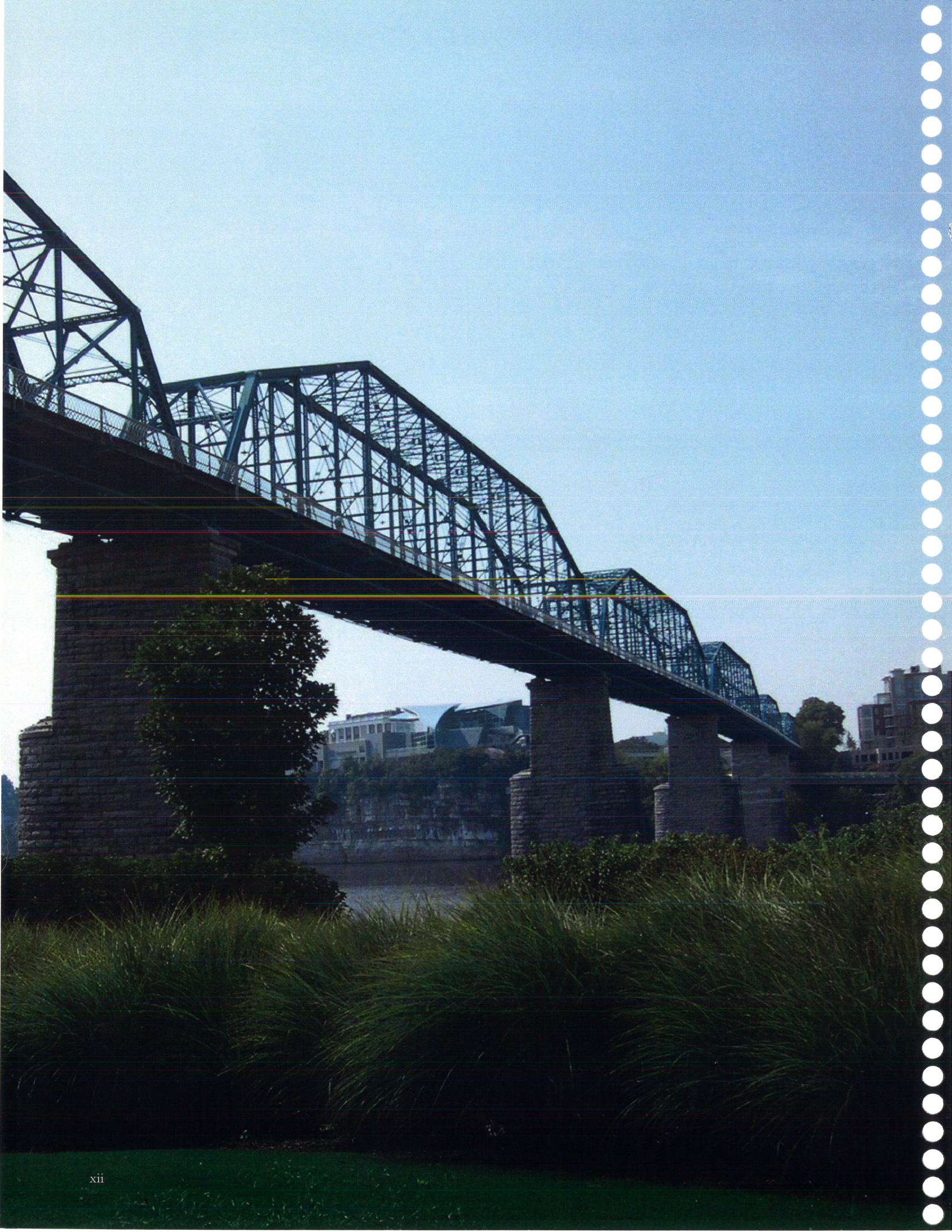
The County's Proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The County's Proprietary fund is used to account for the self-insurance programs. The County is self-insured for unemployment compensation, on-the-job injury claims, property and liability claims and losses due to liabilities arising under the laws of the state and federal governments. The cost for these programs is funded through premiums paid by the departments and agencies of Hamilton County Government. Unrestricted net assets for the Proprietary fund at the end of the fiscal year amounted to $19,452,624.

GENERAL FUND BUDGETARY HIGHLIGHTS

The difference between the General Fund's original budget and final amended budget was $7,211,174 and can be briefly summarized as follows:

- Budget amendments not expended from the prior fiscal year, carried over into the current fiscal year accounted for $2,611,233 of the increase.
- New grants from various state and federal agencies accounted for $3,882,291 of the increase.
- Adjustments to operating budgets or new appropriations accounted for the remaining $717,650 increase.





CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

The County's investment in capital assets as of June 30, 2006 amounts to $215,212,483 (net of accumulated depreciation $172,546,252). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructures and construction in progress. The change in the County's investment in capital assets for the current fiscal year was 1.5 percent or $5,797,356. Additional information on the County's capital assets can be found in Note G on pages A-31 to A-32 of this report.

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

- Infrastructure Construction of Enterprise South
- Completion of Election Commission building
- School renovations

CAPITAL ASSET ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2006

NET OF DEPRECIATION

	Beginning Balance	Additions	Retirements/ Depreciation	Ending Balance
Land	$ 67,926,165	$ 122,888	$ (578,048)	$ 67,471,005
Construction in Progress	19,973,875	11,714,220	(11,928,036)	19,760,059
Buildings	50,465,154	1,114,284	(2,367,535)	49,211,903
Improvements other than buildings	16,304,586	1,864,465	(1,047,597)	17,121,454
Machinery and equipment	8,317,537	4,494,376	(2,835,260)	9,976,653
Infrastructure	55,288,398	—	(3,616,989)	51,671,409
	$ 218,275,715	$ 19,310,233	$ (22,373,465)	$ 215,212,483

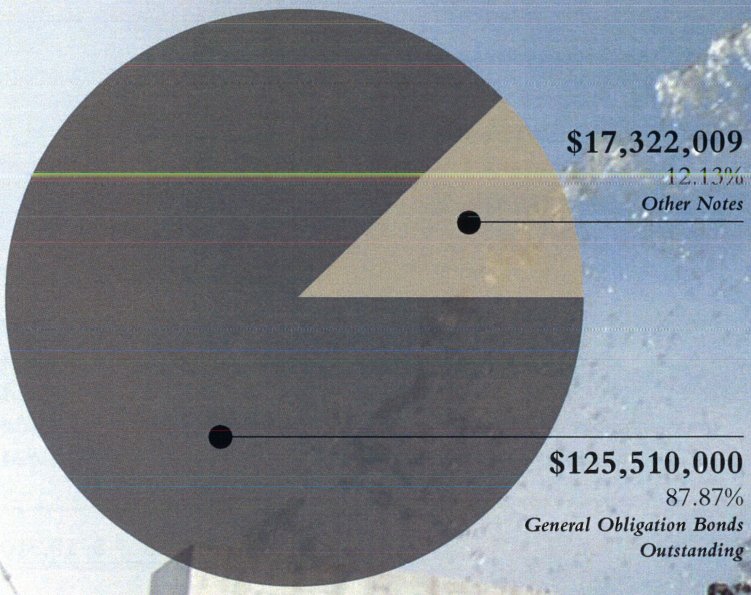
LONG-TERM DEBT

At the end of fiscal year 2006, the County had general obligation bonds outstanding of $125,510,000 and notes payable and other debt outstanding of $17,322,009. Of this debt, $74,660,902 or 52.3 percent was issued for Hamilton County Board of Education capital improvements.

The County's outstanding notes and bonded debt decreased by $20,118,138 or 12.3 percent during fiscal year 2006. This amount was the scheduled retirement of debt. Additional information on the County's debt can be found in Note J on pages A-39 to A-42 of this report.

General Long-Term Debt

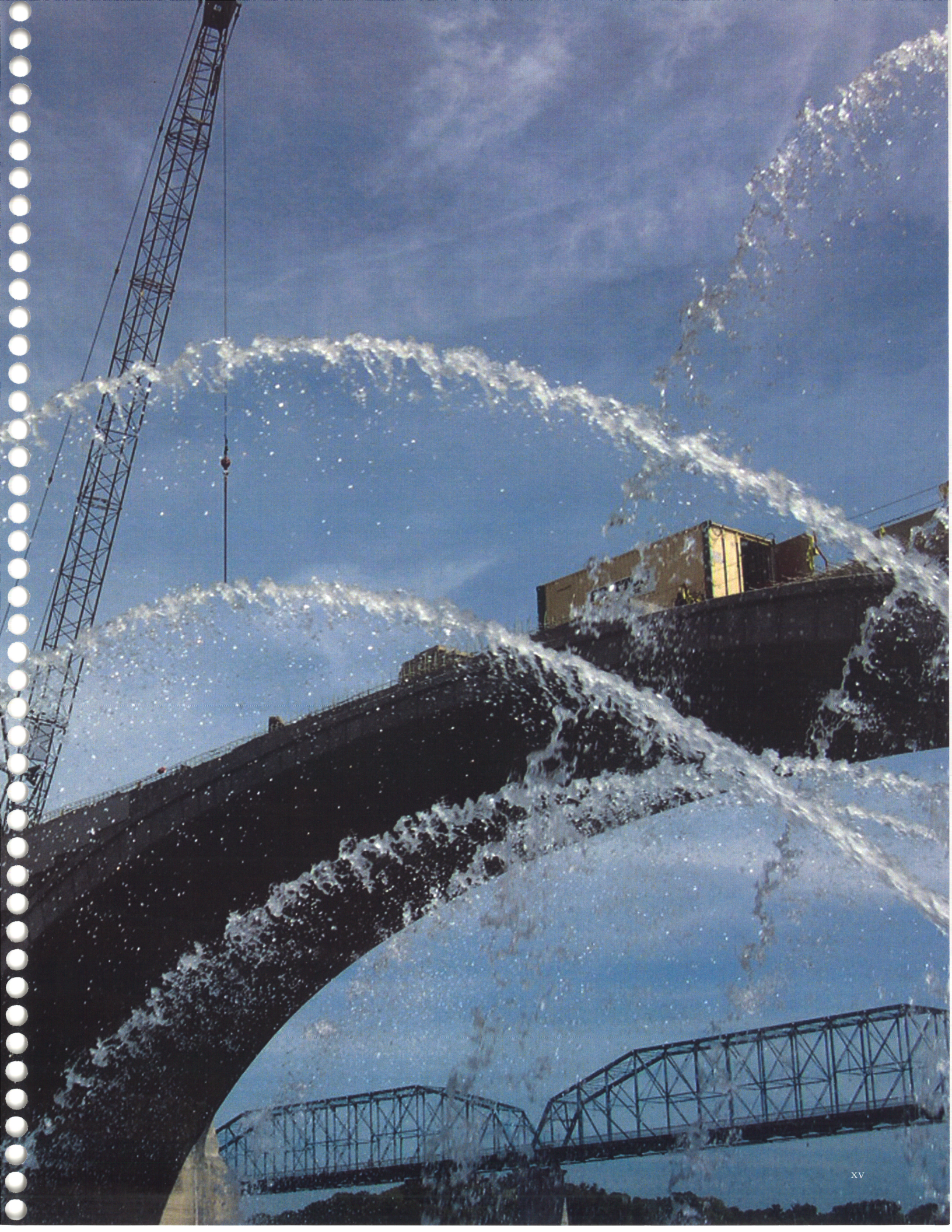
General Obligation Bonds Outstanding	$ 125,510,000	87.87%
Other Notes	17,322,009	12.13%
	142,832,009	
Less: Unreserved Debt Service Fund Balance	(1,421,249)	
Net General Long-Term Debt	$ 141,410,760	



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following factors were considered in preparing the County's budget for fiscal year 2007:

- The property taxes and Trustee excess fees increased by $4,118,762.
- Local sales tax revenue increased 7.9 percent.
- Intergovernmental revenues increased primarily due to an increase for education. The Hamilton County Board of Education estimated an increase of $2,419,739 and $1,550,272 from state and federal funds respectively.
- Cost to fund the pension plan increased 1.75 percent.
- Cost to fund the performance-based pay plan for 2007 is $2,283,697.
- Health insurance costs for 2007 increased $2,621,960.



REQUESTS FOR INFORMATION

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

Additional financial information can be found on our website http://www.hamiltontn.gov. Two discretely presented component units, "911" Emergency Communication and the Water & Wastewater Treatment Authority have separately issued financial reports that can be obtained from: Hamilton County "911" Emergency Communication District, 2402 Amnicola Highway, Chattanooga, TN 37406; Water & Wastewater Treatment Authority, P.O. Box 8856, Chattanooga, TN 37414.

STATEMENT OF NET ASSETS

HAMILTON COUNTY, TENNESSEE

June 30, 2006

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	$ 8,913,766	$ 47,725,325
Certificates of deposit	-	5,310,090
Investments	87,916,507	3,764,683
Receivables, net of allowance for uncollectibles	108,321,557	132,228,179
Due from component units	17,426,377	-
Inventories	886,953	489,868
Prepaid items	1,977,194	2,033,319
Net pension asset	1,622,550	-
Land and other nondepreciable assets	87,231,064	21,029,790
Other capital assets, net of accumulated depreciation	127,981,419	246,974,564
Total assets	442,277,387	459,555,818
LIABILITIES		
Accounts payable and accrued expenses	9,523,494	29,801,131
Due to primary government	3,869,136	185,668
Unearned revenue	84,427,947	109,539,605
Long-term liabilities:		
Due within one year	22,460,761	4,082,308
Due in more than one year	134,345,717	40,928,230
Total liabilities	254,627,055	184,536,942
NET ASSETS		
Invested in capital assets, net of related debt	172,743,851	237,310,664
Restricted for:		
Capital projects	21,903,371	-
Other purposes	4,892,777	9,216,982
Unrestricted	(11,889,667)	28,491,230
Total net assets	$ 187,650,332	$ 275,018,876

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

STATEMENT OF ACTIVITIES

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
PRIMARY GOVERNMENT			
Government activities:			
General government	$ 34,981,305	$ 17,509,655	$ 2,849,914
Public safety:			
Sheriff	25,294,547	1,187,587	4,302,214
Criminal Court	3,586,288	2,393,387	-
Juvenile Court	7,638,342	752,358	-
Ambulance Services	17,811,039	18,387,291	-
Other	22,751,522	2,856,527	5,273,424
Highways and streets	13,673,235	514,874	4,342,216
Health	19,121,961	3,006,494	6,447,416
Social services	7,776,426	3,762,669	397,886
Culture and recreation	10,460,777	536,093	1,040,439
Education	12,792,560	-	-
Interest on long-term debt	6,533,192	-	-
TOTAL PRIMARY GOVERNMENT	$ 182,421,194	$ 50,906,935	$ 24,653,509
Component units:			
Education	$ 323,058,913	$ 25,171,104	$ 48,444,089
Emergency communications	3,906,357	6,167,296	-
Water and wastewater treatment	7,134,068	7,170,113	-
Railroad authority	265,104	-	268,096
TOTAL COMPONENT UNITS	$ 334,364,442	$ 38,508,513	$ 48,712,185
General revenues:			
Property taxes			
Sales taxes			
Business taxes			
Hotel/Motel taxes			
Other taxes			
Grants and contributions not restricted to specific programs			
Unrestricted investment earnings			
Total general revenues			
Change in net assets			
Net assets, beginning			
Net assets, ending			

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

Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets: Primary Government Governmental Activities	Components Units
$ 501,211	$ (14,120,525)	
-	(19,804,746)	
-	(1,192,901)	
-	(6,885,984)	
-	576,252	
-	(14,621,571)	
2,053,648	(6,762,497)	
-	(9,668,051)	
-	(3,615,871)	
536,484	(8,347,761)	
-	(12,792,560)	
-	(6,533,192)	
$ 3,091,343	(103,769,407)	
$ 8,104,031		$ (241,339,689)
-		2,260,939
4,069,458		4,105,503
-		2,992
$ 12,173,489		(234,970,255)
	90,818,279	107,934,700
	15,715,561	54,291,517
	5,096,014	-
	3,960,862	-
	744,167	-
	-	91,151,523
	3,863,330	2,323,171
	120,198,213	255,700,911
	16,428,806	20,730,656
	171,221,526	254,288,220
	$ 187,650,332	$ 275,018,876

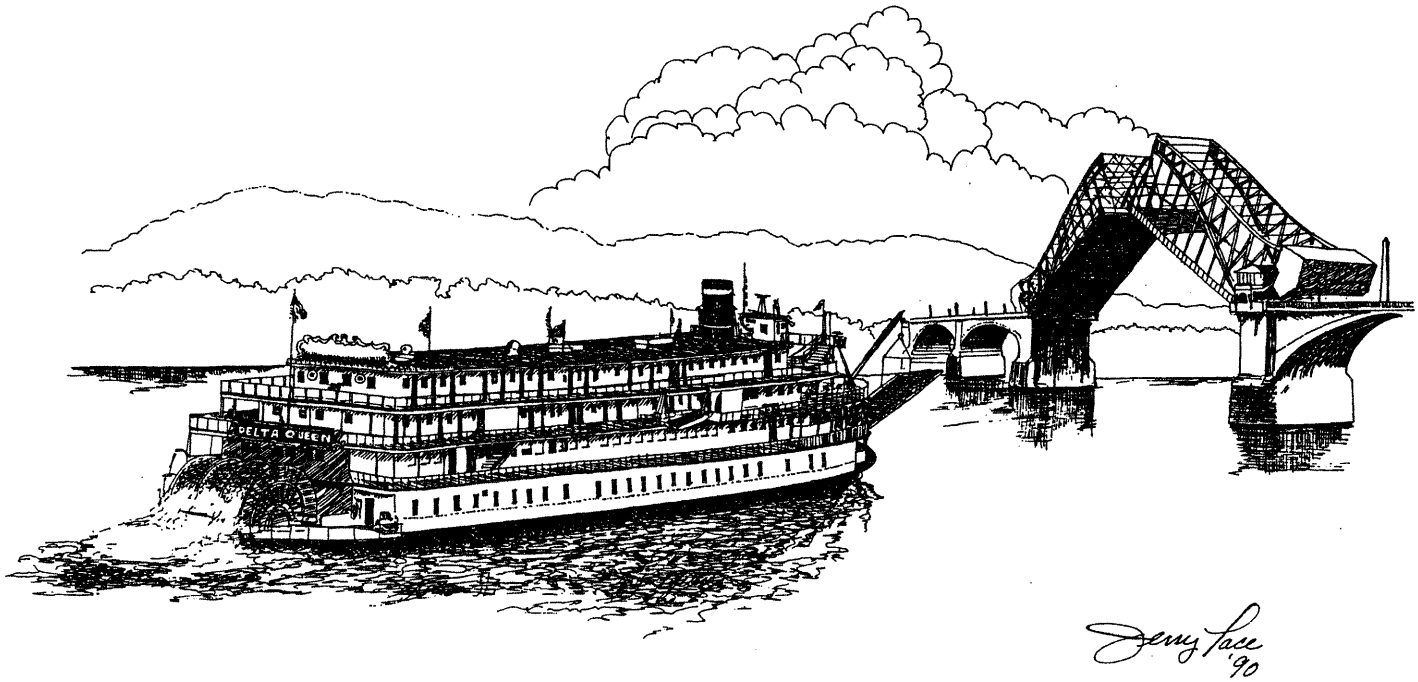
BALANCE SHEET
GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	General	Sheriff	Debt Service
ASSETS			
Cash and cash equivalents	$ 5,960,622	$ 91,967	$ 142,865
Investments	38,111,349	1,270,999	262,509
Receivables, net of allowance for uncollectibles	103,915,611	545,081	1,522,738
Due from other funds	3,890,360	35,744	-
Due from component units	188,674	-	-
Inventories	886,953	-	-
Prepaid items	460,348	-	-
Total assets	$ 153,413,917	$ 1,943,791	$ 1,928,112
LIABILITIES AND FUND BALANCES			
Liabilities:			
Bank overdraft	$ -	$ -	$ -
Accounts payable	3,013,232	205,570	21,946
Accrued items and other	1,584,033	505,744	-
Intergovernmental payables	3,813,478	-	-
Due to other funds	144,638	84,121	-
Due to component units	1,836	-	-
Unearned revenues:			
Uncollected property taxes	89,352,518	-	-
Other	141,354	-	484,917
Total liabilities	98,051,089	795,435	506,863
Fund balances:			
Reserved for:			
Encumbrances	1,376,659	-	-
Inventories	886,953	-	-
Advances	-	-	-
Prepaid items	460,347	-	-
Debt service	-	-	1,421,249
Tourism	-	-	-
Litigants and beneficiaries	-	-	-
Restricted activities	-	1,148,356	-
Unreserved, reported in:			
General fund	52,638,869	-	-
Capital projects fund	-	-	-
Special revenue funds	-	-	-
Total fund balances	55,362,828	1,148,356	1,421,249
Total liabilities and fund balances	$ 153,413,917	$ 1,943,791	$ 1,928,112

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 281,478	$ 2,221,834	$ 8,698,766
21,921,056	7,793,426	69,359,339
975,260	1,293,380	108,252,070
55,627	90,316	4,072,047
6,500,000	-	6,688,674
-	-	886,953
-	44,600	504,948
$ 29,733,421	$ 11,443,556	$ 198,462,797
$ 53,083	$ -	$ 53,083
431,333	-	3,672,081
-	1,061,972	3,151,749
55,658	-	3,869,136
753,132	3,090,156	4,072,047
-	-	1,836
-	-	89,352,518
36,844	-	663,115
1,330,050	4,152,128	104,835,565
12,657,474	-	14,034,133
-	-	886,953
6,500,000	-	6,500,000
-	-	460,347
-	-	1,421,249
-	1,339,947	1,339,947
-	1,598,086	1,598,086
-	806,388	1,954,744
-	-	52,638,869
9,245,897	-	9,245,897
-	3,547,007	3,547,007
28,403,371	7,291,428	93,627,232
$ 29,733,421	$ 11,443,556	$ 198,462,797


DELTA QUEEN
Jerry Lace '90

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

HAMILTON COUNTY, TENNESSEE

June 30, 2006

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

Fund balances - total governmental funds		$ 93,627,232
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		215,212,483
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.		5,588,189
Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		19,452,624
The County-administered pension plans have been funded in excess of annual required contributions, creating a net pension asset. This asset is not a currently available financial resource and is not reported in the funds.		1,622,550
Long-term assets receivable from a component unit are not due until the related long-term liability is due and payable		10,739,536
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets. This item consists of the following:		
General obligation bonds	$125,510,000	
Add: original issue premiums	1,394,099	
Notes payable & other debt	17,322,009	
Landfill post closure costs	260,000	
Compensated absences	12,320,370	
Accrued interest payable	1,785,804	
		(158,592,282)
Net assets of governmental activities		$ 187,650,332

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

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

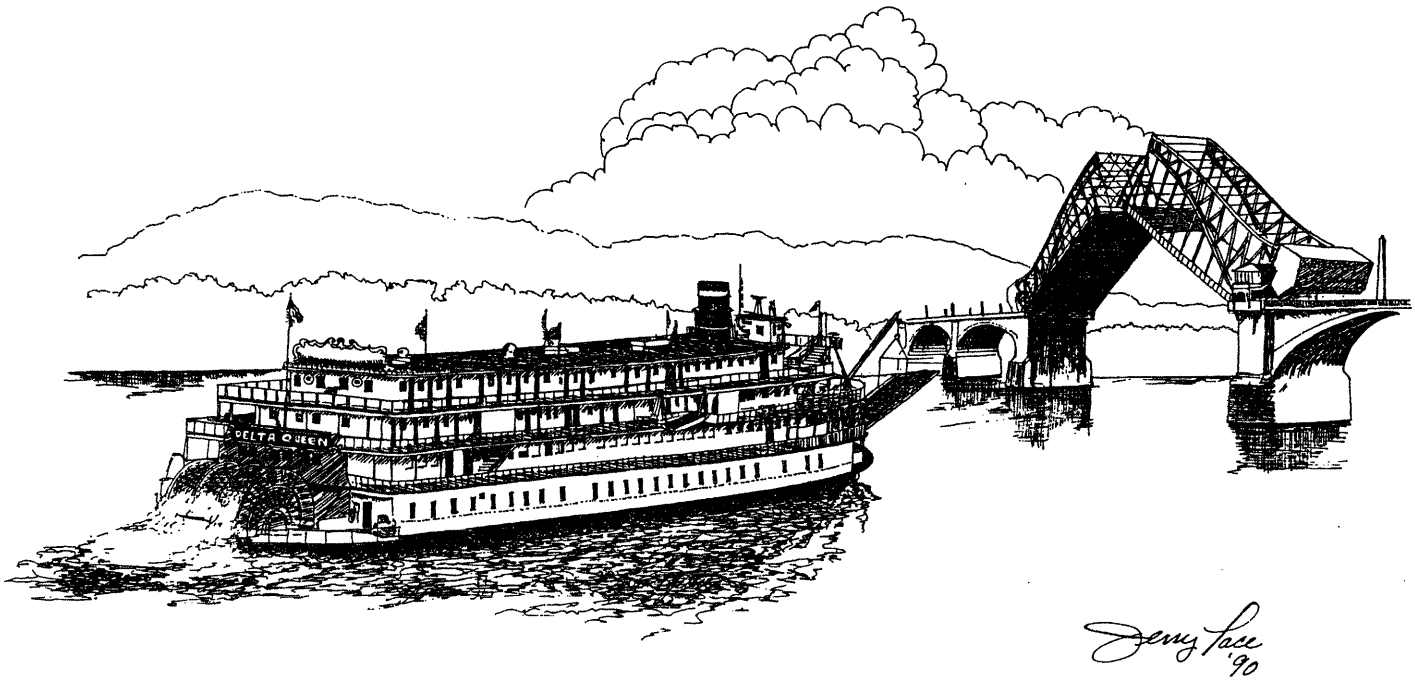
HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2006

	General	Sheriff	Debt Service
REVENUES			
Taxes	$ 112,268,355	$ -	$ 572
Licenses and permits	1,118,017	-	-
Intergovernmental	19,048,294	4,302,214	2,061,199
Charges for services	23,201,233	39,034	460,247
Fines, forfeitures and penalties	1,243,214	583,287	-
Investment earnings	1,384,153	50,951	7,961
Miscellaneous	3,877,477	565,266	-
Total revenues	162,140,743	5,540,752	2,529,979
EXPENDITURES			
Current:			
General government	30,347,427	-	-
Public safety:			
Sheriff	-	24,518,755	-
Criminal Court	1,019,737	-	-
Juvenile Court	5,590,375	-	-
Ambulance Services	17,479,465	-	-
Other	22,193,330	-	-
Highways and streets	9,638,478	-	-
Health	19,009,220	-	-
Social services	4,720,489	-	-
Culture and recreation	10,245,016	-	-
Debt service:			
Principal	-	-	19,978,367
Interest and fiscal charges	-	-	6,800,427
Capital outlay:			
General government	2,475,109	-	-
Education	-	-	-
Total expenditures	122,718,646	24,518,755	26,778,794
Excess (deficiency) of revenues over (under) expenditures	39,422,097	(18,978,003)	(24,248,815)
OTHER FINANCING SOURCES (USES)			
Transfers in	11,876,151	19,978,826	24,611,885
Transfers out	(45,702,530)	-	(285,000)
Sale of capital assets	52,802	-	-
Total other financing sources and uses	(33,773,577)	19,978,826	24,326,885
Net change in fund balances	5,648,520	1,000,823	78,070
Fund balances, beginning	49,714,308	147,533	1,343,179
Fund balances, ending	$ 55,362,828	$ 1,148,356	$ 1,421,249

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

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 3,978,465	$ 116,247,392
-	-	1,118,017
2,333,145	-	27,744,852
-	18,771,014	42,471,528
-	81,801	1,908,302
1,049,780	667,251	3,160,096
921,914	44,431	5,409,088
4,304,839	23,542,962	198,059,275
-	5,063,491	35,410,918
-	-	24,518,755
-	2,242,127	3,261,864
-	1,797,970	7,388,345
-	-	17,479,465
-	6,733	22,200,063
-	-	9,638,478
-	-	19,009,220
-	3,026,550	7,747,039
-	-	10,245,016
-	-	19,978,367
-	-	6,800,427
10,199,322	25,948	12,700,379
4,599,993	-	4,599,993
14,799,315	12,162,819	200,978,329
(10,494,476)	11,380,143	(2,919,054)
296,172	1,137,679	57,900,713
-	(11,788,183)	(57,775,713)
1,889,074	-	1,941,876
2,185,246	(10,650,504)	2,066,876
(8,309,230)	729,639	(852,178)
36,712,601	6,561,789	94,479,410
$ 28,403,371	$ 7,291,428	$ 93,627,232


DELTA QUEEN
Jerry Lace '90

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, 2006

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	$	(852,178)
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		17,300,371
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(9,712,503)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and deferred amount on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amount is the net effect of these differences in the treatment on long-term debt and related items.		20,326,373
The net revenues of internal service funds are reported with governmental activities		78,429
The net effect of various transactions involving capital assets is to decrease net assets		(10,651,100)
The net effect of the change in the net pension asset is included in the governmental activities in the statement of activities		33,128
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		(181,210)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds		87,496
Change in net assets of governmental activities	$	16,428,806

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

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

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	$ 112,195,513	$ 112,195,513	$ 112,268,355	$ 72,842
Licenses and permits	1,081,200	1,081,200	1,118,017	36,817
Intergovernmental revenues	17,431,327	23,752,296	19,048,293	(4,704,003)
Charges for services	12,724,235	13,018,323	12,563,600	(454,723)
Fines, forfeitures and penalties	1,177,801	1,177,801	1,243,215	65,414
Investment earnings	1,030,500	1,030,500	1,384,153	353,653
Miscellaneous	3,552,626	3,564,826	3,877,477	312,651
Total revenues	149,193,202	155,820,459	151,503,110	(4,317,349)
EXPENDITURES				
Current:				
General government	30,297,007	32,295,345	29,137,811	3,157,534
Public safety	35,626,473	39,216,950	35,830,633	3,386,317
Highways and streets	10,944,023	11,000,691	10,889,725	110,966
Health	20,187,207	20,816,055	18,892,452	1,923,603
Social services	4,863,901	4,877,151	4,726,913	150,238
Culture and recreation	10,699,354	10,699,354	10,256,300	443,054
Capital outlay	2,608,578	3,512,045	2,314,562	1,197,483
Total expenditures	115,226,543	122,417,591	112,048,396	10,369,195
Excess of revenues over expenditures	33,966,659	33,402,868	39,454,714	6,051,846
OTHER FINANCING SOURCES (USES)				
Transfers in	11,619,861	11,619,861	11,876,151	256,290
Transfers out	(45,615,914)	(45,636,040)	(45,702,530)	(66,490)
Sale of capital assets	-	-	52,802	52,802
Total other financing sources (uses)	(33,996,053)	(34,016,179)	(33,773,577)	242,602
Net change in fund balance	(29,394)	(613,311)	5,681,137	6,294,448
Fund balance allocation	29,394	613,311	-	(613,311)
	$ -	$ -	5,681,137	$ 5,681,137
Add encumbrances at end of year			1,376,659	
Less encumbrances at beginning of year			(1,409,276)	
Net change in fund balance--(GAAP Modified Accrual Basis)			5,648,520	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			49,714,308	
Fund balance at end of year--(GAAP Modified Accrual Basis)			$ 55,362,828	

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

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Budget Original	Budget Final	Actual (Non - GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental	$ 2,631,742	$ 4,852,008	$ 4,302,214	$ (549,794)
Charges for current services	45,500	45,500	39,034	(6,466)
Fines, forfeitures and penalties	611,100	611,100	583,287	(27,813)
Investment earnings	10,000	10,000	50,952	40,952
Miscellaneous	492,200	492,200	565,266	73,066
Total revenues	3,790,542	6,010,808	5,540,753	(470,055)
EXPENDITURES				
Current:				
Public safety:				
Administration	1,584,530	1,619,344	1,452,503	166,841
Administration - Capital outlay	-	2,400	2,400	-
Patrol	5,716,398	5,799,459	5,803,745	(4,286)
Patrol - Capital outlay	-	88,748	6,304	82,444
Jail	9,605,553	9,621,157	9,269,885	351,272
Process and court servers	720,809	722,863	676,022	46,841
Communications	1,511,453	1,537,437	1,330,576	206,861
Major crimes	1,270,147	1,567,006	1,545,439	21,567
Fugitive warrant	1,612,363	1,612,363	1,496,446	115,917
Special operations	950,330	962,436	930,026	32,410
Inmate commissary	-	-	290,614	(290,614)
Stop Violence Against Women	-	-	11,581	(11,581)
Electronic Fingerprint Grant	-	30,000	30,000	-
East TN Methamphetamine Task Force Pha	-	1,973,286	1,401,350	571,936
East TN Methamphetamine Task Force	-	83,783	58,108	25,675
2005 Justice Assistance Grant	-	69,510	50,900	18,610
IV-D civil process	147,785	147,785	150,034	(2,249)
Homeland Security	-	62,153	4,133	58,020
Total budgetary expenditures	23,119,368	25,899,730	24,510,066	1,389,664
Excess (deficiency) of revenues over (under) budgetary expenditures	(19,328,826)	(19,888,922)	(18,969,313)	919,609
OTHER FINANCING SOURCES (USES)				
Transfers in	19,828,826	19,978,826	19,978,826	-
Net change in fund balance	500,000	89,904	1,009,513	919,609
Fund balance allocation	(500,000)	(89,904)	-	89,904
	$ -	$ -	1,009,513	$ 1,009,513
Add encumbrances at end of year			156,643	
Less encumbrances at beginning of year			(165,333)	
Net change in fund balance--(GAAP)			1,000,823	
Fund balance at beginning of year--(GAAP)			147,533	
Fund balance at end of year--(GAAP)			$ 1,148,356	

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Governmental Activities - Internal Service Fund
ASSETS	
Cash	$ 215,000
Investments	18,557,168
Due from other funds	69,555
Prepaid Insurance	1,472,246
Total assets	20,313,969
LIABILITIES	
Accounts payable	18,899
Accrued claims	841,945
Deferred revenue	501
Total liabilities	861,345
NET ASSETS	
Unrestricted	$ 19,452,624

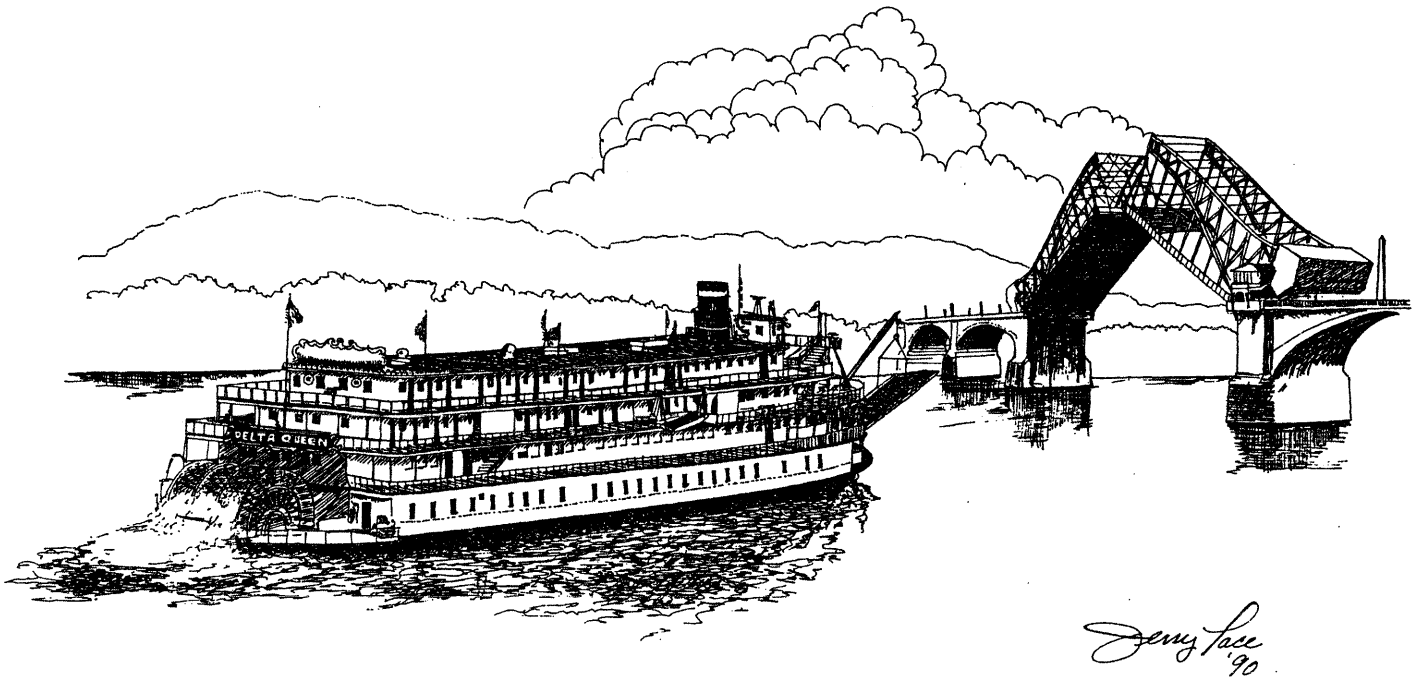
The Notes to Basic Financial Statements are an integral part of this statement.

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 15,092,295
Other	547,319
Total operating revenues	15,639,614
OPERATING EXPENSES	
Unemployment compensation	34,853
Claims and premiums	16,023,271
Administration	81,293
Total operating expenses	16,139,417
Operating income (loss)	(499,803)
NONOPERATING REVENUES	
Investment earnings	703,232
Income (loss) before transfers	203,429
Transfers out	(125,000)
Change in net assets	78,429
Net assets, beginning	19,374,195
Net assets, ending	$ 19,452,624

The Notes to Basic Financial Statements are an integral part of this statement.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STATEMENT OF CASH FLOWS
PROPRIETARY FUND

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from (paid for) insurance premiums	$ 16,239,415
Cash paid for unemployment compensation	(35,389)
Cash paid for claims and premiums	(17,860,012)
Cash paid for administration	(52,543)
Net cash used in operating activities	(1,708,529)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers out	(125,000)
Net cash used in non-capital financing activities	(125,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(18,557,168)
Proceeds from sale of investments	19,683,450
Interest on investments	703,232
Net cash provided by investing activities	1,829,514
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,015)
BEGINNING CASH AND CASH EQUIVALENTS	219,015
ENDING CASH AND CASH EQUIVALENTS	$ 215,000
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	$ (499,803)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Change in due from other funds	607,540
Change in due from component units	-
Change in accounts payable	(31,263)
Change in accrued claims	(287,903)
Change in prepaid insurance	(1,367,185)
Change in due to other funds	(124,932)
Change in deferred revenue	(4,983)
Total adjustments	(1,208,726)
Net cash used by operating activities	$ (1,708,529)

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Pension Trust Funds	Constitutional Officers Agency Funds
ASSETS		
Cash	$ 302,911	$ 8,302,997
Certificates of deposit	120,379	9,551,535
Investments, at fair value:		
Mutual funds	785,906	458,159
Domestic corporate bonds	179,246	-
Domestic equity securities	1,218,822	-
Foreign securities	39,763	-
U.S. government securities	123,399	-
Total investments	2,347,136	458,159
Receivables:		
Interest	6,820	-
Accounts	300	70,544
Due from other funds	-	-
Total assets	2,777,546	18,383,235
LIABILITIES		
Accrued items and other	2,266	14,284,478
Intergovernmental payables	-	4,098,757
Due to other funds	-	-
Total liabilities	2,266	18,383,235
NET ASSETS		
Assets held in trust for pension benefits	$ 2,775,280	$ -

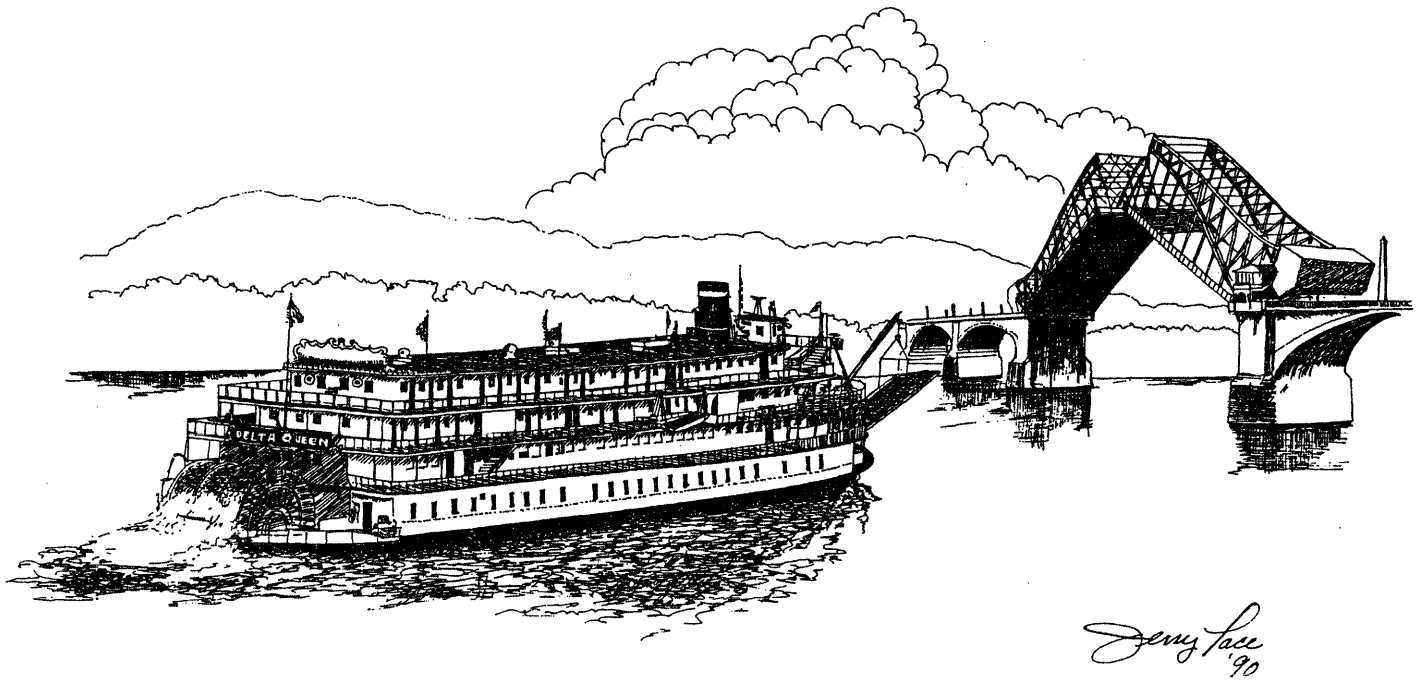
The Notes to Basic Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	$ 75,258
Plan members	31,919
Total contributions	107,177
Investment earnings:	
Net increase in fair value of investments	55,627
Interest	55,337
Net investment income	110,964
Total additions	218,141
DEDUCTIONS	
Benefits	287,175
Administrative expense	17,018
Total deductions	304,193
Change in net assets	(86,052)
Net assets, beginning	2,861,332
Net assets, ending	$ 2,775,280

The Notes to Basic Financial Statements are an integral part of this statement.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STATEMENT OF NET ASSETS
COMPONENT UNITS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Hamilton County Board of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
ASSETS					
Cash and cash equivalents	$ 45,539,944	$ 640,997	$ 1,538,169	$ 6,215	$ 47,725,325
Certificates of deposit	339,819	4,970,271	-	-	5,310,090
Investments	1,388,536	2,376,147	-	-	3,764,683
Receivables, net of allowance for uncollectible	130,893,204	473,355	697,086	41,887	132,105,532
Receivables, restricted	-	-	122,647	-	122,647
Inventories	408,146	-	81,722	-	489,868
Prepaid items	1,834,370	22,864	176,085	-	2,033,319
Land and other nondepreciable assets	16,418,523	-	4,611,267	-	21,029,790
Capital assets, net of accumulated depreciation	175,495,397	6,173,490	65,305,677	-	246,974,564
Total assets	372,317,939	14,657,124	72,532,653	48,102	459,555,818
LIABILITIES					
Accounts payable and other current liabilities	28,886,658	81,369	790,978	42,126	29,801,131
Due to primary government	87,325	-	98,343	-	185,668
Unearned revenue	109,539,605	-		-	109,539,605
Noncurrent liabilities:					
Due within one year	2,866,611	-	1,215,697	-	4,082,308
Due in more than one year	11,450,237	-	29,477,993	-	40,928,230
Total liabilities	152,830,436	81,369	31,583,011	42,126	184,536,942
NET ASSETS					
Invested in capital assets, net of related debt	191,913,920	6,173,490	39,223,254	-	237,310,664
Restricted for:					
Food services	1,947,315	-	-	-	1,947,315
Extracurricular activities	6,337,547	-	-	-	6,337,547
Other purposes	932,120	-	-	-	932,120
Unrestricted	18,356,601	8,402,265	1,726,388	5,976	28,491,230
Total net assets	$219,487,503	$ 14,575,755	$40,949,642	$ 5,976	$275,018,876

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

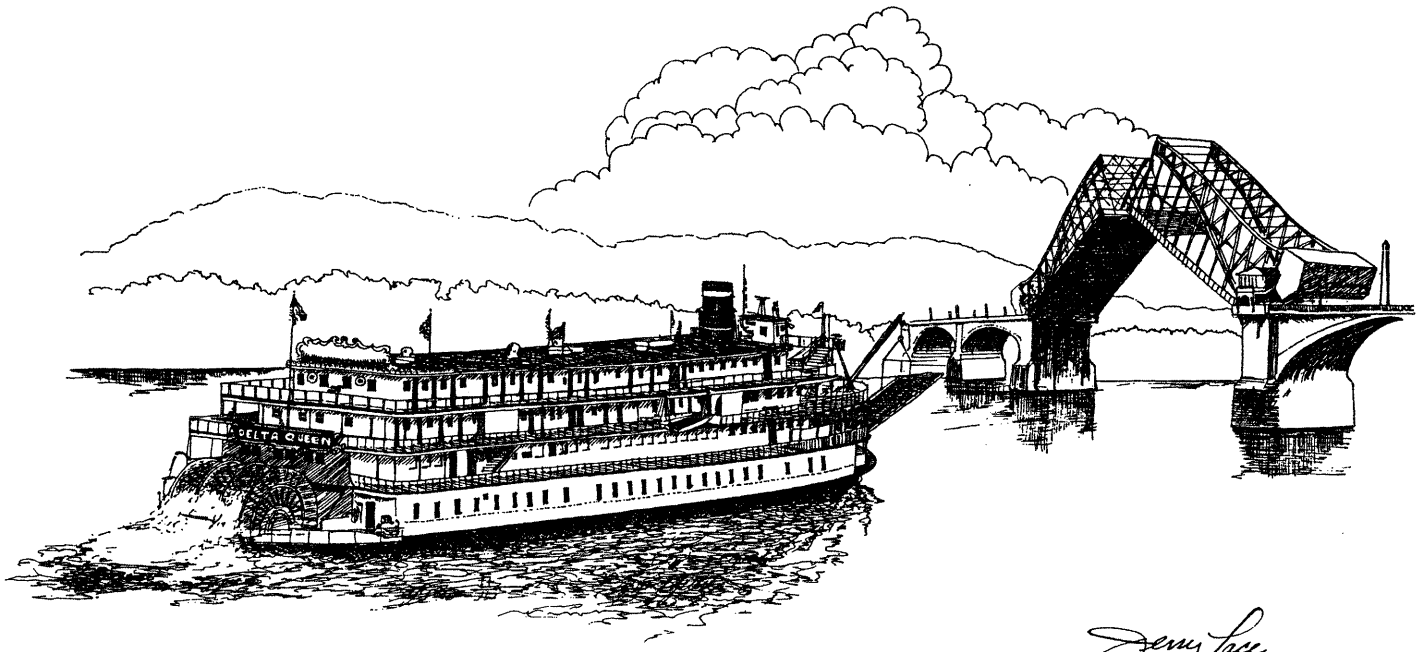
STATEMENT OF ACTIVITIES
COMPONENT UNITS

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
HAMILTON COUNTY BOARD OF EDUCATION				
Regular instruction	$ 151,313,198	$ 2,174,921	$ 22,603,594	$ 4,574,905
Exceptional instruction	33,803,056	-	6,509,263	1,020,690
Vocational instruction	9,377,642	-	888,421	283,396
Support services:				
Pupil services	8,370,461	-	884,823	252,845
Instructional staff	18,012,265	-	7,328,117	-
Board of education	5,118,834	-	-	-
Administration	20,428,325	-	196,640	626,599
Business and fiscal services	1,884,743	-	-	-
Plant operation and maintenance	25,831,246	-	-	799,291
Pupil transportation	12,563,445	-	625,016	-
Central	3,528,702	-	-	-
Operation of noninstructional services:				
Community services	3,076,172	2,561,643	380,718	92,582
Extracurricular	14,657,294	13,712,644	-	-
Child Nutrition	15,093,530	6,721,896	9,027,497	453,723
TOTAL BOARD OF EDUCATION	323,058,913	25,171,104	48,444,089	8,104,031
"911" EMERGENCY COMMUNICATIONS				
Emergency communications operations	3,906,357	6,167,296	-	-
WATER & WASTEWATER TREATMENT AUTHORITY				
Water and wastewater treatment operations	7,134,068	7,170,113	-	4,069,458
RAILROAD AUTHORITY				
Railroad authority operations	265,104	-	268,096	-
TOTAL COMPONENT UNITS	$ 334,364,442	$ 38,508,513	$ 48,712,185	$ 12,173,489
General revenues:				
Property taxes				
Sales taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

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

	Net (Expense) Revenue and Changes in Net Assets			
Hamilton County Board of Education	"911" Emergency Communication	Water & Wastewater Treatment Authority	Railroad Authority	Total
$ (121,959,778)				$ (121,959,778)
(26,273,103)				(26,273,103)
(8,205,825)				(8,205,825)
(7,232,793)				(7,232,793)
(10,684,148)				(10,684,148)
(5,118,834)				(5,118,834)
(19,605,086)				(19,605,086)
(1,884,743)				(1,884,743)
(25,031,955)				(25,031,955)
(11,938,429)				(11,938,429)
(3,528,702)				(3,528,702)
(41,229)				(41,229)
(944,650)				(944,650)
1,109,586				1,109,586
(241,339,689)				
	$ 2,260,939			2,260,939
		$ 4,105,503		4,105,503
			$ 2,992	2,992
				(234,970,255)
107,934,700	-	-	-	107,934,700
54,291,517	-	-	-	54,291,517
91,148,539	-	-	2,984	91,151,523
1,986,545	184,167	152,459	-	2,323,171
255,361,301	184,167	152,459	2,984	255,700,911
14,021,612	2,445,106	4,257,962	5,976	20,730,656
205,465,891	12,130,649	36,691,680	-	254,288,220
$ 219,487,503	$ 14,575,755	$ 40,949,642	$ 5,976	$ 275,018,876



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NOTES TO BASIC FINANCIAL STATEMENTS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

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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. The more significant of these accounting policies are described below.

(1) REPORTING ENTITY

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

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

Discretely Presented Component Units

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

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

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

Hamilton County Railroad Authority – The Railroad Authority (the Authority) was organized under the Railroad Authority Act of the State of Tennessee. The Authority was established on February 20, 2002 for the purpose of improving rail service in Hamilton County. The five-member Board consists of the County Mayor, City of Chattanooga Mayor, one member elected by the Board of County Commissioners, one member elected by the Chattanooga City Council, and the President and CEO of Chattanooga Area Chamber of Commerce. The Authority's Board has final decision-making authority for the entity. The Board of Commissioners must approve any bonds or indebtedness of the Authority. Additional information may be obtained from: Hamilton County Railroad Authority, 625 Walnut St., Room 210, Chattanooga, TN 37402.

(2) JOINT VENTURES

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

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

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

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

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

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

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

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements, focusing on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities. At June 30, 2006, the County has no business-type activities in the primary government. In the government-wide Statement of Net Assets, the governmental activities (a) are presented on a consolidated basis in a single column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

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

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

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

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

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

(4) BASIS OF PRESENTATION

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

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

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

a) Major Funds:

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

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

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

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

b) Other Fund Types:

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

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

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

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

c) Non-Current Governmental Assets/Liabilities:

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

(5) BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

(6) BUDGET POLICY AND BUDGETARY DATA

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

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

Public hearings are conducted which allow for taxpayer comments.

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

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

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

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

Encumbrances against budgeted appropriations are recorded during the year upon execution of purchase orders, contracts, or other appropriate documents. Amounts shown as encumbrances at June 30, 2006, reflect material expenditures for goods and services that had not been received or completed at that date. These items are recorded as reservations of fund balances and provide authority for the carryover of appropriations to the subsequent year in order to complete these transactions. Encumbrances are utilized in the General Fund, certain special revenue funds, the Capital Projects Fund, and the General Purpose School Fund, a component unit.

The various departments within the County are organized by function into separate divisions. The level at which expenditures may not legally exceed appropriations is the division level. All budget amounts included in these financial statements and the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year). During the year ended June 30, 2006, several supplemental appropriations were necessary.

(7) ASSETS, LIABILITIES, AND FUND EQUITY

a) Cash and Cash Equivalents

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

b) Investments

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

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

c) Receivables

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

d) Inventories and Prepaid Items

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

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

e) Capital Assets

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

	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

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

f) Fund Balance

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

g) Pension Plans

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

(8) REVENUES, EXPENDITURES, AND EXPENSES

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

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

a) Property Taxes

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

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

Lien date	January 1, 2005
Levy date	January 1, 2005
Tax bills mailed	October 1, 2005
Payment due dates	October 1, 2005 through February 29, 2006
Delinquency date	March 1, 2006
Tax sale – 2001 delinquent property taxes	March 1, 2006

b) Grant Revenue

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

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

c) Investment Income

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

d) Interfund Transactions

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

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

e) Payments Between the County and Component Units

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

f) Indirect Costs

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

g) Estimates

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

h) Vacation Pay and Sick Leave

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

(9) NET ASSETS

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

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

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

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

(10) ACCOUNTING PRONOUNCEMENTS

The County adopted GASB Statement No. 44, Economic Condition Reporting: the Statistical Section, during the year ended June 30, 2006. This statement updates the statistical section that accompanies the basic financial statements.

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

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

Excess of Expenditures Over Appropriations in Individual Funds

For the year ended June 30, 2006, the County had no material excess of expenditures over appropriations in individual funds.

Net Assets/Fund Balance Deficit

At June 30, 2006, the County has a deficit of $11,889,667 in unrestricted net assets in the government-wide statement of net assets for governmental activities. This deficit results from the specific reporting requirements of the GASB Statement No. 34 reporting model. The County's government-wide financial statements include the liability for all general obligation bonds. Historically, significant portions of the County's general obligation bonds are issued to acquire, construct, and develop facilities for the Department of Education. These facilities are not recorded as capital assets of the County's governmental activities but are recorded as capital assets of the Department of Education, which is a discretely presented component unit. At June 30, 2006, the County's long-term liabilities include general obligation bonds of $73,481,368 issued for the Department of Education capital projects.

NOTE C – CASH AND INVESTMENTS

Effective June 30, 2003, the County implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures." This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2006, investments of the primary government (except for Pension Trust Funds) and component units consist of the following:

	Weighted Average Maturity (Years)	Fair Value
Primary Government – Governmental Activities:		
U.S. Government agency securities	0.99	$ 53,210,889
Investment in local investment pool	0.00	34,687,143
Investment in state investment pool	0.00	3,475
Cash balances classified as investments	0.00	15,000
Total	0.60	$ 87,916,507
Primary Government – Agency Funds:		
U.S. Government agency securities	0.99	$ 331,980
Investment in local investment pool	0.00	126,179
Total	0.72	$ 458,159
Component Units:		
U.S. Government agency securities	0.99	$ 802,130
Investment in local investment pool	0.00	585,356
Investment in state investment pool	0.00	2,377,197
Total	0.21	$ 3,764,683

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the County purchases investments with maturities of two years or less. The County presents its exposure to interest rate changes using the weighted average maturity method. The County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than one year. The County's policies limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The County's investment portfolio did not experience any significant fluctuations in fair value during the year.

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

Credit risk – The County's policies are designed to maximize investment earnings while protecting the security of principal and providing adequate liquidity, in accordance with all applicable state laws. At June 30, 2006, the County's investment in U.S. Government agency securities include Federal Home Loan Bank and Federal National Mortgage Association bonds, which were rated AAA by Moody's Investor Service. The County also invests in the state investment pool, which is a 2a7-like pool. The state investment pool is not rated.

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

	Moody's Rating	Fair Value
U.S. Government and agency securities	AAA	$ 123,399
Domestic corporate bonds	A1	25,291
Domestic corporate bonds	A2	50,060
Domestic corporate bonds	AA3	25,193
Domestic corporate bonds	BAA1	52,847
Domestic corporate bonds	BAA2	25,855
Domestic equity securities	A+	291,190
Domestic equity securities	A	187,815
Domestic equity securities	A-	164,646
Domestic equity securities	B+	233,042
Domestic equity securities	B	181,593
Domestic equity securities	B-	101,247
Domestic equity securities	C	14,916
Domestic equity securities	Not rated	44,373
Mutual funds	Not rated	785,906
Foreign equity securities	Not rated	39,763
		$ 2,347,136

NOTE D – RECEIVABLES

Receivables at June 30, 2006, consist of the following:

Funds	Property Taxes	Patients	Accounts	Inter-Governmental	Allowance for Uncollectibles	Net
Primary Government:						
General	$93,375,485	$4,395,147	$1,015,563	$ 6,758,043	$1,628,627	$103,915,611
Sheriff	-	-	16,395	528,686	-	545,081
Debt service	-	-	41,840	1,480,898	-	1,522,738
Capital projects	-	-	7,766	967,494	-	975,260
Nonmajor	-	-	997,064	296,316	-	1,293,380
	$93,375,485	$4,395,147	$2,078,628	$10,031,437	$1,628,627	$108,252,070
Component Units:						
Governmental	$115,338,670	$ -	$ 401,975	$16,075,624	$1,725,604	$130,090,665
Proprietary	-	-	2,137,514	-	-	2,137,514
	$115,338,670	$ -	$2,539,489	$16,075,624	$1,725,604	$132,228,179

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, 2006.

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

NOTE E – SOLID WASTE DISPOSAL POST CLOSURE CARE COSTS

The County utilizes the General Fund to account for post closure care costs of the Hamilton County Birchwood Landfill Area 1 and the TVA Model Landfill. The County completed closure of both Area 1 and the TVA Model Landfill in 2001. In accordance with state and federal regulations, the County is required to perform certain maintenance and monitoring functions for thirty years after closure. The estimated liability for post closure care costs of $260,000 at June 30, 2006, is based on the use of 100% of capacity of both landfill areas. The estimated total current cost of the post closure care of $260,000 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, 2006. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs and additional costs that might arise from changes in post closure requirements will be covered by appropriations in the General Fund.

NOTE F – COMMITMENTS AND CONTINGENCIES

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

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

The County has entered into various construction commitments. Such contracts include contracts for improvements to schools, industrial parks, jails, and other facilities related to general government capital projects. Several of these contracts were in progress but not completed as of June 30, 2006. The total contractual commitments outstanding as of June 30, 2006, aggregated approximately $13,173,576. The County has sufficient funds available to cover these commitments.

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006, is as follows:

Primary Government	**Beginning Balance**	**Additions**	**Retirements**	**Ending Balance**
Governmental Activities:				
Non-Depreciable Assets:				
Land	$ 67,926,165	$ 122,888	$ (578,048)	$ 67,471,005
Construction in progress	19,973,875	11,714,220	(11,928,036)	19,760,059
Total non-depreciable assets	87,900,040	11,837,108	(12,506,084)	87,231,064
Depreciable Assets:				
Buildings	94,144,269	1,114,284	-	95,258,553
Improvements other than buildings	20,635,542	1,864,465	-	22,500,007
Machinery and equipment	34,601,951	4,494,376	(1,006,793)	38,089,534
Infrastructure	144,679,577	-	-	144,679,577
Total depreciable assets	294,061,339	7,473,125	(1,006,793)	300,527,671
Less Accumulated Depreciation for:				
Buildings	(43,679,115)	(2,367,535)	-	(46,046,650)
Improvements other than buildings	(4,330,956)	(1,047,597)	-	(5,378,553)
Machinery and equipment	(26,284,414)	(2,680,382)	851,915	(28,112,881)
Infrastructure	(89,391,179)	(3,616,989)	-	(93,008,168)
Total accumulated depreciation	(163,685,664)	(9,712,503)	851,915	(172,546,252)
Depreciable Assets, net	130,375,675	(2,239,378)	(154,878)	127,981,419
Governmental activities capital assets, net	$ 218,275,715	$ 9,597,730	$(12,660,962)	$ 215,212,483

Discretely Presented Component Units

	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets:				
Land	$ 15,064,675	$ 902,349	$ -	$ 15,967,024
Construction in progress	1,374,504	3,688,262	-	5,062,766
Total non-depreciable assets	16,439,179	4,590,611	-	21,029,790
Depreciable Assets:				
Buildings	304,246,889	4,089,461	(522,406)	307,813,944
Improvements other than buildings	21,709,830	601,808	-	22,311,638
Machinery and equipment	22,599,891	5,225,205	(469,314)	27,355,782
Utility plant	66,095,469	8,064,257	-	74,159,726
Total depreciable assets	414,652,079	17,980,731	(991,720)	431,641,090
Less Accumulated Depreciation for:				
Buildings	(140,464,319)	(5,287,320)	3,310	(145,754,949)
Improvements other than buildings	(15,133,941)	(357,998)	-	(15,491,939)
Machinery and equipment	(12,309,431)	(2,138,245)	455,470	(13,992,205)
Utility plant	(7,472,302)	(1,955,130)	-	(9,427,432)
Total accumulated depreciation	(175,379,993)	(9,738,693)	458,780	(184,666,525)
Depreciable Assets, net	239,272,086	8,242,038	(532,940)	246,974,564
Component units capital assets, net	$255,711,265	$12,832,648	$ (532,940)	$268,004,354

Depreciation expense is charged to functions as follows:

Primary Government – Governmental Activities:	
Ambulance	$ 291,116
Criminal Court	286,971
General Government	1,326,052
Health	265,683
Highway	4,145,782
Juvenile Court	148,744
Public Safety	945,488
Recreation	1,165,962
Sheriff	1,119,737
Social Services	16,968
Total	$ 9,712,503
Discretely Presented Component Units:	
Education	$ 6,685,332
Water & wastewater treatment	2,083,070
"911" Emergency communications	970,291
Total	$ 9,738,693

NOTE H – EMPLOYEE RETIREMENT SYSTEMS

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

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

The following is a summary of each of these plans:

Tennessee Consolidated Retirement Systems

(1) Political Subdivision Pension Plan (PSPP)

Plan Description:

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

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

Funding Policy:

Hamilton County adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 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, 2006, was 12.66% 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, 2006, Hamilton County's annual pension cost of $10,971,880 to TCRS was equal to Hamilton County's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent per year compounded annually; (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (c) projected 3.5 percent annual increase in the social security wage base; and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Hamilton County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was twelve years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/06	$10,971,880	100.00%	$ -
6/30/05	10,027,369	100.00%	-
6/30/04	7,600,075	100.00%	-

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

Plan Description:

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

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

Funding Policy:

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The employer contribution rate for Hamilton County Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2006, was 6.13% of annual covered payroll. The employer contribution requirement for Hamilton County Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the year ending June 30, 2006, 2005, and 2004, were $14,453,467, $13,850,969, and $11,325,694, respectively, equal to the required contribution for each year.

Hamilton County Administered Plans

Significant Accounting Policies:

Basis of Accounting

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

Method Used to Value Investments

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

Plan Description and Provisions:

(1) Employees' Pension Plan

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

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

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

(2) Commissioners' Pension Plan

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

(3) Teachers' Pension Plan

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

	Employees' Pension Plan	Commissioners' Pension Plan	Teachers' Pension Plan
Retirees and beneficiaries receiving benefits	40	9	19
Vested terminated employees	0	3	0
Active employees:			
Fully vested	0	5	0
Non vested	0	4	0
Actuarial valuation date	June 30, 2005	June 30, 2005	June 30, 2005

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, 2006 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	-	$ 75,258	-
Other contributing entities	N/A	N/A	-
Actual contributions:			
Employees	-	-	-
Employer	-	$ 75,258	-
Other contributing entities	N/A	N/A	-
Date of last actuarial valuation	June 30, 2005	June 30, 2005	June 30, 2005
Actuarial valuation date for current contributions	June 30, 2005	June 30, 2005	June 30, 2005
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	40 years open	5-10 years open	40 years open

Annual Pension Cost:

For the year ended June 30, 2006, the County's actual contributions exceeded the annual pension cost for the Teachers' Pension Plan. No employer contributions were made for the Employees' and Commissioners' Pension Plans.

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	$ -	$ 30,454	$ -
Interest on net pension obligation (asset)	(26,537)	(3,623)	(58,761)
Adjustment to annual required contribution	28,095	4,013	68,489
Annual pension cost	1,558	30,844	9,728
Contributions made	-	(75,258)	-
Increase in net pension obligation (asset)	1,558	(44,414)	9,728
Net pension obligation (asset) at beginning of year	(353,833)	(60,376)	(1,175,213)
Net pension obligation (asset) at end of year	$ (352,275)	$ (104,790)	$ (1,165,485)

Trend Information:

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Employees' Plan:	6/30/06	$ 1,558	0.0%	$ (352,275)
	6/30/05	1,564	0.0%	(353,833)
	6/30/04	1,570	0.0%	(355,397)
Commissioners' Plan:	6/30/06	30,844	244.0%	(104,790)
	6/30/05	27,497	218.2%	(60,376)
	6/30/04	27,643	18.4%	(27,873)
Teachers' Plan:	6/30/06	9,728	0.0%	(1,165,485)
	6/30/05	10,676	78.2%	(1,175,213)
	6/30/04	10,695	78.1%	(1,177,536)

Financial Reports:

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

COMBINING STATEMENT OF PLAN NET ASSETS

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Total Pension Trust Funds
ASSETS				
Cash	$ (69,954)	$ 371,929	$ 936	$ 302,911
Certificate of deposit	-	-	120,379	120,379
Investments, at fair value:				
Domestic corporate bonds	179,246	-	-	179,246
Mutual funds	785,906	-	-	785,906
Domestic equity securities	1,218,822	-	-	1,218,822
Foreign securities	39,763	-	-	39,763
U.S. government securities	123,399	-	-	123,399
Total investments	2,347,136	-	-	2,347,136
Due from others	-	-	300	300
Interest receivable	6,440	-	380	6,820
Total receivable	6,440	-	680	7,120
Total assets	2,283,622	371,929	121,995	2,777,546
LIABILITIES				
Accrued items	-	-	2,266	2,266
Total liabilities	-	-	2,266	2,266
NET ASSETS				
Held in trust for pension benefits	$ 2,283,622	$ 371,929	$ 119,729	$ 2,775,280

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

	Employees' Pension	Commissioners' Pension	Teachers' Pension	Total Pension Trust Fund
ADDITIONS				
Contributions:				
Employer	$ -	$ 75,258	$ -	$ 75,258
Members	-	-	31,919	31,919
Total contributions	-	75,258	31,919	107,177
Investment earnings:				
Net increase (decease) in fair value of investments	55,627	-	-	55,627
Interest	40,757	9,377	5,203	55,337
Net investment income (loss)	96,384	9,377	5,203	110,964
Total additions	96,384	84,635	37,122	218,141
DEDUCTIONS				
Benefits	175,383	43,104	68,688	287,175
Administrative expense	17,018	-	-	17,018
Total deductions	192,401	43,104	68,688	304,193
Change in net assets	(96,017)	41,531	(31,566)	(86,052)
Net assets, beginning	2,379,639	330,398	151,295	2,861,332
Net assets, ending	$ 2,283,622	$ 371,929	$ 119,729	$ 2,775,280

NOTE I – POSTRETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the County provides a portion of the health care benefits for certain retired employees. Employees who have retired under one of the County's retirement plans and who are ineligible for Medicare can elect to continue their health care coverage until they become eligible for Medicare. The County recognizes the actual cost of these benefits as expenditures as the claims are paid. The County is reimbursed by the retirees using a formula based on date of retirement, years of service, and the County's computed cost for active employees. During the fiscal year ended June 30, 2006, the County provided these health care benefits to 143 retirees at a cost of $583,613.

NOTE J – LONG-TERM LIABILITIES

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

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

Purpose	Interest Rates	Principal Amount	Amount Due Within One Year
General Improvement, Series 1996	5.1%	$ 731,165	$ 731,165
School, Series 1996	5.1%	553,835	553,835
General Improvement, Series 1997	5.0 – 5.125%	930,867	155,327
School, Series 1997	5.0 – 5.125%	20,254,133	3,379,673
General Improvement, Series 1998-A	4.5 – 5.0%	8,522,104	1,065,263
School, Series 1998-A	4.5 – 5.0%	1,597,896	199,737
General Improvement, Series 1998-B	4.375 – 5.1%	5,750,000	190,000
General Improvement, Series 2000	5.0 – 5.3%	6,002,830	600,283
School, Series 2000	5.0 – 5.3%	29,347,170	2,934,717
General Improvement, Series 2002	4.0%	4,065,000	1,441,250
School, Series 2002	4.0%	12,195,000	4,323,750
General Improvement Series 2004	4.0 – 5.00%	16,466,666	1,266,666
School, Series 2004	4.0 – 5.00%	9,533,334	733,334
Water & Wastewater Treatment Authority, Series 2004	4.0 – 5.00%	9,560,000	205,000
Total payable from the Debt Service Fund		$125,510,000	$17,780,000

Note Payable and Other Debt – The County entered into a Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 2, 1996. This Agreement reserved funds for the County in the amount of $9,500,000 (the "Loan") from the proceeds of the Authority's Adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1995. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2006, the County has withdrawn $9,500,000 of the Funds reserved to fund certain public work projects and the incidental and necessary expenses related thereto. At June 30, 2006, the balance due per the Agreement was $4,041,500, of which $724,100 is due within one year.

The County entered into another Loan Agreement (the "Agreement") with the Public Building Authority of the County of Montgomery, Tennessee (the "Authority") on February 17, 1999. This Agreement reserves funds for the County in the amount of $9,000,000 (the "Loan") from the proceeds of the Authority's adjustable Rate Pooled Financing Revenue Bonds (Tennessee County Loan Pool), Series 1997. The County is obligated under the Agreement to repay the Loan in installments consisting of (i) principal repayments payable annually for a 14-year term in certain amounts and on certain dates as specified in the Agreement, and (ii) interest and certain expenses calculated and billed at the rate or rates and on the date or dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for its payment. As of June 30, 2006, 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, 2006, the balance due per the Agreement was $5,736,000, of which $623,000 is due within one year.

The County has a long-term Agreement with the Corrections Corporation of America ("CCA") for the management of the Hamilton County Penal Farm. This Agreement requires the County to pay CCA $267,005 annually 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, 2006, the County's remaining obligation for this Agreement was $1,952,475, of which $267,005 is due within one year.

The County has entered into Agreements with certain municipalities within Hamilton County to fund a portion of the municipalities' debt obligations. These Agreements include obligations to the City of Chattanooga for the University of Tennessee at Chattanooga Stadium project, the Memorial Auditorium project, and the Bessie Smith Hall project. The County also has an Agreement with the City of East Ridge for the Camp Jordan Park project. These Agreements represent direct general obligations of the County and as such, the full faith, credit, and taxing power of the County are irrevocably pledged for these payments. At June 30, 2006, the County's remaining obligations to the City of Chattanooga total $4,167,500, of which $552,500 is due within one year. Remaining obligations to the City of East Ridge total $245,000, of which $75,000 is due within one year.

The County entered into a Loan Agreement (the "Agreement") with the Tennessee State School Bond Authority (the "Authority"), pursuant to TCA Sections 49-3-1202 et seq. as amended (the "Act") December 20, 2003. This Agreement reserves funds for the County in the amount of $1,365,000 (the Loan) from the proceeds of the Authority's Qualified Zone Academy Bonds (the "Bonds"), Series 2003. The County is obligated under the Agreement to repay the Loan in installments consisting of principal and administrative expenses payable annually for a 15-year term in certain amounts and on certain dates as specified in the Agreement. The Loan is a direct general obligation of the County and as such, the full faith, credit and taxing power of the County are irrevocably pledged for its repayment. For the purpose of providing funds to finance the cost of the Projects, including the payment of legal and fiscal cost incident to the issuance and sale of the Bonds and the Loan Agreement and making and receiving the loan from the Authority, the Hamilton County Board of Education, on behalf of the County, shall make annual payments of principal in amounts equal to approximately level debt service payable in the years 2004 through 2018. The loan shall not bear interest. As of June 30, 2006, the County has withdrawn $1,361,000 of the funds reserved. At June 30, 2006, the County's remaining obligation was $1,179,534, of which $90,733 is due within one year.

Arbitrage Rebate – In accordance with the Tax Reform Act of 1986, state and local governments are required to refund according to a prescribed formula any arbitrage from investing the proceeds of tax-exempt debt issues. Specifically, the Tax Reform Act of 1986, the Technical and Miscellaneous Revenue Act of 1988, the Revenue Reconciliation Act of 1989, and the Revenue Reconciliation Act of 1990 provide for an arbitrage "rebate" of 100% of amounts earned in excess of the effective rate of the debt issued for most governments. The County has elected to retain arbitrage rebates and remit payments to the federal government every five years. As of June 30, 2006, the County had no current arbitrage rebate liabilities on any of its General Obligation Bonds. The current liabilities, if any, are recorded in the Capital Projects Fund.

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:		
2007	$ 17,780,000	$ 5,562,264
2008	16,425,000	4,793,315
2009	13,180,000	4,123,415
2010	13,155,000	3,496,189
2011	10,775,000	2,911,345
2012-2016	37,535,000	7,962,808
2017-2021	9,155,000	2,678,941
2022-2026	3,535,000	1,358,036
2027-2031	2,305,000	717,775
2032-2034	1,665,000	157,169
	$ 125,510,000	$ 33,761,257
Notes Payable and Other Debt:		
2007	2,332,338	311,866
2008	2,340,469	264,593
2009	2,259,238	218,998
2010	2,255,538	185,585
2011	2,345,338	151,652
2010-2014	5,516,884	298,599
2015-2019	272,204	-
	$ 17,322,009	$ 1,431,293

Changes in Long-term Liabilities – During the year ended June 30, 2006, the following changes occurred in long-term liabilities:

	Balance July 1	Additions	Reductions	Balance June 30	Due Within One Year
Primary Government-Governmental Activities					
General obligation bonds	$143,380,000	$ -	$ 17,870,000	$125,510,000	$ 17,780,000
Notes payable and other debt	19,570,147	-	2,248,138	17,322,009	2,332,338
Landfill post closure costs	270,000	-	10,000	260,000	10,000
Compensated absences	12,209,936	4,787,279	4,676,845	12,320,370	2,338,423
	$175,430,083	$ 4,787,279	$ 24,804,983	155,412,379	$ 22,460,761
Net deferred premiums				1,394,099	
				$156,806,478	
Component Units:					
Long-term advance due to primary government	$ 17,448,076	$ -	$ 289,695	$ 17,158,381	$ 824,472
Notes payable and other debt	13,835,081	1,846,663	1,048,054	14,633,690	1,010,697
Compensated absences	13,541,932	-	323,465	13,218,467	2,247,139
	$ 44,825,089	$ 1,846,663	$ 1,661,214	$ 45,010,538	$ 4,082,308

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

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

Total reductions in Long-Term Liabilities for Governmental Activities above exceed principal retirement expenditures in the Debt Service Fund by the amount of Hotel/Motel taxes that are used to reduce the County's obligations to other municipalities ($240,000 in 2006), landfill post-closure care costs paid from the General Fund and compensated absences used during the year.

Defeased Bonds – The County has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On June 30, 2006, $14,000,000 of bonds outstanding is considered defeased.

NOTE K – CONSTITUTIONAL OFFICERS

Certain operating expenditures of the Constitutional Officers for the year ended June 30, 2006, 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	$ 654,754	$ 270,690	$ 15,889	$ 941,333
Clerk and Master	458,785	200,895	17,282	676,962
County Clerk	1,123,015	237,064	10,737	1,370,816
Criminal Court Clerk	892,215	231,227	7,060	1,130,502
Juvenile Court Clerk	-	-	16,937	16,937
Register	267,768	54,474	-	322,242
Sheriff	-	-	514,909	514,909
Trustee	250,364	24,787	3,105	278,256
Election Commission	799,235	274,109	44,909	1,118,253
Assessor of property	2,387,793	275,536	43,475	2,706,804
	$ 6,833,929	$ 1,568,782	$ 674,303	$ 9,077,014

NOTE L – 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, 2006, there were a total of 63 series outstanding (61 series of Industrial Revenue Bonds and 2 series of Mortgage Revenue Bonds). The aggregate principal amount payable for 5 Industrial Revenue Bond series issued after July 1, 1995, was $11,298,082.

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 M – INTERFUND RECEIVABLES AND PAYABLES

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

Receivable Primary Government	Payable Primary Government	Amount
General Fund	Sheriff	$ 84,121
General Fund	Capital Projects	716,793
General Fund	Nonmajor Governmental Funds	3,089,446
Sheriff	General Fund	35,744
Capital Projects	General Fund	55,627
Nonmajor Governmental Funds	General Fund	53,267
Nonmajor Governmental Funds	Capital Projects	36,339
Nonmajor Governmental Funds	Nonmajor Governmental Funds	710
		$ 4,072,047

Receivable Primary Government	Payable Component Units	Amount
General Fund	Water & Wastewater Authority	$ 98,343
General Fund	General Purpose School	65,225
General Fund	Centralized Cafeteria	22,100
General Fund	"911" Emergency Communication	3,006
		$ 188,674

Receivable Component Units	Payable Primary Government	Amount
General Purpose School	Nonmajor Governmental Funds	$ 141,777

Receivable Component Units	Payable Component Units	Amount
General Purpose School	Centralized Cafeteria	$ 837,539
General Purpose School	Capital Projects	1,506
Education Capital Projects	General Purpose School	2,822,061
Education Capital Projects	BOE Internal Service	4,556
BOE Internal Service	General Purpose School	12,402,672
BOE Internal Service	Centralized Cafeteria	878,889
		$16,947,223

NOTE N – 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	Debt Service	$ 285,000
General Fund	Nonmajor Governmental Funds	11,466,151
General Fund	Internal Service	125,000
Sheriff	General Fund	19,978,826
Debt Service	General Fund	24,289,852
Debt Service	Nonmajor Governmental Funds	322,033
Capital Projects	General Fund	296,172
Nonmajor Funds	General Fund	1,137,679
		$ 57,900,713

NOTE O – 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 original construction of the Chattanooga/Hamilton County Convention and Trade Center and parking garage was financed by Lease Rental Revenue Bonds issued by the Industrial Development Board of Hamilton County, Tennessee, in 1985. On September 15, 1994, the Industrial Development Board of Hamilton County, Tennessee, issued $15,835,000 of Lease Rental Revenue Bonds to provide funds for the refunding of a portion of Series 1986 Lease Rental Revenue Bonds to provide funds to be advanced to the Corporation to pay the cost of certain engineering, architectural, and environmental services and to pay the cost of issuance of the Series 1994 Bonds. At June 30, 2006, the total bond indebtedness of the Corporation was $-0-.

The facility is leased by the Carter Street Corporation to the City of Chattanooga, Tennessee, and Hamilton County, Tennessee. The basic rental payments are equal to the Corporation's total principal and interest payments on the bonds payable and are funded two-thirds by the City and one-third by the County. In addition, the City and County fund any projected operating loss of the Corporation as additional rental payments. While the bonds do not constitute an indebtedness of the County or the City, under the lease, the County and City are unconditionally obligated to make the rental payments. Such rent amounted to $128,927 for the County during fiscal year 2006. Upon the repayment of the bonds, the City and the County will have an equity interest in the corporation, and the parties are negotiating the details of this arrangement.

The leases expired on September 1, 2005. Carter Street is now managing the facility under a temporary management agreement until further details are agreed upon.

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, 2006, is as follows:

ASSETS	
Cash	$ 698,780
Accounts receivable	377,459
Inventories	80,002
Prepaid expenses	27,931
Premises and equipment	12,208,636
Other assets	19,300
Total assets	$ 13,412,108
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable and accrued items	$ 172,973
Advance deposits	54,166
Total liabilities	227,139
NET ASSETS	
Invested in capital assets, Net of related debt	12,208,636
Unrestricted	976,333
Total net assets	13,184,969
Total liabilities and net assets	$ 13,412,108

Schedule of Revenues, Expenses and Changes in Fund Equity:

Total operating revenues	$ 5,624,831
Total operating expenses	6,352,996
Loss from Operations	(728,165)
Non-operating revenues	618,178
Non-operating expenses	21,746
Net loss	(131,733)
Net assets at July 1, 2005	13,316,702
Net assets at June 30, 2006	$ 13,184,969

NOTE P – 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.

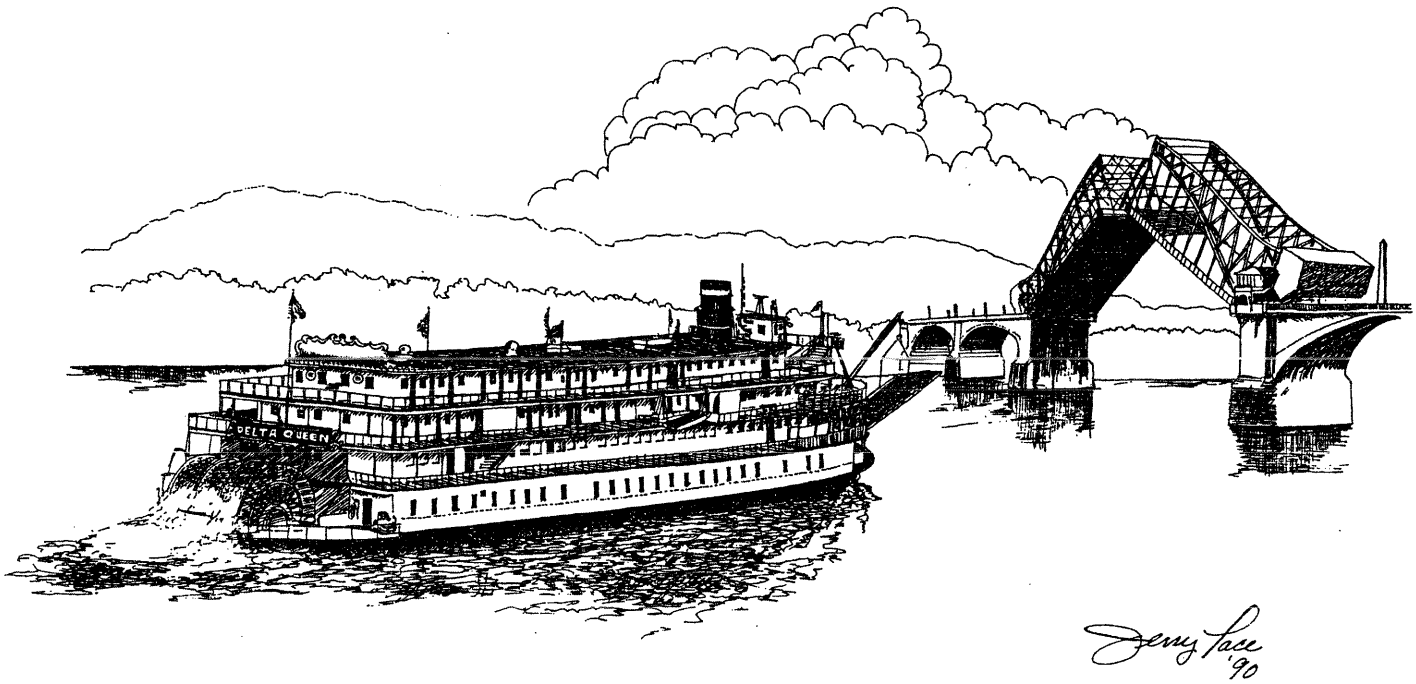
The County is self-funded for liability, on-the-job injuries, errors and omissions, unemployment compensation, the first $25,000 per incident on property and boiler/machinery claims. The County has an excess liability policy with limits of $1,000,000 per occurrence and a $600,000 retention covering liability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

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

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

	Total Primary Government	Total Component Units
Unpaid claims, June 30, 2004	$ 1,245,417	$ 4,730,642
Incurred claims	422,542	24,079,969
Claims payments	(538,111)	(22,108,903)
Unpaid claims, June 30, 2005	1,129,848	6,701,708
Incurred claims	73,750	23,724,071
Claims payments	(361,653)	(24,604,036)
Unpaid claims, June 30, 2006	$ 841,945	$ 5,821,743

At June 30, 2006, the Hamilton County Internal Service Fund has net assets of $19,452,624, and the Board of Education Internal Service Fund has net assets of $9,497,698. These net assets balances are designated for future catastrophic losses.


DELTA QUEEN
Jerry Lace '90

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

Schedule of Funding Progress

(Dollar amounts in thousands)

Tennessee Consolidated Retirement System

Actuarial Valuation Date (frozen initial liability	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
Political Subdivision Pension Plan (PSPP) -						
07/01/05	$ 237,545	$ 247,301	$ 9,756	96.06%	$ 84,860	11.50%
07/01/03	214,239	224,946	10,707	95.24%	84,989	12.60%
07/01/01	195,135	205,638	10,503	94.89%	75,417	13.93%

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 -						
06/30/05	2,380	1,249	(1,131)	190.5%	0	N/A
06/30/03	2,539	1,413	(1,126)	179.7%	0	N/A
06/30/01	3,063	1,658	(1,405)	184.8%	44	(3,193.2%)
Commissioners' Retirement -						
06/30/05	330	614	284	53.8%	166	170.5%
06/30/03	465	488	23	95.3%	0	N/A
06/30/01	438	456	18	96.1%	14	128.6%
Teachers' Retirement -						
06/30/05	151	151	0	100.0%	0	N/A
06/30/03	217	233	16	93.1%	0	N/A
06/30/01	300	360	60	83.3%	0	N/A

SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEE RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

Schedule of Employer Contributions

Tennessee Consolidated Retirement System

Year Ended June 30	PSPP Annual Required Contribution	PSPP Percentage Contributed	SETHEPP Annual Required Contribution	SETHEPP Percentage Contributed
2006	$ 10,971,880	100.0%	$ 14,453,467	100.0%
2005	10,027,369	100.0%	13,850,969	100.0%
2004	7,600,075	100.0%	11,325,694	100.0%
2003	7,437,867	100.0%	10,942,201	100.0%
2002	6,412,940	100.0%	11,436,201	100.0%

Hamilton County Administered Plans

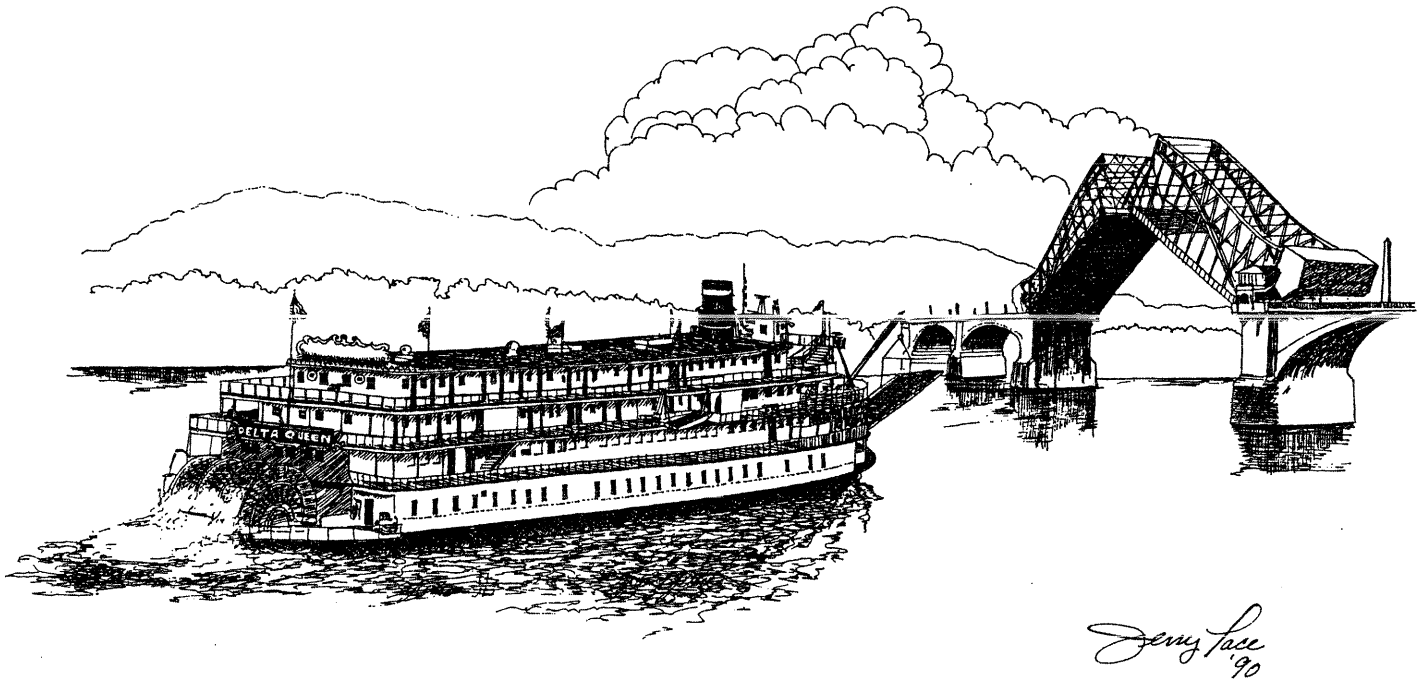
Year Ended June 30	Employees' Retirement Annual Required Contribution	Employees' Retirement Percentage Contributed	Commissioners' Retirement Annual Required Contribution	Commissioners' Retirement Percentage Contributed	Teachers' Retirement Annual Required Contribution	Teachers' Retirement Percentage Contributed
2006	$ -	0.0%	$ 30,454	247.1%	$ -	0.0%
2005	-	0.0%	27,317	219.6%	928	900.1%
2004	-	0.0%	27,317	18.6%	928	900.1%
2003	-	0.0%	1,194	.0%	3,418	1707.6%
2002	-	0.0%	1,194	1,548.6%	3,418	0.0%

NOTE TO SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION PUBLIC EMPLOYEE RETIREMENT SYSTEMS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

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 40-year period commencing on the valuation date for the Employees' Retirement and Teachers' Retirement Plan. For the Commissioners' Retirement Plan the actuarial value of assets is being amortized as a level dollar amount for a 5 to 10-year period commencing on the valuation date. The assumption with respect to investment return was 7.5% for the Employees' Retirement Plan, 5.0% for the Teachers' Retirement Plan, and 6.0% for the Commissioners' Retirement Plan. No explicit assumptions were made with regard to inflation. Salary increases were not considered for the Employees' and Teachers' Retirements Plans because the benefits are either capped or not based on salary. The assumption with respect to salary increases was 4.0% for the Commissioners' Retirement Plan.


DELTA QUEEN
Jerry Lace '90

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, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Property taxes	$ 94,203,096	$ 94,203,096	$ 93,553,047	$ (650,049)
Local sales tax	13,015,000	13,015,000	12,964,524	(50,476)
Business taxes	4,227,417	4,227,417	5,096,014	868,597
Wholesale beer tax	750,000	750,000	654,770	(95,230)
Total taxes	112,195,513	112,195,513	112,268,355	72,842
Licenses and permits	1,081,200	1,081,200	1,118,017	36,817
Intergovernmental revenues:				
State of Tennessee	13,759,236	19,353,707	14,722,753	(4,630,954)
United States Government	2,407,835	3,113,500	2,865,263	(248,237)
Cities	1,264,256	1,285,089	1,460,277	175,188
Total intergovernmental revenues	17,431,327	23,752,296	19,048,293	(4,704,003)
Charges for services:				
Health department	11,217,392	11,217,392	10,613,382	(604,010)
Other	1,506,843	1,800,931	1,950,218	149,287
Total charges for services	12,724,235	13,018,323	12,563,600	(454,723)
Fines, forfeitures and penalties	1,177,801	1,177,801	1,243,215	65,414
Investment earnings	1,030,500	1,030,500	1,384,153	353,653
Miscellaneous	3,552,626	3,564,826	3,877,477	312,651
Total revenues	149,193,202	155,820,459	151,503,110	(4,317,349)
EXPENDITURES				
Current:				
General government:				
County Clerk	1,389,624	1,389,624	1,361,106	28,518
Register	509,290	509,290	403,714	105,576
County Trustee	339,582	339,582	276,455	63,127
Assessor of Property	2,899,545	2,899,545	2,653,128	246,417
District Attorney General	767,782	767,782	705,250	62,532
Election Commission	1,433,575	1,433,575	1,108,202	325,373
Board of Equalization	2,000	2,000	630	1,370
Soil Conservation	92,251	92,251	96,340	(4,089)
Agricultural Department	210,058	210,058	185,263	24,795
County-City Planning Commission	848,535	848,535	848,535	-

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
General government--(continued):				
Regional Council of Government & SETTDD	$ 61,579	$ 61,579	$ 61,579	$ -
CARTA	96,660	96,660	96,660	-
Carter Street Corporation	244,875	244,875	244,900	(25)
Economic Development	467,500	473,282	473,282	-
Representative-General Assembly	20,000	20,000	8,013	11,987
Utilities	1,668,310	1,668,310	1,512,111	156,199
County Board of Commissioners	535,364	569,079	543,763	25,316
County Mayor	504,824	504,824	497,753	7,071
County Auditor	2,104,913	2,104,913	2,137,012	(32,099)
Chief of Staff	321,764	321,764	318,367	3,397
Title VI	25,000	25,000	10	24,990
County Attorney	761,143	761,143	731,774	29,369
Emp Assistance Program	28,800	28,800	27,732	1,068
Human Resources	534,535	534,535	531,799	2,736
Insurance	212,330	212,330	78,404	133,926
Employee Benefits	403,988	373,488	194,817	178,671
Trustee's Commission	2,300,000	2,300,000	2,471,954	(171,954)
External Audits	220,700	220,700	211,963	8,737
TSCA Dues	9,937	9,937	9,937	-
NACO Dues	6,105	6,105	6,104	1
Equal Employment Opportunity	55,000	55,000	54,097	903
Finance Administrator	212,325	212,325	209,377	2,948
Accounting	1,666,611	1,666,611	1,650,465	16,146
Financial Management	348,710	348,710	346,837	1,873
Information Technology Services	2,521,975	2,521,975	2,429,064	92,911
Purchasing	359,413	359,413	341,674	17,739
Geographic Information System	487,951	1,043,430	711,847	331,583
Custodial Services	1,362,159	1,362,159	1,420,259	(58,100)
Real Property	329,117	329,117	351,785	(22,668)
Recycling	177,500	203,000	198,497	4,503
Human Services Administrator	186,190	186,190	182,599	3,591
Development Services	453,431	1,861,793	492,770	1,369,023
Maintenance	2,371,542	2,371,542	2,246,839	124,703
Railroad Authority	109,785	109,785	104,988	4,797
Rural Transportation	173,778	173,778	159,563	14,215
Title XX	460,951	460,951	440,593	20,358
Total general government	30,297,007	32,295,345	29,137,811	3,157,534

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Public safety:				
Medical Examiner	$ 784,338	$ 784,338	$ 726,142	$ 58,196
Criminal Court Clerk	1,085,179	1,085,179	1,020,722	64,457
Public Defender	296,186	296,186	291,680	4,506
General Sessions Court	977,804	977,804	968,138	9,666
Juries	180,000	180,000	182,789	(2,789)
Court Judges	413,244	413,244	413,355	(111)
Judicial Commission Magistrates	266,699	266,699	271,335	(4,636)
Juvenile Crime Prosecution	44,991	44,991	47,582	(2,591)
Forest Fire Prevention	4,000	4,000	4,000	-
Juvenile Court	5,974,644	5,974,644	5,596,008	378,636
Humane Education Society	259,434	259,434	259,434	-
Certified Cost Reimbursement	719,300	719,300	670,094	49,206
Building Inspection	828,157	828,157	773,084	55,073
Emergency Services	2,024,407	5,135,291	3,722,186	1,413,105
Community Corrections Program	13,679,665	13,891,035	12,742,865	1,148,170
Litter Grant	376,401	376,401	356,771	19,630
Local Law Enforcement Block Grar	-	25,000	26,226	(1,226)
Project Safe Neighbor	-	30,282	28,608	1,674
Community Gun Violence Grant	-	146,646	80,603	66,043
Community Prosecution	-	63,100	45,928	17,172
Governor's Highway Safety Trauma	-	3,195	808	2,387
Security Services	656,442	656,442	616,405	40,037
Volunteer Emergency Services	151,514	151,514	145,587	5,927
Ambulance Services	6,904,068	6,904,068	6,840,283	63,785
Total public safety	35,626,473	39,216,950	35,830,633	3,386,317
Highways and streets:				
Public Works Administrator	191,681	191,681	187,523	4,158
Engineering Services	2,604,586	2,640,254	2,568,866	71,388
Highway	8,147,756	8,168,756	8,133,336	35,420
Total highways and streets	10,944,023	11,000,691	10,889,725	110,966
Health:				
Air Pollution Control	188,548	188,548	188,548	-
Baroness Erlanger Hospital	3,000,000	3,000,000	3,000,000	-
Health Department	16,998,659	17,627,507	15,703,904	1,923,603
Total health	20,187,207	20,816,055	18,892,452	1,923,603

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES--(continued):				
Current--(continued):				
Social services:				
Clerk and Master	$ 669,311	$ 669,311	$ 659,679	$ 9,632
Circuit Court Clerk	958,600	958,600	943,169	15,431
Senior Neighbors	25,493	25,493	25,493	-
Urban League	45,000	45,000	48,382	(3,382)
Emergency Support Programs	210,347	210,347	159,505	50,842
Chattanooga Endeavors	27,000	27,000	27,000	-
Chattanooga Homeless Coalition	13,500	13,500	13,500	-
Children's Services	2,914,650	2,927,900	2,850,185	77,715
Total social services	4,863,901	4,877,151	4,726,913	150,238
Culture and recreation:				
Bethlehem Sports Academy	13,500	13,500	13,500	-
Public Library	2,165,152	2,165,152	2,165,152	-
City Beautiful Commission	22,888	22,888	22,888	-
Convention and Visitors Bureau	2,490,338	2,490,338	2,490,338	-
Allied Arts	135,000	135,000	135,000	-
WTCI Public Television	27,000	27,000	27,000	-
Regional History Museum	25,200	25,200	25,200	-
Bessie Smith Museum	57,600	57,600	57,600	-
Heritage Hall	55,825	55,825	55,825	-
Parks and Recreation Department	5,706,851	5,706,851	5,263,797	443,054
Total culture and recreation	10,699,354	10,699,354	10,256,300	443,054
Capital outlay	2,608,578	3,512,045	2,314,562	1,197,483
Total budgetary expenditures	115,226,543	122,417,591	112,048,396	10,369,195
Excess of revenues over expenditures	33,966,659	33,402,868	39,454,714	6,051,846

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
GENERAL FUND DETAIL

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 11,619,861	$ 11,619,861	$ 11,876,151	$ 256,290
Transfers out	(45,615,914)	(45,636,040)	(45,702,530)	(66,490)
Sale of capital	-	-	52,802	52,802
Total other financing sources (uses)	(33,996,053)	(34,016,179)	(33,773,577)	242,602
Net change in fund balance	(29,394)	(613,311)	5,681,137	6,294,448
Fund balance allocation	29,394	613,311	-	(613,311)
	$ -	$ -	5,681,137	$ 5,681,137
Add encumbrances at end of year			1,376,659	
Less encumbrances at beginning of year			(1,409,276)	
Net change in fund balance--(GAAP Modified Accrual Basis)			5,648,520	
Fund balance at beginning of year--(GAAP Modified Accrual Basis)			49,714,308	
Fund balance at end of year--(GAAP Modified Accrual Basis)			$ 55,362,828	

EXPLANATION OF DIFFERENCES:

REVENUES

Actual amounts (budgetary basis) from the budgetary comparison schedule	$ 151,503,110
Ambulance services bad debt	3,251,833
Ambulance services contractual allowance	7,385,800
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 162,140,743

EXPENDITURES

Actual amounts (budgetary basis) from the budgetary comparison schedule	$ 112,048,396
Adjustment for encumbrances	32,617
Ambulance services bad debt	3,251,833
Ambulance services contractual allowance	7,385,800
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 122,718,646

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.

Nursing Home Fund accounts for the residual activities of the Hamilton County Nursing Home that are the County's responsibilities after the sale of the Nursing Home.

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

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

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
ASSETS		
Cash	$ 2,218,788	$ 1,546
Investments	2,054,129	51,454
Prepaid items	-	-
Receivables:		
Accounts	608,899	-
Intergovernmental	296,316	-
Due from other funds	53,977	-
Total assets	$ 5,232,109	$ 53,000
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued items and other payables	$ 966,908	$ -
Due to other funds	710	-
Total liabilities	967,618	-
Fund Balances (Deficit):		
Reserved for restricted activities	770,484	-
Reserved for tourism	-	-
Reserved for litigants and beneficiaries	-	-
Unreserved:		
Undesignated	3,494,007	53,000
Total fund balances	4,264,491	53,000
Total liabilities and fund balances	$ 5,232,109	$ 53,000

Hotel/ Motel	Children's Services	Economic Crimes	Total Nonmajor Governmental Funds
$ 500	$ 500	$ 500	$ 2,221,834
3,762,236	1,886,540	39,067	7,793,426
44,600	-	-	44,600
388,165	-	-	997,064
-	-	-	296,316
-	36,339	-	90,316
$ 4,195,501	$ 1,923,379	$ 39,567	$ 11,443,556
$ 91,401	$ -	$ 3,663	1,061,972
2,764,153	325,293	-	3,090,156
2,855,554	325,293	3,663	4,152,128
-	-	35,904	806,388
1,339,947	-	-	1,339,947
-	1,598,086	-	1,598,086
-	-	-	3,547,007
1,339,947	1,598,086	35,904	7,291,428
$ 4,195,501	$ 1,923,379	$ 39,567	$ 11,443,556

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Special Revenue Funds	
	Constitutional Officers	Governmental Law Library
REVENUES		
Taxes	$ -	$ 17,603
Charges for services	18,771,014	-
Fines, forfeitures and penalties	32,727	-
Investment earnings	301,317	1,672
Miscellaneous	44,431	-
Total revenues	19,149,489	19,275
EXPENDITURES		
Current:		
General government	4,087,510	-
Public safety:		
Criminal Court	2,242,127	-
Juvenile Court	1,797,970	-
Other	-	6,733
Social services	2,990,964	-
Capital outlay	-	-
Total expenditures	11,118,571	6,733
Excess (deficiency) of revenues over (under) expenditures	8,030,918	12,542
OTHER FINANCING SOURCES (USES)		
Transfers in	1,137,679	-
Transfers out	(8,700,903)	-
Total other financing sources (uses)	(7,563,224)	-
Net change in fund balances	467,694	12,542
Fund balances (deficit) at beginning of year	3,796,797	40,458
Fund balances (deficit) at end of year	$ 4,264,491	$ 53,000

Hotel/ Motel	Children's Services	Economic Crimes	Total Nonmajor Governmental Funds
$ 3,960,862	$ -	$ -	$ 3,978,465
-	-	-	18,771,014
-	-	49,074	81,801
210,070	152,723	1,469	667,251
-	-	-	44,431
4,170,932	152,723	50,543	23,542,962
975,981	-	-	5,063,491
-	-	-	2,242,127
-	-	-	1,797,970
-	-	-	6,733
-	13,377	22,209	3,026,550
-	-	25,948	25,948
975,981	13,377	48,157	12,162,819
3,194,951	139,346	2,386	11,380,143
-	-	-	1,137,679
(2,761,371)	(325,293)	(616)	(11,788,183)
(2,761,371)	(325,293)	(616)	(10,650,504)
433,580	(185,947)	1,770	729,639
906,367	1,784,033	34,134	6,561,789
$ 1,339,947	$ 1,598,086	$ 35,904	$ 7,291,428

COMBINING BALANCE SHEET
CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Circuit Court Clerk	Clerk and Master	County Clerk
ASSETS			
Cash and cash equivalents	$ 412,495	$ 617,286	$ 551,234
Investments	-	-	-
Receivables:			
Accounts	-	-	-
Intergovernmental	-	-	-
Due from other funds	-	-	-
Total assets	$ 412,495	$ 617,286	$ 551,234
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued items and other payables	$ 62,468	$ 21,962	$ 55,049
Due to other funds	-	-	-
Total liabilities	62,468	21,962	55,049
Fund Balances:			
Reserved for restricted activities	-	-	3,651
Unreserved:			
Undesignated	350,027	595,324	492,534
Total fund balances	350,027	595,324	496,185
Total liabilities and fund balances	$ 412,495	$ 617,286	$ 551,234

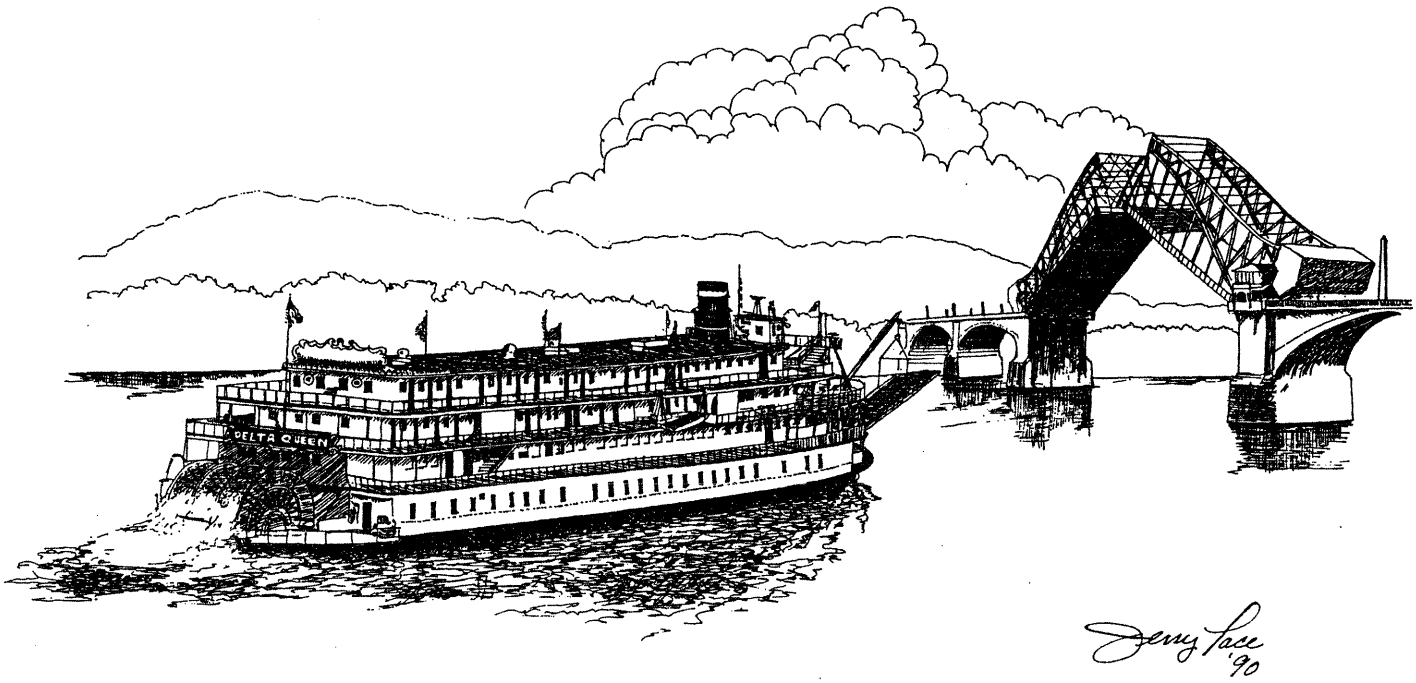
Criminal Court Clerk	Juvenile Court Clerk	Register	Trustee	Total Constitutional Officers
$ 3,300	$ -	$ 561,271	$ 73,202	$ 2,218,788
1,668,101	386,028	-	-	2,054,129
79,993	23,829	-	505,077	608,899
225,345	70,971	-	-	296,316
53,267	-	-	710	53,977
$ 2,030,006	$ 480,828	$ 561,271	$ 578,989	$ 5,232,109
$ 735,567	$ 45,521	$ 27,914	$ 18,427	$ 966,908
-	710	-	-	710
	-			
735,567	46,231	27,914	18,427	967,618
766,833	-	-	-	770,484
527,606	434,597	533,357	560,562	3,494,007
1,294,439	434,597	533,357	560,562	4,264,491
$ 2,030,006	$ 480,828	$ 561,271	$ 578,989	$ 5,232,109

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Circuit Court Clerk	Clerk and Master	County Clerk
REVENUES			
Charges for services	$ 1,853,431	$ 1,841,914	$ 3,297,038
Fines, forfeitures and penalties	-	-	-
Investment earnings	23,379	53,122	29,525
Miscellaneous	-	-	40,957
Total revenues	1,876,810	1,895,036	3,367,520
EXPENDITURES			
Current:			
General government	-	-	2,644,204
Public safety:			
Criminal Court	-	-	-
Juvenile Court	-	-	-
Social services	1,692,029	1,298,935	-
Total expenditures	1,692,029	1,298,935	2,644,204
Excess (deficiency) of revenues over (under) expenditures	184,781	596,101	723,316
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(578,282)	(879,000)
Total other financing sources (uses)	-	(578,282)	(879,000)
Net change in fund balances	184,781	17,819	(155,684)
Fund balances at beginning of year	165,246	577,505	651,869
Fund balances at end of year	$ 350,027	$ 595,324	$ 496,185

Criminal Court Clerk	Juvenile Court Clerk	Register	Trustee	Total Constitutional Officers
$ 2,393,387	$ 716,157	$ 2,881,665	$ 5,787,422	$ 18,771,014
-	32,727	-	-	32,727
38,181	7,730	2,986	146,394	301,317
-	3,474	-	-	44,431
2,431,568	760,088	2,884,651	5,933,816	19,149,489
-	-	602,658	840,648	4,087,510
2,242,127	-	-	-	2,242,127
-	1,797,970	-	-	1,797,970
-	-	-	-	2,990,964
2,242,127	1,797,970	602,658	840,648	11,118,571
189,441	(1,037,882)	2,281,993	5,093,168	8,030,918
-	1,137,679	-	-	1,137,679
-	-	(2,260,492)	(4,983,129)	(8,700,903)
-	1,137,679	(2,260,492)	(4,983,129)	(7,563,224)
189,441	99,797	21,501	110,039	467,694
1,104,998	334,800	511,856	450,523	3,796,797
$ 1,294,439	$ 434,597	$ 533,357	$ 560,562	$ 4,264,491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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, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
CIRCUIT COURT CLERK				
Cash	$ 1,317,758	$ 6,569,464	$ 6,527,059	$ 1,360,163
Certificates of deposit	3,715,634	1,431,734	1,340,990	3,806,378
Total assets	$ 5,033,392	$ 8,001,198	$ 7,868,049	$ 5,166,541
Accrued items and other	$ 5,005,802	$ 7,644,989	$ 7,511,024	$ 5,139,767
Intergovernmental payables	27,590	356,209	357,025	26,774
Total liabilities	$ 5,033,392	$ 8,001,198	$ 7,868,049	$ 5,166,541
CLERK AND MASTER				
Cash	$ 2,033,050	$ 8,427,920	$ 7,559,823	$ 2,901,147
Certificates of deposit	6,234,984	1,613,030	2,916,317	4,931,697
Total assets	$ 8,268,034	$ 10,040,950	$ 10,476,140	$ 7,832,844
Accrued items and other	$ 8,032,816	$ 6,474,514	$ 6,827,026	$ 7,680,304
Intergovernmental payables	235,218	3,566,436	3,649,114	152,540
Total liabilities	$ 8,268,034	$ 10,040,950	$ 10,476,140	$ 7,832,844
COUNTY CLERK				
Cash	$ 2,655,245	$ 26,884,317	$ 27,260,721	$ 2,278,841
Accounts receivable	1,367	23,993	25,056	304
Total assets	$ 2,656,612	$ 26,908,310	$ 27,285,777	$ 2,279,145
Accrued items and other	$ 96,238	$ 803,518	$ 798,431	$ 101,325
Intergovernmental payables	2,560,374	26,104,792	26,487,346	2,177,820
Total liabilities	$ 2,656,612	$ 26,908,310	$ 27,285,777	$ 2,279,145

(continued)

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

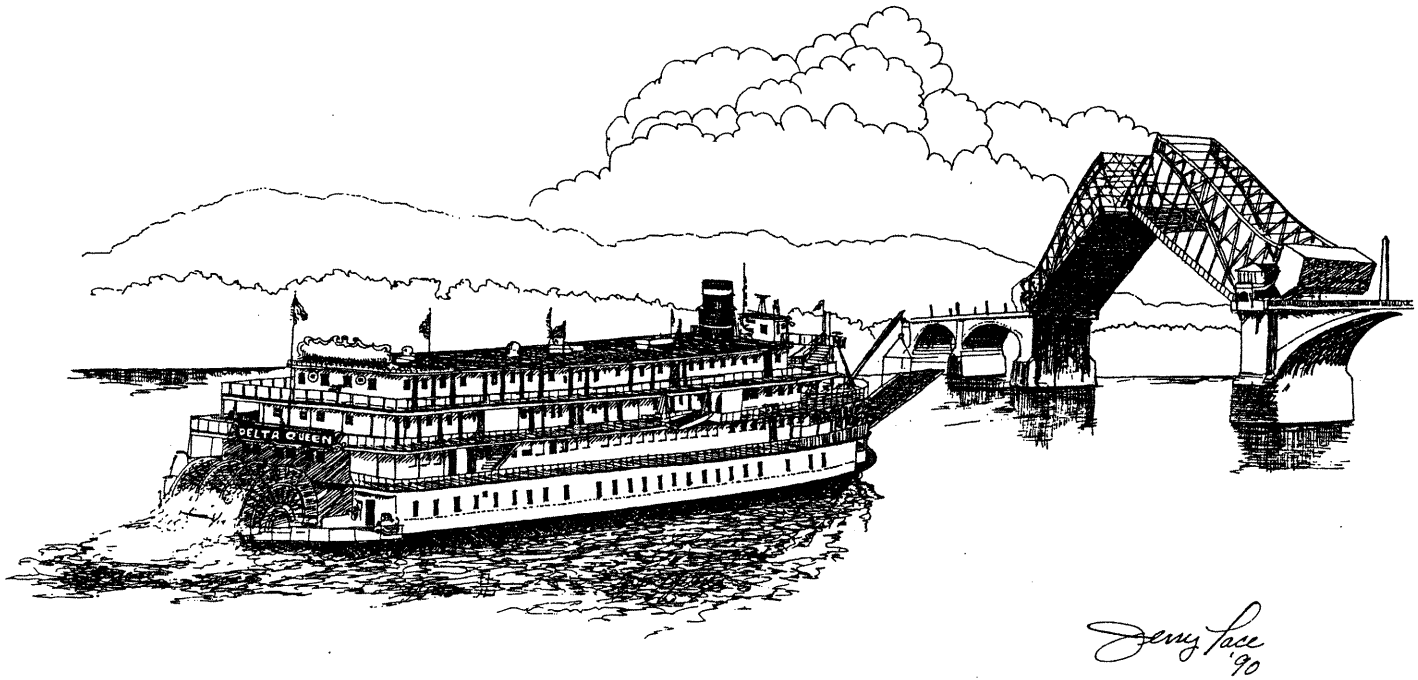
	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
CRIMINAL COURT CLERK				
Cash	$ -	$ 2,818,810	$ 2,816,310	$ 2,500
Investments	243,500	-	153,267	90,233
Accounts receivable	58,009	8,874	-	66,883
Total assets	$ 301,509	$ 2,827,684	$ 2,969,577	$ 159,616
Accrued items and other	$ 301,509	$ 1,362,964	$ 1,504,857	$ 159,616
Intergovernmental payables	-	1,464,720	1,464,720	-
Total liabilities	$ 301,509	$ 2,827,684	$ 2,969,577	$ 159,616
JUVENILE COURT CLERK				
Cash	$ 34,609	$ 501,197	$ 526,285	$ 9,521
Investments	-	28,709	-	28,709
Certificates of deposit	810,345	78,755	75,640	813,460
Total assets	$ 844,954	$ 608,661	$ 601,925	$ 851,690
Accrued items and other	$ 844,954	$ 608,661	$ 601,925	$ 851,690
Total liabilities	$ 844,954	$ 608,661	$ 601,925	$ 851,690
REGISTER				
Cash	$ 1,008,135	$ 12,140,409	$ 11,963,020	$ 1,185,524
Accounts receivable	5,286	26,335	28,264	3,357
Total assets	$ 1,013,421	$ 12,166,744	$ 11,991,284	$ 1,188,881
Intergovernmental payables	$ 1,013,421	$ 12,166,744	$ 11,991,284	$ 1,188,881
Total liabilities	$ 1,013,421	$ 12,166,744	$ 11,991,284	$ 1,188,881

(continued)

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
SHERIFF				
Cash	$ 7,215	$ 1,252,464	$ 1,247,120	$ 12,559
Investments	-	339,217	-	339,217
Accounts receivable	145,977	-	145,977	-
Total assets	$ 153,192	$ 1,591,681	$ 1,393,097	$ 351,776
Accrued items and other	$ 153,192	$ 1,591,681	$ 1,393,097	$ 351,776
Total liabilities	$ 153,192	$ 1,591,681	$ 1,393,097	$ 351,776
TRUSTEE				
Cash	$ 448,525	$ 15,067,455	$ 14,963,238	$ 552,742
Total assets	$ 448,525	$ 15,067,455	$ 14,963,238	$ 552,742
Intergovernmental payables	$ 448,525	$ 15,067,455	$ 14,963,238	$ 552,742
Total liabilities	$ 448,525	$ 15,067,455	$ 14,963,238	$ 552,742
TOTAL CONSTITUTIONAL OFFICERS AGENCY FUNDS				
Cash	$ 7,504,537	$ 73,662,036	$ 72,863,576	$ 8,302,997
Certificates of deposit	10,760,963	3,123,519	4,332,947	9,551,535
Investments	243,500	367,926	153,267	458,159
Accounts receivable	210,639	59,202	199,297	70,544
Total assets	$ 18,719,639	$ 77,212,683	$ 77,549,087	$ 18,383,235
Accrued items and other	$ 14,434,511	$ 18,486,327	$ 18,636,360	$ 14,284,478
Intergovernmental payables	4,285,128	58,726,356	58,912,727	4,098,757
Total liabilities	$ 18,719,639	$ 77,212,683	$ 77,549,087	$ 18,383,235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BUDGETARY COMPARISON SCHEDULE
CONSTITUTIONAL OFFICERS NONMAJOR GOVERNMENTAL FUND

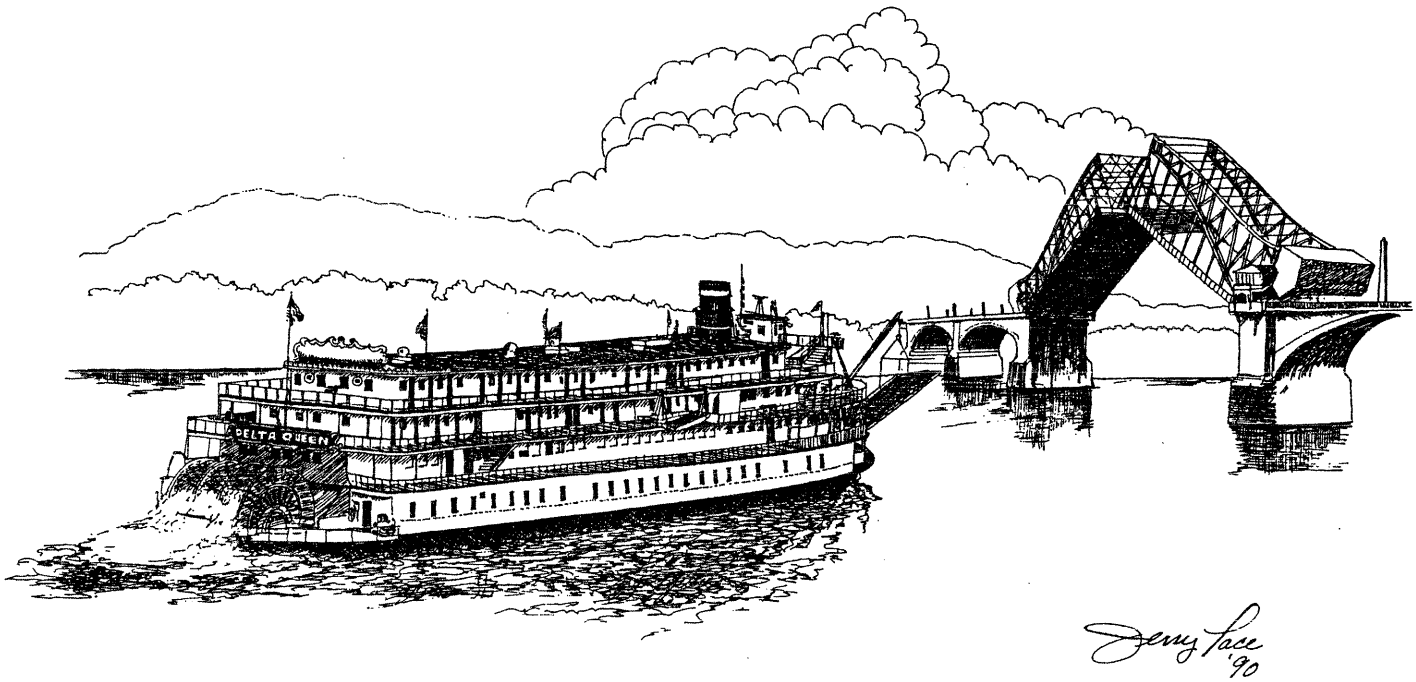
HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Juvenile Court Clerk			
	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for current services	$ 633,000	$ 633,000	$ 709,972	$ 76,972
Fines, forfeitures and penalties	38,500	38,500	38,912	412
Investment earnings	-	-	7,730	7,730
Miscellaneous	750	750	3,475	2,725
Total revenues	672,250	672,250	760,089	87,839
EXPENDITURES				
Current:				
Public safety:				
Juvenile Court	1,069,314	1,069,314	1,101,948	(32,634)
Social Services:				
Child support	740,615	740,615	696,022	44,593
Total budgetary expenditures	1,809,929	1,809,929	1,797,970	11,959
Excess (deficiency) of revenues over (under) budgetary expenditures	(1,137,679)	(1,137,679)	(1,037,881)	99,798
OTHER FINANCING SOURCES (USES)				
Transfers in	1,137,679	1,137,679	1,137,679	-
Net change in fund balance	-	-	99,798	99,798
Fund balance allocation	-	-	-	-
	$ -	$ -	99,798	$ 99,798
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			334,799	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ 434,597	

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ -	$ -	$ 572	$ 572
Intergovernmental	1,579,509	1,579,509	2,061,199	481,690
Charges for current services	415,000	415,000	460,247	45,247
Investment earnings	12,000	12,000	53	(11,947)
Total revenues	2,006,509	2,006,509	2,522,071	515,562
EXPENDITURES				
Debt Service:				
Principal retirement	19,787,405	19,787,405	19,978,367	(190,962)
Interest and fiscal charges	6,905,546	6,905,546	6,800,426	105,120
Total budgetary expenditures	26,692,951	26,692,951	26,778,793	(85,842)
Excess (deficiency) of revenues over (under) budgetary expenditures	(24,686,442)	(24,686,442)	(24,256,722)	429,720
OTHER FINANCING SOURCES (USES)				
Transfers in	24,971,442	24,971,442	24,611,884	359,558
Transfers out	(285,000)	(285,000)	(285,000)	-
Total other financing sources (uses)	24,686,442	24,686,442	24,326,884	359,558
Net change in fund balance	-	-	70,162	70,162
Fund balance allocation	-	-	-	-
	$ -	$ -	70,162	$ 70,162
Excess of nonbudgeted revenues over nonbudgeted expenditures			7,908	
Net change in fund balance--(GAAP Modified Accrual Basis)			78,070	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			1,343,179	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ 1,421,249	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DISCRETELY PRESENTED COMPONENT UNIT
HAMILTON COUNTY BOARD OF EDUCATION

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

GOVERNMENTAL FUND TYPES

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

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

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

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

PROPRIETARY FUND TYPES

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

COMBINING BALANCE SHEET
HAMILTON COUNTY BOARD OF EDUCATION GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	General Purpose School	Centralized Cafeteria	School Activity	Education Capital Projects	Total Board of Education Governmental Funds
ASSETS					
Cash	$ 36,190,408	$ 3,077,297	$ 6,031,865	$ 23,201	$ 45,322,771
Certificates of deposit	-	-	339,819	-	339,819
Investments	302,924	281,532	-	760,001	1,344,457
Receivables (net of allowances for uncollectibles):					
Property taxes	113,613,066	-	-	-	113,613,066
Accounts	371,355	-	30,620	-	401,975
Intergovernmental	15,943,672	77,260	-	12,805	16,033,737
Due from other BOE funds	839,045	-	-	2,826,617	3,665,662
Due from primary government	141,777	-	-	-	141,777
Inventories	30,818	349,515	27,813	-	408,146
Total assets	$ 167,433,065	$ 3,785,604	$ 6,430,117	$ 3,622,624	$ 181,271,410
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 4,138,378	$ 27,823	$ 92,570	$ 56,695	$ 4,315,466
Accrued items and other	17,917,774	71,938	-	3,902	17,993,614
Intergovernmental payables	-	-	-	-	-
Due to other BOE funds	15,224,733	1,716,428	-	1,506	16,942,667
Due to primary government	65,225	22,100	-	-	87,325
Deferred revenues:					
Uncollected property taxes	109,539,605	-	-	-	109,539,605
Other	815,587	-	-	-	815,587
Total current liabilities	147,701,302	1,838,289	92,570	62,103	149,694,264
Fund Balances:					
Reserved for encumbrances	1,973,989	25,096	-	335,548	2,334,633
Reserved for inventories	30,818	349,515	27,813	-	408,146
Reserved by state statute	932,120	-	-	-	932,120
Reserved for restricted activities	-	-	3,216,155	-	3,216,155
Unreserved:					
Designated for specific purposes	6,056,220	-	-	-	6,056,220
Undesignated	10,738,616	1,572,704	3,093,579	3,224,973	18,629,872
Total fund balances	19,731,763	1,947,315	6,337,547	3,560,521	31,577,146
Total liabilities and fund balances	$ 167,433,065	$ 3,785,604	$ 6,430,117	$ 3,622,624	$ 181,271,410

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

HAMILTON COUNTY, TENNESSEE

June 30, 2006

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

Fund balances - total Board of Education governmental funds	$	31,577,146
Amounts reported for the Board of Education in the statement of net assets are different because:		
Capital assets used in the Board of Education's governmental activities are not financial resources and, therefore, are not reported in the funds.		191,913,920
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.		815,587
Internal service funds are used by management to charge the costs of self-insurance programs to individual funds. The assets and liabilities of the internal service funds are included in the Board of Education in the statement of net assets.		9,497,698
Bonds payable are not reported as liabilities in the Board of Education's governmental funds		(1,098,381)
Long-term liabilities, consisting of accumulated leave, are not due and payable in the current period and therefore are not reported in the funds.		(13,218,467)
Net assets of the Board of Education	$	219,487,503

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	General Purpose School	Centralized Cafeteria	School Activity	Education Capital Projects	Total Board of Education Governmental Funds
REVENUES					
Taxes	$ 162,226,217	$ -	$ -	$ -	$ 162,226,217
Intergovernmental	127,792,129	9,027,497	-	-	136,819,626
Charges for services	4,753,325	6,721,896	14,671,362	-	26,146,583
Investment earnings	1,828,601	136,553	-	21,391	1,986,545
Miscellaneous	4,820,619	35,102	-	6,249	4,861,970
Total revenues	301,420,891	15,921,048	14,671,362	27,640	332,040,941
EXPENDITURES					
Current:					
Education	292,390,461	14,828,692	14,657,294		321,876,447
Capital outlay	90,939	198,933	-	1,700,382	1,990,254
Total expenditures	292,481,400	15,027,625	14,657,294	1,700,382	323,866,701
Excess (deficiency) of revenues over (under) expenditures	8,939,491	893,423	14,068	(1,672,742)	8,174,240
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	-	-	-	12,805	12,805
Transfers between BOE funds	(4,402,016)	-	-	4,402,016	-
Net change in fund balances	4,537,475	893,423	14,068	2,742,079	8,187,045
Fund balances, beginning	15,194,288	1,053,892	6,323,479	818,442	23,390,101
Fund balances, ending	$ 19,731,763	$ 1,947,315	$ 6,337,547	$ 3,560,521	$ 31,577,146

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

HAMILTON COUNTY, TENNESSEE

Year ended June 30, 2006

Differences in amounts reported for governmental activities in the statement of activities on pages A-18 and A-19:		
Net change in fund balances - total Board of Education governmental funds	$	8,187,045
Amounts reported for the Board of Education 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		1,990,254
Depreciation expense on governmental capital assets are included in the governmental activities in the statement of activities		(6,685,332)
Bond payments are reported as expenditures in the Board of Education's governmental activities in the period paid.		97,500
Bond proceeds are reported as revenue in the Board of Education's governmental activities in the period received.		(12,805)
The net effect of various transactions involving capital assets is to increase net assets		8,167,977
The loss on sale/abandonment of capital assets is not recognized in the Board of Education's governmental funds.		(5,380)
The net revenues of internal service funds are reported with governmental activities		2,472,201
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		323,466
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds		(513,314)
Change in net assets of governmental activities	$	14,021,612

BUDGETARY COMPARISON SCHEDULE
HAMILTON COUNTY BOARD OF EDUCATION GOVERNMENTAL FUNDS

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	$ 109,177,603	$ 109,177,603	$ 107,934,700	$ (1,242,903)
Local sales tax	50,810,275	51,760,275	54,291,517	2,531,242
Total taxes	159,987,878	160,937,878	162,226,217	1,288,339
Intergovernmental revenues:				
State of Tennessee:				
Education	94,938,195	96,707,151	96,272,215	(434,936)
Food service	190,000	190,000	185,669	(4,331)
Federal funds received from State of Tennessee and other sources:				
Education	25,815,017	41,659,513	31,519,914	(10,139,599)
Food service	7,764,100	7,764,100	8,841,828	1,077,728
Total intergovernmental revenues	128,707,312	146,320,764	136,819,626	(9,501,138)
Charges for services:				
Education	4,110,000	4,110,000	4,753,325	643,325
Food service	6,702,500	6,702,500	6,721,896	19,396
Total charges for current services	10,812,500	10,812,500	11,475,221	662,721
Investment earnings:				
Education	403,290	403,290	1,828,601	1,425,311
Food service	2,500	2,500	136,553	134,053
Total investment earnings	405,790	405,790	1,965,154	1,559,364
Miscellaneous:				
Education	1,897,500	4,685,042	4,820,619	135,577
Food service	-	-	35,102	35,102
Total miscellaneous	1,897,500	4,685,042	4,855,721	170,679
Total revenues	301,810,980	323,161,974	317,341,939	(5,820,035)

(continued)

BUDGETARY COMPARISON SCHEDULE--(continued)
HAMILTON COUNTY BOARD OF EDUCATION GOVERNMENTAL FUNDS
HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Original Budget	Final Budget	Actual (Non-GAAP Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Education:				
Regular instruction program	$ 133,821,580	$ 133,838,554	$ 132,052,067	$ 1,786,487
Special education program	27,381,133	27,161,133	27,061,417	99,716
Vocational education program	8,532,063	8,512,678	8,392,587	120,091
Attendance	1,070,382	1,070,382	1,046,383	23,999
Health services	955,585	1,175,585	1,186,906	(11,321)
Other student support	5,333,848	5,138,477	5,125,230	13,247
Regular instruction support	7,587,820	7,542,420	7,547,470	(5,050)
Special education support	2,848,239	2,848,239	2,839,557	8,682
Vocational education support	179,962	179,962	174,597	5,365
Board of education	4,982,467	4,982,467	5,204,941	(222,474)
Office of superintendent	1,097,209	1,168,709	1,109,919	58,790
Office of principal	18,531,592	18,557,653	18,702,493	(144,840)
Fiscal services	2,469,355	2,532,663	2,288,137	244,526
Operation of plant	19,007,294	20,410,292	20,104,070	306,222
Maintenance of plant	6,086,019	6,106,019	6,053,646	52,373
Transportation	11,580,356	11,992,171	11,945,868	46,303
Central and other	3,080,711	3,123,211	3,471,136	(347,925)
Community services	2,609,327	2,609,327	2,210,735	398,592
Early childhood	130,034	963,512	882,203	81,309
Federal programs	24,936,114	41,616,088	31,691,579	9,924,509
Other self funded projects	638,290	3,148,816	3,896,626	(747,810)
Education Debt Service	162,500	162,500	169,779	(7,279)
Food service	14,446,940	14,446,940	14,851,119	(404,179)
Total education	297,468,820	319,287,798	308,008,465	11,279,333
Capital outlay:				
Education	130,000	155,000	195,665	(40,665)
Food service	212,160	212,160	144,676	67,484
Total budgetary expenditures	297,810,980	319,654,958	308,348,806	11,306,152
OTHER FINANCING USES				
Transfers to other BOE funds	(4,000,000)	(4,402,016)	(4,402,016)	-
Net change in fund balance	-	(895,000)	4,591,117	5,486,117
Fund balance allocation	-	895,000	-	(895,000)
	$ -	$ -	4,591,117	$ 4,591,117
Add encumbrances at end of year			1,999,086	
Less encumbrances at beginning of year			(1,159,305)	
Excess of nonbudgeted revenues and other financing sources over nonbudgeted expenditures and other financing uses			2,756,147	
Net change in fund balance--(GAAP Modified Accrual Basis)			8,187,045	
Fund balances at beginning of year--(GAAP Modified Accrual Basis)			23,390,101	
Fund balances at end of year--(GAAP Modified Accrual Basis)			$ 31,577,146	

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	Board of Education Internal Service Fund
CURRENT ASSETS	
Cash	$ 75,396
Investments	44,079
Receivables	844,426
Due from other BOE funds	13,281,561
Prepaid items	1,834,370
Total current assets	16,079,832
CURRENT LIABILITIES	
Accounts payable	755,836
Accrued claims	5,821,743
Due to other funds	4,555
Total current liabilities	6,582,134
NET ASSETS	
Unrestricted	$ 9,497,698

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
HAMILTON COUNTY BOARD OF EDUCATION INTERNAL SERVICE FUND

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Board of Education Internal Service Fund
OPERATING REVENUES	
Charges for services	$ 40,898,296
Other	314,568
Total operating revenues	41,212,864
OPERATING EXPENSES	
Unemployment compensation	273,700
Claims and premiums	38,466,963
Total operating expenses	38,740,663
Operating income	2,472,201
Change in net assets	2,472,201
Net assets, beginning	7,025,497
Net assets, ending	$ 9,497,698

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

HAMILTON COUNTY, TENNESSEE
Year ended June 30, 2006

	Board of Education Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from insurance premiums	$ 37,714,796
Cash paid for unemployment compensation	(273,700)
Cash paid for claims and premiums	(39,061,747)
Net cash used by operating activities	(1,620,651)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of investments	449,815
Interest on investments	-
Net cash provided by investing activities	449,815
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,170,836)
BEGINNING CASH AND CASH EQUIVALENTS	1,246,232
ENDING CASH AND CASH EQUIVALENTS	$ 75,396
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 2,472,201
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Change in accounts receivable	645,337
Change in due from other funds	(4,143,405)
Change in prepaid items	619,179
Change in accounts payable	(338,554)
Change in accrued claims	(879,965)
Change in due to other funds	4,556
Total adjustments	(4,092,852)
Net cash used by operating activities	$ (1,620,651)

SCHEDULE OF PROPERTY TAXES RECEIVABLE

HAMILTON COUNTY, TENNESSEE

June 30, 2006

Year of Levy	Property Taxes Receivable	Allowance For Estimated Uncollectibles	Net Amount
2006 *	$ 195,774,899	$ 2,099,574	$ 193,675,325
2005	8,155,458	47,302	8,108,156
2004	2,958,500	47,632	2,910,868
2003	1,017,885	35,219	982,666
2002	807,413	58,497	748,916
	$ 208,714,155	$ 2,288,224	$ 206,425,931
DISTRIBUTION TO PRIMARY GOVERNMENT			
County General	$ 93,375,485	$ 562,620	$ 92,812,865
	93,375,485	562,620	92,812,865
DISTRIBUTION TO COMPONENT UNIT			
General Purpose School	115,338,670	1,725,604	113,613,066
	$ 208,714,155	$ 2,288,224	$ 206,425,931

* 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, 2006

	Maturity Date	Interest Rate	Amount
PRIMARY GOVERNMENT:			
PENSION TRUST FUND	07/06/06	4.80%	$ 120,379
AGENCY FUNDS			
Constitutional Officers:			
Circuit Court Clerk	Various	Various	3,806,378
Clerk and Master	Various	Various	4,931,697
Juvenile Court Clerk	Various	Various	813,460
Total primary government			9,671,914
COMPONENT UNITS:			
GOVERNMENTAL FUNDS			
School Activity:			
First Tennessee	Various	Various	48,999
SunTrust Bank	Various	Various	116,499
Community National Bank	02/04/07	4.40%	26,629
Chattanooga Area Schools Federal Credit Union	Various	Various	147,692
			339,819
PROPRIETARY FUNDS			
"911" Emergency Communication:			
First Volunteer Bank	N/A	Variable	975,685
First Volunteer Bank	10/07/06	3.10%	522,189
First Tennessee	04/24/07	5.05%	1,600,000
First Tennessee	02/14/07	4.75%	450,000
SunTrust Bank	09/01/07	5.21%	850,000
AmSouth Bank	12/16/06	3.58%	482,504
AmSouth Bank	06/15/07	2.73%	89,893
			4,970,271
Total component units			5,310,090
Total			$ 14,982,004

SCHEDULE OF INVESTMENTS BY FUND

HAMILTON COUNTY, TENNESSEE

June 30, 2006

	MATURITY DATE	INTEREST RATE	FACE VALUE	BOOK VALUE
PRIMARY GOVERNMENT				
GENERAL FUND				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	$ 38,096,349	$ 38,096,349
Certificate of Deposit Classified as Investments	08/22/06	2.69%	15,000	15,000
SHERIFF				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	1,270,999	1,270,999
DEBT SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	262,509	262,509
CAPITAL PROJECTS				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	7,454,826	7,454,826
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	3,475	3,475
AmSouth Investment Pool	N/A	Monthly Weighted Average	14,462,755	14,462,755
OTHER GOVERNMENTAL FUNDS				
Criminal Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	1,668,101	1,668,101
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	386,028	386,028
Governmental Law Library:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	51,454	51,454
Hotel/Motel:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	3,762,236	3,762,236
Children's Services:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	1,886,540	1,886,540

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE

June 30, 2006

	MATURITY DATE	INTEREST RATE	FACE VALUE	BOOK VALUE
OTHER GOVERNMENTAL FUNDS--(continued)				
Economic Crimes:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	$ 39,067	$ 39,067
INTERNAL SERVICE				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	18,557,168	18,557,168
PENSION TRUST FUND				
Domestic Corporate Bonds	Various	Various	785,906	785,906
Mutual Funds	Various	Various	179,246	179,246
Domestic Equity Securities	Various	Various	1,218,822	1,218,822
Foreign Equity Securities	Various	Various	39,763	39,763
US Government Securities	Various	Various	123,399	123,399
AGENCY FUNDS				
Constitutional Officers:				
Criminal Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	90,233	90,233
Juvenile Court Clerk:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	28,709	28,709
Sheriff:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	339,217	339,217
				90,721,802

(continued)

SCHEDULE OF INVESTMENTS BY FUND--(continued)

HAMILTON COUNTY, TENNESSEE
June 30, 2006

	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	$ 302,924	$ 302,924
Centralized Cafeteria:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	1,050	1,050
AmSouth Investment Pool	N/A	Monthly Weighted Average	280,482	280,482
BOE Internal Service:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	44,079	44,079
BOE Education Capital Projects:				
Hamilton County Local Investment Pool	N/A	Monthly Weighted Average	760,001	760,001
ENTERPRISE FUNDS				
"911" Emergency Communication:				
State of Tennessee Local Government Investment Pool	N/A	Monthly Weighted Average	2,376,147	2,376,147
				3,764,683
				$ 94,486,485

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

NAME OF ISSUE	INTEREST RATES	INTEREST DATES	DATE OF ISSUE
BONDS PAYABLE			
General Improvement	5.100	9-1/3-1	05/01/96
School	5.100	9-1/3-1	05/01/96
General Improvement	5.000 5.125	11-1/5-1	05/01/97
School	5.000 5.125	11-1/5-1	05/01/97
General Improvement	4.500 4.550 4.650 4.750 4.850 5.000	8-1/2-1	03/01/98
School	4.500 4.550 4.650 4.750 4.850 5.000	8-1/2-1	03/01/98
General Improvement	4.375 4.400 4.500 4.600 4.650 4.750 4.875 5.000 5.000 5.000 5.100 5.100	8-1/2-1	03/01/98

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT ISSUED	RETIRED	OUTSTANDING
731,165, 09/01/2006	$ 731,165	$ -	$ 731,165
553,835, 09/01/2006	553,835	-	553,835
155,328 a year, 5/1/1998-2007	1,553,279	1,397,952	155,327
155,108 a year, 5/1/2008-2012	775,540	-	775,540
3,379,672 a year, 5/1/1998-2007	33,796,721	30,417,048	3,379,673
3,374,892 a year, 5/1/2008-2012	16,874,460	-	16,874,460
1,065,263 a year, 08/01/2004-2008	5,326,315	2,130,526	3,195,789
1,065,263, 08/01/2009	1,065,263	-	1,065,263
1,065,263, 08/01/2010	1,065,263	-	1,065,263
1,065,263, 08/01/2011	1,065,263	-	1,065,263
1,065,263, 08/01/2012	1,065,263	-	1,065,263
1,065,263, 08/01/2013	1,065,263	-	1,065,263
199,737 a year, 08/01/2004-2008	998,685	399,474	599,211
199,737, 08/01/2009	199,737	-	199,737
199,737, 08/01/2010	199,737	-	199,737
199,737, 08/01/2011	199,737	-	199,737
199,737, 08/01/2012	199,737	-	199,737
199,737, 08/01/2013	199,737	-	199,737
190,000, 08/01/2006	190,000	-	190,000
200,000, 08/01/2007	200,000	-	200,000
210,000, 08/01/2008	210,000	-	210,000
220,000, 08/01/2009	220,000	-	220,000
225,000, 08/01/2010	225,000	-	225,000
235,000, 08/01/2011	235,000	-	235,000
250,000, 08/01/2012	250,000	-	250,000
265,000, 08/01/2013	265,000	-	265,000
275,000, 08/01/2014	275,000	-	275,000
290,000, 08/01/2015	290,000	-	290,000
305,000, 08/01/2016	305,000	-	305,000
385,625, a year, 08/01/2017-2024	3,085,000	-	3,085,000

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

NAME OF ISSUE	INTEREST RATES	INTEREST DATES	DATE OF ISSUE
BONDS PAYABLE--(continued)			
General Improvement	5.000 5.300	11-1/5-1	11/01/00
Schools	5.000 5.300	11-1/5-1	11/01/00
General Improvement	4.000 4.000 4.000 4.000	10-1/4-1	10/15/02
Schools	4.000 4.000 4.000 4.000	10-1/4-1	10/15/02
General Improvement	4.000 5.000 4.000 4.125	1-1/7-1	02/10/04
Schools	4.000 5.000 4.000 4.125	1-1/7-1	02/10/04

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT ISSUED	RETIRED	OUTSTANDING
600,283, a year, 11/01/2002-2014	$ 7,803,679	$ 2,401,132	$ 5,402,547
600,283, 11/01/2016	600,283	-	600,283
2,934,717, a year, 11/01/2002-2014	38,151,321	11,738,868	26,412,453
2,934,717, 11/01/2015	2,934,717	-	2,934,717
1,441,250, 10/1/2006	1,441,250	-	1,441,250
1,421,250, 10/1/2007	1,421,250	-	1,421,250
606,250, 10/1/2008	606,250	-	606,250
596,250, 10/1/2009	596,250	-	596,250
4,323,750, 10/1/2006	4,323,750	-	4,323,750
4,263,750, 10/1/2007	4,263,750	-	4,263,750
1,818,750, 10/1/2008	1,818,750	-	1,818,750
1,788,750, 10/1/2009	1,788,750	-	1,788,750
1,266,666, 1/1/2007-2008	2,533,332	-	2,533,332
1,266,666, 1/1/2009-2010	2,533,332	-	2,533,332
1,266,667, 1/1/2011-2018	10,133,336	-	10,133,336
1,266,666, 1/1/2019	1,266,666	-	1,266,666
733,334, 1/1/2007-2008	1,466,668	-	1,466,668
733,334, 1/1/2009-2010	1,466,668	-	1,466,668
733,333, 1/1/2011-2018	5,866,664	-	5,866,664
733,334, 1/1/2019	733,334	-	733,334

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

NAME OF ISSUE	INTEREST RATES	INTEREST DATES	DATE OF ISSUE
BONDS PAYABLE--(continued)			
Water & Wastewater Treatment Authority	4.000	1-1/7-1	02/10/04
	4.000		
	5.000		
	5.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.000		
	4.125		
	4.500		
	4.500		
	4.500		
	4.500		
	4.500		
	4.600		
	4.600		
	4.600		
	4.600		
	4.650		
	4.650		
	4.650		
	4.650		
	4.650		
	4.650		

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT ISSUED	RETIRED	OUTSTANDING
205,000, 1/1/2007	$ 205,000	$ -	$ 205,000
210,000, 1/1/2008	210,000	-	210,000
215,000, 1/1/2009	215,000	-	215,000
220,000, 1/1/2010	220,000	-	220,000
220,000, 1/1/2011	220,000	-	220,000
230,000, 1/1/2012	230,000	-	230,000
235,000, 1/1/2013	235,000	-	235,000
245,000, 1/1/2014	245,000	-	245,000
255,000, 1/1/2015-2016	510,000	-	510,000
270,000, 1/1/2017	270,000	-	270,000
280,000, 1/1/2018	280,000	-	280,000
290,000, 1/1/2019	290,000	-	290,000
310,000, 1/1/2020	310,000	-	310,000
320,000, 1/1/2021	320,000	-	320,000
335,000, 1/1/2022	335,000	-	335,000
350,000, 1/1/2023	350,000	-	350,000
365,000, 1/1/2024	365,000	-	365,000
380,000, 1/1/2025	380,000	-	380,000
400,000, 1/1/2026	400,000	-	400,000
420,000, 1/1/2027	420,000	-	420,000
440,000, 1/1/2028	440,000	-	440,000
460,000, 1/1/2029	460,000	-	460,000
480,000, 1/1/2030	480,000	-	480,000
505,000, 1/1/2031	505,000	-	505,000
530,000, 1/1/2032	530,000	-	530,000
555,000, 1/1/2033	555,000	-	555,000
580,000, 1/1/2034	580,000	-	580,000
			$ 125,510,000

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

NAME OF ISSUE	INTEREST RATES	INTEREST DATES	DATE OF ISSUE
TENNESSEE COUNTY LOAN POOL			
Notes, Series 1996	Variable	Monthly	Various
Notes, Series 1999	Variable	Monthly	Various
Qualified Zone Academy Bonds, Series 2003	None	-	Various

(continued)

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT ISSUED	RETIRED	OUTSTANDING
724,100, 05/25/2007	$ 724,100	$ -	$ 724,100
764,000, 05/25/2008	764,000	-	764,000
806,000, 05/25/2009	806,000	-	806,000
850,300, 05/25/2010	850,300	-	850,300
897,100, 05/25/2011	897,100	-	897,100
			4,041,500
623,000, 05/25/2007	623,000	-	623,000
648,000, 05/25/2008	648,000	-	648,000
673,000, 05/25/2009	673,000	-	673,000
700,000, 05/25/2010	700,000	-	700,000
728,000, 05/25/2011	728,000	-	728,000
757,000, 05/25/2012	757,000	-	757,000
788,000, 05/25/2013	788,000	-	788,000
819,000, 05/25/2014	819,000	-	819,000
			5,736,000
Annual payment, 12/23/2004-2018 of 90,733	1,361,000	181,466	1,179,534

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

HAMILTON COUNTY, TENNESSEE
June 30, 2006

NAME OF ISSUE	INTEREST RATES	INTEREST DATES	DATE OF ISSUE
OTHER DEBT OBLIGATIONS			
Agreement between the County	5.000	9-1/3-1	3/1/2002
& City of Chattanooga	4.000		
regarding Finley Stadium	4.000		
	5.000		
	5.380		
	5.380		
	5.380		
	5.000		
	4.380		
	4.500		
Agreement between the County & Corrections Corporation of America	Variable	Monthly	11/1/1998
Agreement between the County & the City of East Ridge regarding Camp Jordan Park	Various	Monthly	5/24/1989
Agreement between the County & the City of Chattanooga & Bessie Smith Hall	Various	Monthly	10/1/1990

FUTURE MATURITY SCHEDULE	PRINCIPAL AMOUNT ISSUED	RETIRED	OUTSTANDING
382,500, 9/1/2006	$ 382,500	$ -	$ 382,500
320,000, 9/1/2007	320,000	-	320,000
332,500, 9/1/2008	332,500	-	332,500
347,500, 9/1/2009	347,500	-	347,500
362,500, 9/1/2010	362,500	-	362,500
385,000, 9/1/2011	385,000	-	385,000
402,500, 9/1/2012	402,500	-	402,500
422,500, 9/1/2013	422,500	-	422,500
427,500, 9/1/2014	427,500	-	427,500
445,000, 9/1/2015	445,000	-	445,000
			3,827,500
267,005, 12/7/2006	267,005	-	267,005
267,736, 12/7/2007	267,736	-	267,736
267,005, 12/7/2008	267,005	-	267,005
267,005, 12/7/2009	267,005	-	267,005
267,005, 12/7/2010	267,005	-	267,005
267,736, 12/7/2011	267,736	-	267,736
267,005, 12/7/2012	267,005	-	267,005
81,978, 12/7/2013	81,978	-	81,978
			1,952,475
75,000, 12/25/2006	75,000	-	75,000
80,000, 12/25/2007	80,000	-	80,000
90,000, 12/25/2008	90,000	-	90,000
			245,000
170,000, 5/1/2007	170,000	-	170,000
170,000, 5/1/2008	170,000	-	170,000
			340,000
			$ 142,832,009

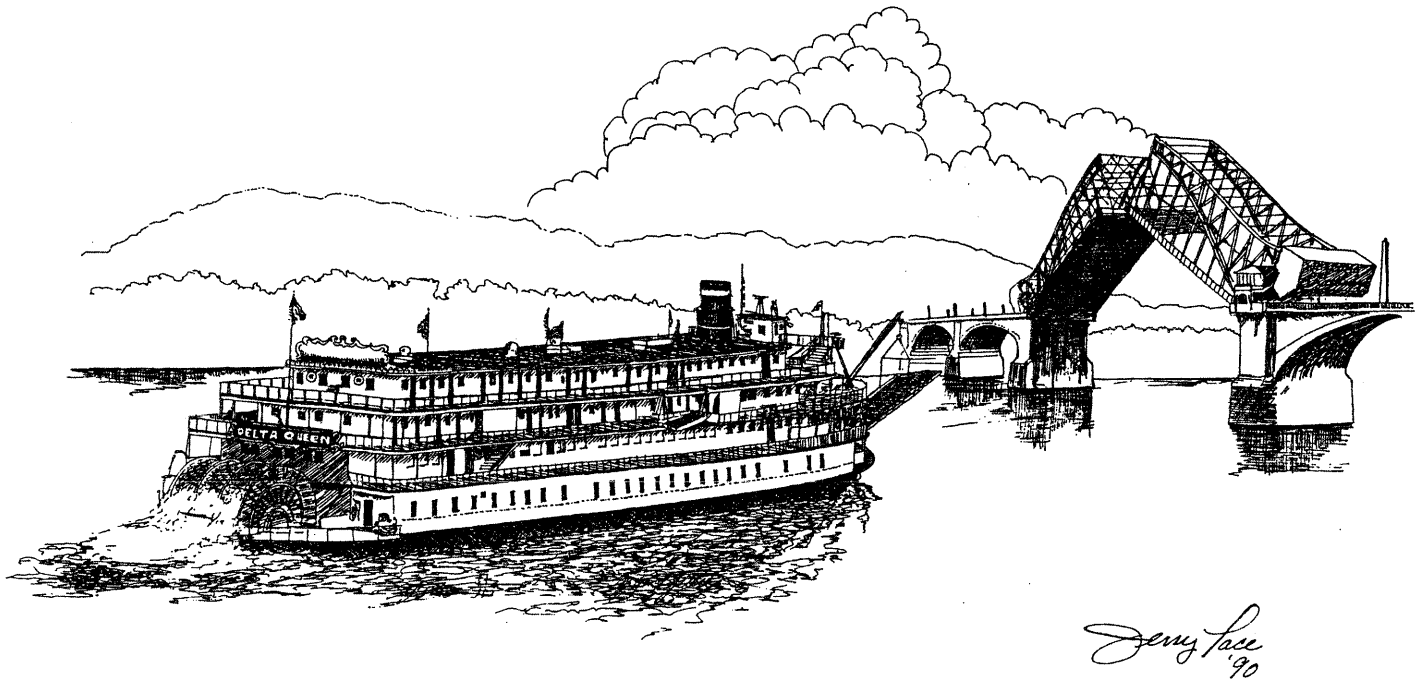
DEBT SERVICE REQUIREMENTS TO MATURITY

HAMILTON COUNTY, TENNESSEE
June 30, 2006

Year Ended June 30	Combined Totals	GENERAL OBLIGATION BONDS		
		Bond Principal	Interest	Total
2007	$ 25,986,468	$ 17,780,000	$ 5,562,264	$ 23,342,264
2008	23,823,377	16,425,000	4,793,315	21,218,315
2009	19,781,651	13,180,000	4,123,415	17,303,415
2010	19,092,312	13,155,000	3,496,189	16,651,189
2011	16,183,335	10,775,000	2,911,345	13,686,345
2012	14,805,396	10,795,000	2,394,615	13,189,615
2013	10,795,173	7,285,000	1,875,357	9,160,357
2014	10,315,718	7,310,000	1,534,188	8,844,188
2015	7,835,123	6,065,000	1,222,513	7,287,513
2016	7,561,881	6,080,000	936,135	7,016,135
2017	3,402,963	2,575,000	737,230	3,312,230
2018	3,321,226	2,600,000	630,493	3,230,493
2019	3,238,328	2,625,000	522,590	3,147,590
2020	1,075,533	665,000	410,533	1,075,533
2021	1,068,095	690,000	378,095	1,068,095
2022	1,074,187	730,000	344,187	1,074,187
2023	1,073,457	765,000	308,457	1,073,457
2024	1,071,032	800,000	271,032	1,071,032
2025	1,071,785	840,000	231,785	1,071,785
2026	602,575	400,000	202,575	602,575
2027	604,175	420,000	184,175	604,175
2028	604,855	440,000	164,855	604,855
2029	604,615	460,000	144,615	604,615
2030	603,225	480,000	123,225	603,225
2031	605,905	505,000	100,905	605,905
2032	607,422	530,000	77,422	607,422
2033	607,777	555,000	52,777	607,777
2034	606,970	580,000	26,970	606,970
	$ 178,024,559	$ 125,510,000	$ 33,761,257	$ 159,271,257

NOTES PAYABLE AND OTHER DEBT

Note Principal	Interest	Total
$ 2,332,338	$ 311,866	$ 2,644,204
2,340,469	264,593	2,605,062
2,259,238	218,998	2,478,236
2,255,538	185,585	2,441,123
2,345,338	151,652	2,496,990
1,500,469	115,312	1,615,781
1,548,238	86,578	1,634,816
1,414,211	57,319	1,471,530
518,233	29,377	547,610
535,733	10,013	545,746
90,733	-	90,733
90,733	-	90,733
90,738	-	90,738
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
$ 17,322,009	$ 1,431,293	$ 18,753,302


DELTA QUEEN
Jerry Lace '90

STATISTICAL SECTION (unaudited)

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 These schedules contain trend information to help the reader understand how the county's financial performance and well-being have changed over time.	F - 1
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the county's ability to generate its property and sales taxes.	F - 7
Debt Capacity 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.	F - 13
Demographic and Economic Information 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.	F - 16
Operating Information 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.	F - 18

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The county implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Schedule I
HAMILTON COUNTY, TENNESSEE
Net Assets by Component
Last Two Fiscal Years
(accrual basis of accounting)

	Fiscal Year	
	2006	2005
Governmental activities		
Invested in capital assets, net of related debt	$ 172,743,851	$ 196,706,802
Restricted	26,796,148	34,178,104
Unrestricted	(11,889,667)	(59,663,380)
Total governmental activities net assets	$ 187,650,332	$ 171,221,526
Primary government		
Invested in capital assets, net of related debt	$ 172,743,851	$ 196,706,802
Restricted	26,796,148	34,178,104
Unrestricted	(11,889,667)	(59,663,380)
Total primary government net assets	$ 187,650,332	$ 171,221,526

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

Schedule II
HAMILTON COUNTY, TENNESSEE
Changes in Net Assets, Last Five Years
(accrual basis of accounting)

	Fiscal Year				
	2006	2005	2004	2003	2002
Expenses					
Governmental activities:					
General Government	$ 34,981,305	$ 31,552,148	$ 32,954,221	$ 34,675,500	$ 35,365,044
Public Safety:					
Sheriff	25,294,547	23,797,816	25,316,591	23,868,362	22,222,540
Criminal Court	3,586,288	3,516,738	3,459,762	3,168,418	2,981,818
Juvenile Court	7,638,342	7,214,860	6,975,183	5,339,356	4,759,642
Ambulance Services	17,811,039	17,687,413	15,058,814	11,845,698	11,955,328
Other	22,751,522	21,415,997	19,337,349	19,412,292	17,471,042
Highways and streets	13,673,235	15,464,132	14,288,450	9,927,596	11,297,051
Health	19,121,961	18,231,342	17,674,360	17,463,293	16,359,827
Social Services	7,776,426	7,914,628	8,120,070	10,195,370	8,310,516
Culture and recreation	10,460,777	7,427,337	7,244,976	10,846,970	10,526,583
Education	12,792,560	35,440,590	15,308,638	15,260,477	24,893,665
Interest on long-term debt	6,533,192	7,109,395	6,910,473	7,306,784	8,627,128
Total governmental activities expenses	182,421,194	196,772,396	172,648,887	169,310,116	174,770,184
Total primary government expenses	182,421,194	196,772,396	172,648,887	169,310,116	174,770,184
Program Revenues					
Governmental activities:					
Charges for services					
General Government	17,509,655	13,905,047	13,429,971	15,220,090	13,584,977
Public Safety:					
Sheriff	1,187,587	1,174,128	1,187,862	5,701,719	4,972,462
Criminal Court	2,393,387	2,312,890	2,406,421	1,999,857	2,094,339
Juvenile Court	752,358	686,231	708,734	600,676	533,304
Ambulance Services	18,387,291	17,770,987	15,664,216	10,428,914	10,573,042
Other	2,856,527	2,691,956	2,212,027	1,770,465	1,807,065
Highways and streets	514,874	1,342,931	814,626	286	9,194
Health	3,006,494	2,841,652	2,689,289	2,624,414	2,224,994
Social Services	3,762,669	3,427,119	3,398,463	3,330,528	3,093,179
Culture and recreation	536,093	463,407	435,785	31,655	21,308
Operating grants and contributions	24,653,509	22,965,548	24,226,919	20,693,054	19,724,016
Capital grants and contributions	3,091,343	9,706,722	7,659,577	11,061,024	2,587,191
Total governmental activities program revenues	78,651,787	79,288,618	74,833,890	73,462,682	61,225,071
Total primary government program revenues	78,651,787	79,288,618	74,833,890	73,462,682	61,225,071
Net (Expense)/Revenue					
Governmental activities	(103,769,407)	(117,483,778)	(97,814,997)	(95,847,434)	(113,545,113)
Total primary government net expense	(103,769,407)	(117,483,778)	(97,814,997)	(95,847,434)	(113,545,113)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	90,818,279	85,451,188	84,841,031	85,242,735	84,676,341
Sales taxes	15,715,561	12,102,963	11,173,363	10,548,285	10,838,415
Business taxes	5,096,014	1,830,352	3,602,133	3,474,784	3,021,021
Hotel/Motel taxes	3,960,862	3,748,663	3,447,598	3,332,975	3,334,739
Other taxes	744,167	1,244,418	1,349,121	1,266,662	1,590,774
Unrestricted grants and contributions	-	-	-	2,368,567	-
Investment earnings	3,863,330	3,024,794	1,864,570	-	4,289,491
Miscellaneous	-	-	-	-	25,174,647
Total governmental activities	120,198,213	107,402,378	106,277,816	106,234,008	132,925,428
Total primary government	120,198,213	107,402,378	106,277,816	106,234,008	132,925,428
Change in Net Assets					
Governmental activities	16,428,806	(10,081,400)	8,462,819	10,386,574	19,380,315
Total primary government	$ 16,428,806	$(10,081,400)	$ 8,462,819	$ 10,386,574	$ 19,380,315

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

Schedule III
HAMILTON COUNTY, TENNESSEE
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2006	2005	2004	2003
General Fund				
Reserved	$ 2,723,959	$ 2,962,829	$ 2,382,206	$ 3,300,986
Unreserved	52,638,869	46,751,479	51,103,451	50,303,712
Total General Fund	$ 55,362,828	$ 49,714,308	$ 53,485,657	$ 53,604,698
All Other Governmental Funds				
Reserved	$ 25,471,500	$ 21,053,176	$ 26,095,969	$ 44,895,624
Unreserved, reported in:				
Special revenue funds	3,547,007	2,578,486	3,834,186	5,633,612
Capital projects funds	9,245,897	21,133,440	29,905,968	1,307,236
Debt service funds	-	-	-	-
Total all other governmental funds	$ 38,264,404	$ 44,765,102	$ 59,836,123	$ 51,836,472

Fiscal Year					
2002	2001	2000	1999	1998	1997
$ 2,988,648	$ 3,827,168	$ 3,136,995	$ 2,252,996	$ 2,078,473	$ 1,773,827
52,325,865	53,045,083	42,801,152	41,400,974	21,357,029	20,044,905
$ 55,314,513	$ 56,872,251	$ 45,938,147	$ 43,653,970	$ 23,435,502	$ 21,818,732
$ 24,905,748	$ 17,984,974	$ 15,175,328	$ 32,789,721	$ 28,856,870	$ 19,542,601
5,270,253	6,189,113	11,170,644	2,768,942	3,097,486	5,066,464
40,709,079	66,313,244	27,072,524	33,602,116	77,083,224	71,726,660
-	-	-	-	-	-
$ 70,885,080	$ 90,487,331	$ 53,418,496	$ 69,160,779	$109,037,580	$ 96,335,725

Schedule IV
HAMILTON COUNTY, TENNESSEE
Changes in Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	2006	2005	2004	2003
Revenues				
Taxes	$ 116,247,392	$ 103,885,905	$ 103,730,509	$ 103,201,249
Licenses, fees, and permits	1,118,017	996,136	740,949	595,693
Fines and penalties	1,908,302	2,033,385	1,207,113	1,670,186
Charges for services	42,471,528	40,461,142	38,146,870	31,329,385
Intergovernmental	27,744,852	32,777,664	32,600,800	36,656,544
Investment earnings	3,160,096	2,495,371	1,591,905	1,976,814
Other revenues	5,409,088	3,592,125	2,852,462	3,819,227
Total revenues	198,059,275	186,241,728	180,870,608	179,249,098
Expenditures				
General government	35,410,918	34,050,720	33,625,625	33,708,497
Public Safety:	-	-	-	-
Sheriff	24,518,755	22,599,098	23,593,493	22,319,578
Criminal Court	3,261,864	3,219,691	3,184,747	2,855,969
Juvenile Court	7,388,345	7,005,899	6,913,363	5,195,263
Ambulance Services	17,479,465	17,514,899	14,842,261	11,218,477
Other	22,200,063	20,359,518	18,620,790	17,818,148
Highways and streets	9,638,478	9,663,858	10,384,639	9,888,106
Health	19,009,220	17,873,029	17,852,323	17,318,336
Social Services	7,747,039	7,774,655	8,114,455	10,156,391
Culture and recreation	10,245,016	9,331,150	9,891,062	9,656,196
Capital Outlay	-	-	-	-
General government	12,700,379	20,860,077	16,835,355	21,972,705
Education	4,599,993	9,424,380	15,879,834	13,311,115
Debt service				
Interest	6,800,427	20,716,808	6,549,742	7,807,029
Principal	19,978,367	7,370,865	19,028,505	19,153,505
Issuance Cost	-	-	-	-
Total expenditures	200,978,329	207,764,647	205,316,194	202,379,315
Excess of revenues over/(under) expenditures	(2,919,054)	(21,522,919)	(24,445,586)	(23,130,217)
Other Financing Sources (Uses)				
Transfers in	57,900,713	55,682,262	51,706,028	50,668,288
Transfers out	(57,775,713)	(55,557,262)	(51,581,028)	(50,543,288)
Bond and note proceeds	-	934	30,015,266	32,106,910
Bond premium	-	-	1,278,540	-
Payment to refunded bond escrow agent	-	-	-	(30,122,469)
Sale of capital assets	1,941,876	2,554,615	907,390	262,353
Total other financing sources (uses)	2,066,876	2,680,549	32,326,196	2,371,794
Net change in fund balances	$ (852,178)	$ (18,842,370)	$ 7,880,610	$ (20,758,423)
Debt service as a percentage of noncapital expenditures	14.6%	15.8%	14.8%	16.1%

Fiscal Year 2002	2001	2000	1999	1998	1997
$ 102,799,560	$ 100,251,585	$ 97,159,569	$ 88,002,691	$ 85,325,360	$ 83,640,909
478,886	475,783	520,943	577,248	531,967	439,749
1,758,453	1,446,421	1,734,989	1,927,604	1,802,039	1,192,329
30,229,202	26,983,601	23,154,631	20,762,480	18,753,530	21,189,697
26,910,941	25,897,754	20,893,719	21,064,420	24,707,499	17,733,726
3,776,567	5,935,725	4,780,535	5,647,482	5,344,917	3,462,860
2,820,758	2,856,951	7,438,565	2,609,155	3,292,498	3,097,905
168,774,367	163,847,820	155,682,951	140,591,080	139,757,810	130,757,175
34,132,849	34,223,148	28,116,172	25,498,052	23,885,470	24,086,306
-	49,376,760	45,181,659	40,139,137	38,165,213	36,239,513
21,083,913	-	-	-	-	-
2,636,307	-	-	-	-	-
4,529,038	-	-	-	-	-
11,632,439	-	-	-	-	-
16,590,536	-	-	-	-	-
10,583,226	8,103,653	7,876,225	7,053,587	7,460,439	7,451,684
15,970,858	14,414,966	13,774,376	12,642,259	14,428,522	13,767,209
8,213,683	8,712,605	8,448,708	7,985,237	8,456,069	7,874,594
9,525,518	8,923,026	8,465,941	7,824,564	8,009,348	7,627,164
-	29,836,020	38,034,073	32,345,955	19,710,811	12,625,322
7,738,764	-	-	-	-	-
21,292,864	-	-	-	-	-
8,954,469	8,803,710	7,870,267	8,460,705	9,005,120	6,850,059
21,212,089	17,610,689	18,373,206	17,678,335	19,363,756	15,974,786
-	-	-	-	27,755	-
194,096,553	180,004,577	176,140,627	159,627,831	148,512,503	132,496,637
(25,322,186)	(16,156,757)	(20,457,676)	(19,036,751)	(8,754,693)	(1,739,462)
54,195,459	53,710,403	48,189,616	24,592,048	19,373,753	19,601,252
(54,070,459)	(53,652,621)	(49,303,560)	(25,754,758)	(20,653,922)	(21,918,722)
435,904	56,942,955	4,062,001	541,128	26,472,049	58,525,583
-	-	-	-	-	-
-	-	-	-	(6,072,245)	-
493,465	625,425	-	-	-	-
1,054,369	57,626,162	2,948,057	(621,582)	19,119,635	56,208,113
$ (24,267,817)	$ 41,469,405	$ (17,509,619)	$ (19,658,333)	$ 10,364,942	$ 54,468,651
18.3%	14.7%	14.9%	16.4%	19.1%	17.2%

Schedule V
HAMILTON COUNTY, TENNESSEE
Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year Ended June 30	Real Property			Personalty Property
	Residential Property	Commercial Property	Other Multi-Use Property	
1997	1,708,391,018	1,299,755,180	49,368,435	421,564,158
1998	2,006,932,531	1,416,012,643	52,660,885	435,838,444
1999	2,061,983,253	1,449,270,814	55,777,315	473,490,322
2000	2,125,332,928	1,489,447,088	58,974,760	507,208,891
2001	2,179,884,250	1,530,466,437	59,930,440	538,284,895
2002	2,651,812,860	1,754,913,695	72,547,310	567,016,262
2003	2,712,679,140	1,806,507,185	72,650,505	543,049,870
2004	2,778,249,335	1,820,877,702	81,426,865	535,345,864
2005	2,855,267,780	1,842,598,736	82,034,675	533,938,891
2006	3,511,594,235	2,136,195,594	93,950,970	527,095,881

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 valuc for othcr 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 2006 are $196,915,596 and $358,028,356 respectively.

Public Utilities Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
236,340,500	-	3,715,419,291	2.932	12,082,437,332
245,857,717	-	4,157,302,220	2.932	13,643,106,859
252,214,712	-	4,292,736,416	3.519	14,117,907,707
239,512,969	-	4,420,476,636	3.519	14,547,706,393
277,215,584	-	4,585,781,606	3.061	15,043,782,544
308,775,833	-	5,355,065,960	3.061	17,687,824,855
312,777,498	-	5,447,664,198	3.061	17,988,005,465
285,476,577	-	5,501,376,343	3.061	18,240,149,012
297,427,438	-	5,611,267,520	2.894	18,621,590,339
333,289,963	-	6,602,126,643	2.894	22,063,003,846

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	City of Chattanooga	East Ridge	Red Bank
1997	1.5290	1.3860	0.0170	2.9320	2.3100	1.2000	0.9420
1998	1.5290	1.3860	0.0170	2.9320	2.3100	1.2000	0.9420
1999	1.6960	1.8060	0.0170	3.5190	2.3100	1.2000	0.9420
2000	1.6960	1.8060	0.0170	3.5190	2.3100	1.2000	0.9420
2001	1.4750	1.5710	0.0150	3.0610	2.5160	1.0610	1.0500
2002	1.4328	1.6134	0.0148	3.0610	2.5160	1.0610	1.0500
2003	1.4328	1.6134	0.0148	3.0610	2.5160	1.2500	1.2200
2004	1.4128	1.6334	0.0148	3.0610	2.5160	1.2500	1.2200
2005	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600
2006	1.3159	1.5655	0.0126	2.8940	2.2020	1.0770	1.2600

Source: Hamilton County Trustee's Office

Overlapping Rates							Total Direct & Overlapping Rates
Lookout Mountain	Signal Mountain	Collegedale	Soddy-Daisy	Lakesite	Ridgeside	Town of Walden	
1.4970	1.3600	1.2190	0.5850	0.3990	1.9270	0.7100	15.0810
1.4970	1.3600	1.2190	0.5850	0.3990	1.9270	0.7100	15.0810
1.4970	1.3600	1.2190	0.5850	0.3990	1.9270	0.7100	15.6680
1.4970	1.3600	1.2190	0.5850	0.3990	1.9270	0.7100	15.6680
1.4970	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800	15.2526
1.8000	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800	15.5556
2.2000	1.6500	1.0786	0.4900	0.3390	1.9300	0.5800	16.3146
2.7000	1.6500	1.0500	0.4900	0.3390	1.9300	0.5800	16.7860
2.0136	1.4250	0.9520	0.7800	0.2900	1.5010	0.5000	14.8946
1.8000	1.7750	1.2000	0.7800	0.2900	1.5010	0.5000	15.2790

Schedule VII
HAMILTON COUNTY, TENNESSEE
Principal Property Taxpayers
Current Year and Nine Years Ago

	2006			1997		
Taxpayer	Taxable Assessed Value	Rank	% of Total Assessed Valuation	Taxable Assessed Value	Rank	% of Total Assessed Valuation
Electric Power Board	$196,915,596	1	2.98%	$124,753,832	1	3.01%
TVA	111,372,760	2	1.69%	105,439,396	2	2.54%
Bellsouth Telecommunications	71,390,700	3	1.08%	77,682,551	3	1.87%
Lebcon Assoc/C B L	71,069,294	4	1.08%	29,698,094	8	0.72%
Tennessee-American Water Co.	47,823,886	5	0.72%	33,965,183	7	0.82%
Provident Life	44,925,362	6	0.68%	37,148,679	5	0.90%
Chattanooga Gas Company	42,322,480	7	0.64%	35,590,504	6	0.86%
McKee Baking/Foods Corp.	40,871,875	8	0.62%	-		-
E. I. Dupont	25,339,364	9	0.38%	64,135,387	4	1.55%
Norfolk Southern	19,980,631	10	0.30%	-		-
Tallan Holdings/Properties	-		-	12,335,610	9	0.30%
Combustion Engineering	-		-	11,821,403	10	0.29%
	$672,011,948		10.18%	$532,570,639		12.84%

Source: Hamilton County Trustee

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

Schedule VIII
HAMILTON COUNTY, TENNESSEE
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	$ 111,017,429	$ 106,067,959	95.5%	$ 4,498,902	$ 110,566,861	99.6%
1998	114,474,092	109,180,664	95.4%	4,939,039	114,119,703	99.7%
1999	118,708,194	113,036,704	95.2%	5,276,130	118,312,834	99.7%
2000	145,508,958	137,767,700	94.7%	6,939,722	144,707,422	99.4%
2001	149,435,772	141,232,237	94.7%	7,705,314	148,937,551	99.7%
2002	154,402,498	145,190,063	94.0%	8,975,413	154,165,476	99.8%
2003	156,901,705	149,006,804	95.0%	6,910,519	155,917,323	99.4%
2004	158,594,035	150,434,347	94.9%	7,006,439	157,440,786	99.3%
2005	162,140,351	153,718,818	94.8%	5,461,452	159,180,270	98.2%
2006	181,473,837	173,318,379	95.5%	-	173,318,379	95.5%

Schedule IX
HAMILTON COUNTY, TENNESSEE
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Notes Payable	Certificates of Participation	Total Primary Government	Percentage of Personal Income	Per Capita
1997	$ 166,325,000	$ 6,388,791	$ 3,910,000	$ 176,623,791	2.37%	$ 583
1998	168,410,000	7,103,081	3,320,000	178,833,081	2.31%	587
1999	152,365,000	7,172,309	2,705,000	162,242,309	1.98%	531
2000	135,890,000	7,454,888	2,065,000	145,409,888	1.67%	474
2001	173,680,000	21,594,284	1,405,000	196,679,284	2.14%	639
2002	154,960,000	19,642,195	715,000	175,317,195	1.88%	568
2003	139,070,000	22,384,490	-	161,454,490	1.69%	522
2004	162,040,000	20,975,624	-	183,015,624	1.85%	591
2005	143,380,000	19,570,147	-	162,950,147	1.56%	526
2006	125,510,000	17,322,009	-	142,832,009	1.31%	459

Schedule X
HAMILTON COUNTY, TENNESSEE
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1997	$ 166,325,000	1.38%	$ 549
1998	168,410,000	1.23%	552
1999	152,365,000	1.08%	499
2000	135,890,000	0.93%	443
2001	173,680,000	1.15%	564
2002	154,960,000	0.88%	502
2003	139,070,000	0.77%	450
2004	162,040,000	0.89%	524
2005	143,380,000	0.77%	463
2006	125,510,000	0.57%	404

Schedule XI
HAMILTON COUNTY, TENNESSEE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Chattanooga	$ 77,122,240	56.052%	$ 43,228,558
Town of East Ridge	4,500,232	4.517%	203,275
Town of Red Bank	13,646,539	2.486%	339,253
Town of Lookout Mountain	1,285,000	1.468%	18,864
Town of Signal Mountain	735,000	2.820%	20,727
Town of Collegedale	800,000	1.905%	15,240
Town of Soddy Daisy	762,244	2.769%	21,107
Other debt			
City of Chattanooga	$ 333,128,265	56.052%	$ 186,725,055
Town of East Ridge	2,538,657	4.517%	114,671
Town of Red Bank	-	2.486%	-
Town of Lookout Mountain	-	1.468%	-
Town of Signal Mountain	254,832	2.820%	7,186
Town of Collegedale	-	1.905%	-
Town of Soddy Daisy	-	2.769%	-
Subtotal, overlapping debt			$ 230,693,936
Hamilton County direct debt			$ 142,832,009
Total direct and overlapping debt			$ 373,525,945

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	Per Capita Income	Unemployment Rate (1)
1996	302,709	$ 7,460,150	$ 24,645	6.0%
1997	304,909	7,756,981	25,440	4.4%
1998	305,616	8,180,195	26,766	3.3%
1999	306,915	8,713,778	28,392	2.9%
2000	308,011	9,185,564	29,822	3.2%
2001	308,497	9,312,261	30,186	4.2%
2002	309,200	9,557,091	30,909	4.1%
2003	309,482	9,906,314	32,009	3.5%
2004	309,729	10,416,736	33,632	5.8%
2005	310,935	10,911,312	35,092	5.4%

Sources: Population, personal income, per capita income information provided by the Chamber of Commerce: Bureau of Economic Analysis (BEA). For 2005, personal income and per capita income were interpolated based on percentage increases reported by Metropolitan areas in the BEA. Population estimate was found at the State of Tennessee: Economic and Community Development website for 2005. Unemployment information provided by State Department of Employment Security.

Schedule XIII
HAMILTON COUNTY, TENNESSEE
Principal Employers
Current Year and Nine Years Ago

	2006			1997		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hamilton County Department of Education	4,546	1	2.76%	4,771	1	2.74%
Blue Cross Blue Shield of Tennessee	4,315	2	2.62%	3,429	4	1.97%
Erlanger Health System	3,429	3	2.08%	2,307	6	1.33%
McKee Foods Corporation	3,200	4	1.94%	2,736	5	1.57%
Tennessee Valley Authority	3,067	5	1.86%	3,560	3	2.05%
UnumProvident Corporation	2,918	6	1.77%	1,826	8	1.05%
Memorial Health Care System	2,658	7	1.62%			
City of Chattanooga	2,364	8	1.44%	2,284	7	1.31%
CIGNA Healthcare	1,975	9	1.20%			
Pilgrim's Pride Corporation	1,839	10	1.12%			
Covenant Transport				3,700	2	2.13%
Synthetic Industries				1,767	9	1.02%
Roper Corporation				1,700	10	0.98%
Total	30,311		18.42%	28,080		16.15%

Source: Chattanooga Area Chamber of Commerce

Schedule XIV
HAMILTON COUNTY, TENNESSEE
Full-time Equivalent County Government Employees by Function Program
As of June 30, 2006

Function/Program	Full-time-Equivalent Employees as of June 30, 2006
General Government	536
Public Safety	365
Highways and Streets	111
Health	278
Social Services	97
Culture and Recreation	89
Total	1476

Source: Hamilton County Human Resources Department

Notes: Full time equivalents (FTE)

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

Skimp - .63 full time equivalent - 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 - 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 - 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

Schedule XV
HAMILTON COUNTY, TENNESSEE
Operating Indicators by Function/Program
Last Four Fiscal Years

	Fiscal Year			
	2006	2005	2004	2003
Function/Program				
General Government				
County Clerk (DMV) - transactions processed	404,066	393,942	369,790	392,387
Register - documents recorded	81,687	89,228	86,165	83,337
Recycling - tons collected	2,218	2,200	1,710	1,479
Election Commission - registered voters	182,250	176,671	169,399	164,193
Election Commission - votes cast in last election	50,968	137,272	28,514	89,030
Purchasing - bids posted	150	135	131	145
Public Safety				
Building Inspections - permits issued	1,616	1,609	1,531	1,419
Building Inspections - inspections and investigations	24,562	22,838	22,437	19,524
Jail - average number inmates housed	583	561	607	669
Sheriff's Dept - physical arrests	6,723	6,843	6,896	6,590
Juvenile Court Judge - cases heard	7,574	7,699	7,765	7,558
Criminal Court Judge - cases heard	4,866	4,396	4,747	3,907
Ambulance Services - responded calls	20,536	20,624	19,608	18,662
Police Protection (Sworn, Correctional, Civilian and Others)	393	385	388	387
Highways and Streets				
Engineering Services - projects administered	69	100	99	99
Highways & Streets - bridges maintained	81	81	81	81
Health				
Health Dept - patients seen	49,817	58,808	50,419	48,867
Environmental Health - processed appl for new/existing septic system	828	1,044	2,554	2,369
Social Services				
Emergency Assistance Program of Financial Services - # households served	350	331	338	387
Emergency Assistance Program of Financial Services - # of services	420	386	421	382
Chancery Court Judge - # cases heard	2,520	2,266	2,452	1,998
Circuit Court Judge - #cases heard	3,088	3,357	3,431	3,379
Culture & Recreation				
# Facilities Maintained	34	34	32	30
# Programs Offered	18	17	16	18
Education				
Public School Enrollment	40,826	40,376	40,774	40,138
Private School Enrollment	11,330	11,348	11,328	10,857

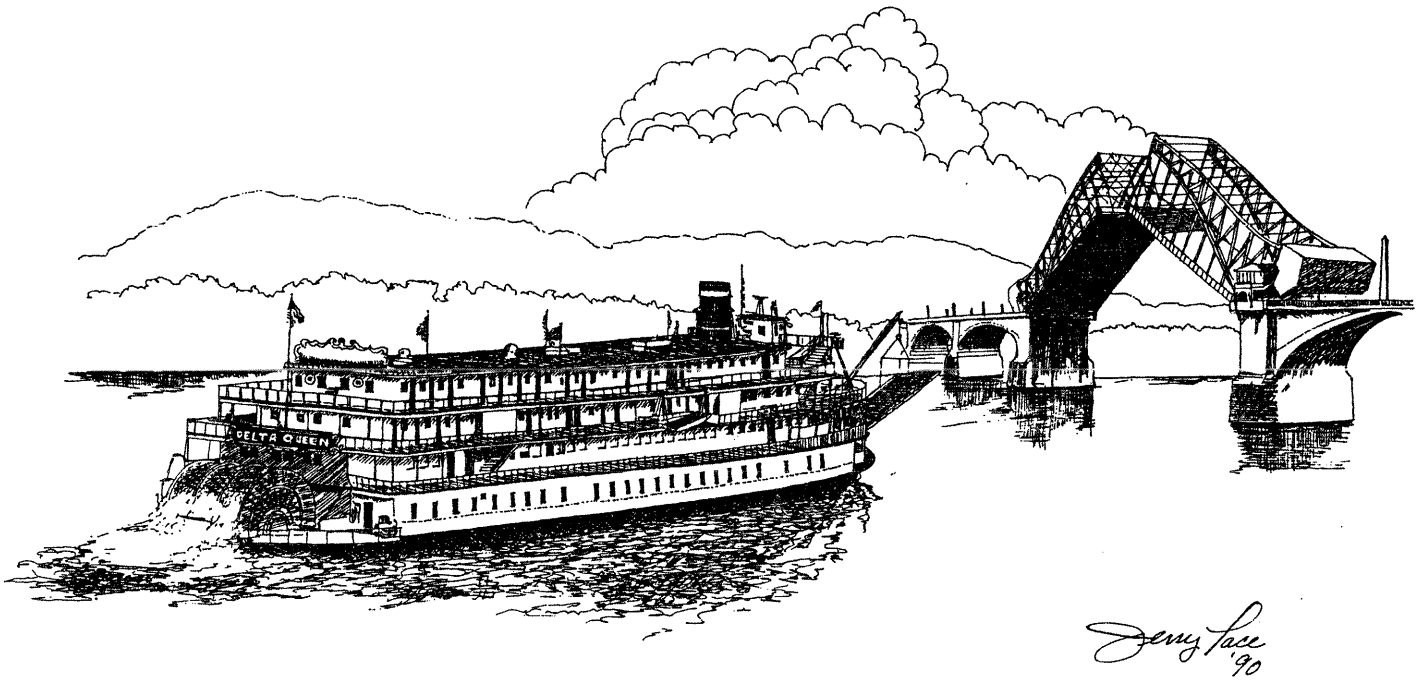
Sources: CABR from prior years, CAFR from prior years and various department personnel

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

Schedule XVI
HAMILTON COUNTY, TENNESSEE
Capital Asset Statistics by Function/Program
Last Five Fiscal Years

	Fiscal Year				
Function/Program	2006	2005	2004	2003	2002
General Government					
Libraries	9	9	9	9	9
Recycling Stations	5	5	5	5	4
Telecommunications locations supported	202	202	202	202	202
Election Commission ballot boxes	122	122	122	122	122
Public Safety					
Volunteer Fire Stations	17	17	17	17	16
Ambulance Stations	15	15	15	15	15
Sheriff patrol cars	224	207	201	214	225
Highways and Streets					
Miles of paved streets	2435	2380	2379	2379	2379
Miles of unpaved streets	0	0	0	0	0
Health					
Healthcare Facilities	5	5	5	5	5
Culture & Recreation					
Number of Parks	97	92	119	119	112
Golf Courses	21	21	16	16	17
Recreation Centers	17	17	15	15	16
Ball Fields	161	132	122	122	122
Public Tennis Courts	165	161	191	200	200
Swimming Pools	32	28	55	55	55
Theaters	14	14	17	17	15
Bowling Alleys	3	3	3	3	3

Sources: Prior year CAFRs and various department personnel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HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Tennessee Department of Economic and Community Development:			
Community Development Block Grants	14.228	04-01-05092-00	$ 71,233
	14.228	GG-04-11006-00	212,198
Total Community Development Block Grants			283,431
Community Development Block Grants/Brownfields	14.246	SBAHQ-02-1-0038	280,702
Economic Dev. Initiative	14.246	B-02-SP-TN-0686	140,351
Total Community Development Block Economic Dev. Initiative Grants			421,053
Total U.S. Department of Housing and Urban Development			704,484
U.S. DEPARTMENT OF JUSTICE			
Passed through Tennessee Emergency Management Agency:			
Emergency Management Performance Grants	16.007	GG-06-12229-00	35,250
Passed through Tennessee Commission of Children and Youth:			
Juvenile Accountability Incentive Block Grants	16.523	GG-05-11480-00	46,973
Title V: Delinquency Prevention Program	16.548	GG-06-12029-00	63,357
Passed through Tennessee Department of Finance and Administration:			
Byrne Formula Grant Program	16.579	2003-OM-X-0092	4,133
Edward Byrne Memorial State and Local Law Enforcement			
Assistance Discretionary Grants Program	16.580	2000-DD-VX-0025	80,642
	16.580	2005-DD-BX-1144	1,352,629
Total Assistance Discretionary Grants Program			1,433,271
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-1213	25,734
	16.592	2003-LB-BX-0966	8,853
Total Local Law Enforcement Block Grants Program			34,587
Domestic Violence	16.590	2005-WE-AX-0015	113,488
Community Prosecution and Project Safe Neighborhoods	16.609	2002-GP-CX-0061	62,788
Project Safe Neighborhoods	16.609	2003-GP-CX-0160	45,932
	16.609	2003-GP-CX-0177	28,608
Total Project Safe Neighborhoods			137,328
Total U.S. Department of Justice			1,868,389

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Tennessee Department of Transportation:			
TN River park - Millennium Project	20.205	STP-EN-9202(64)	$ 182,828
Formula Grants for Other Than Urbanized Areas	20.509	GG-06-12042-00	69,875
Total U.S. Department of Transportation			252,703
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Tennessee Commission on Children and Youth:			
Special Supplement Nutrition Program for Women	10.557	GG-06-12267-00	733,620
	10.557	GG-05-11614-00	273,340
Total Special Supplement Nutrition Program for Women			1,006,960
Child Welfare Research and Demonstration	93.608	GG-06-11937-00	15,000
Passed through Tennessee Department of Health:			
Project Grants and Cooperative Agreements for Tuberculosis			
State TB Outreach	93.116	GG-06-11893-00	492,664
Community Development Services	93.130/93.913	GG-06-1188700	135,000
Health Center Grants for Homeless Populations	93.224	H80CS00023	502,033
Centers for Disease Control and Prevention: Injury Prevention			
and Control Research and State and Community Based Programs	93.136	GG-06-11887-00	19,409
Centers for Disease Control and Prevention: Childhood Lead			
Poisoning Prevention and Surveillance of Blood Levels in Children	93.197	GG-06-11882-00	12,588
Family Planning Grants	93.217/93.994	GU-06-03331-00	481,500
Immunization Grants	93.268	GG-06-11866-00	232,800
Centers for Disease Control and Prevention: Investigations			
and Technical Assistance	93.283	GG-06-11772-00	45,703
	93.283	GG-06-12152-01	688,236
	93.283	GG-05-11010-00	7,442
	93.283	GG-06-11887-00	164,050
	93.283	GG-06-11865-00	53,375
	93.283	GG-06-11797-00	371,300
	93.283	GG-06-11859-00	326,248
	93.283	GU-06-03279-00	85,000
Total Investigations and Technical Assistance			1,741,355
Runaway Youth Shelter	93.623	04CY0740-13	100,000

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Centers for Disease Control: Investigations and HIV Care Formula Grants	93.917	GG-05-12273-00	186,249
	93.917	GG-06-12366-00	46,575
Total Investigations and HIV Care Formula Grants			232,824
HIV Prevention Activities: Health Department Based	93.940	Z-05-024063-00	$ 147,637
	93.944	Z-05-024063-00	20,000
	93.940	Z-06-031121-00	139,500
	93.944	Z-06-031121-00	20,000
Total HIV Prevention Activities: Health Department Based			327,137
Pregnancy Prevention	93.959	GG-06-11887-00	39,828
Preventative Health Services: Sexually Transmitted Diseases Control Grants	93.977	Z-05-024063-00	107,400
	93.977	Z-06-031121-00	107,400
Total Sexually Transmitted Diseases Control Grants			214,800
Preventative Health and Health Services Block Grant	93.991	GG-06-11887-00	118,700
Maternal and Child Health Services Block Grant	93.994	GG-06-11795-00	242,874
	93.994	GG-06-11796-00	259,185
	93.994	GG-06-12014-00	21,469
	93.994	GG-06-12225-00	120,043
Total Maternal and Child Health Services Block Grant			643,571
Passed through Tennessee Department of Human Services: Child Support Enforcement	93.563	GG-05-11299-00	294,413
	93.563	GG-06-11886-00	150,322
Total Child Support Enforcement			444,735
Social Services Block Grant	93.667	GG-06-12033-00	163,334
	93.667	Z-06-026033/34	340,154
Total Social Services Block Grant			503,488
Total U.S. Department of Health and Human Services			7,264,390
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Tennessee Emergency Management Agency: Domestic Preparedness	97.004	Z-04-022447-02	1,279,909
Emergency Management	97.042	Z-06-032875-00	97,021
Total U.S. Department of Homeland Security			1,376,930
Total Expenditures of Federal Awards - Primary Government			11,466,896

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
COMPONENT UNITS:			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Tennessee Department of Agriculture:			
Food Donation (Noncash - Food Commodities)	10.565	None	$ 944,820
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	None	2,178,000
National School Lunch Program	10.555	None	6,663,827
Total U. S. Department of Agriculture			9,786,647
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	ESR-0085113	303,318
U.S. DEPARTMENT OF EDUCATION			
Passed through Tennessee Department of Education:			
Title I Grants to Local Educational Agencies	84.010	None	11,734,973
Special Education: Grants to States	84.027	None	8,527,044
Vocational Education: Basic Grants to States	84.048	None	936,783
Preschool Incentive Grant	84.173	None	212,649
Safe and Drug-Free Schools and Communities: State Grants	84.186	None	249,243
Education for Homeless Children and Youth	84.196	None	98,732
Even Start Family Literacy	84.213	None	83,431
Twenty-First Century Community Learning Centers	84.287	192-06-2-052	150,998
	84.287	192-06-2-038	150,000
	84.287	192-06-2-041	100,000
Total Twenty-First Century Community Learning Centers			400,998
State Grants for Innovative Programs	84.298	None	477,405
Education Technology State Grants	84.318	None	660,417
	84.318	Z-04-020715-00	1,211
	84.318	GG-05-11208-00	1,256
	84.318	None	158,101
Total Education Technology State Grants			820,984

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Comprehensive School Reform Demonstration	84.332	None	$ 465,913
Reading First State Grants	84.357	GG-04-11043-00	1,468,823
English Language Acquisition Grants	84.365	None	81,580
Improving Teacher Quality State Grants	84.367	None	2,350,846
Hurricane Relief Effort	84.938	None	509,114
Impact Aid - Public Law 874	84.041		44,643
Magnet Schools Assistance Grant	84.165	U-165A040070	1,738,929
Fund for the Improvement of Education	84.215	V-215L032031	493,473
	84.215	V-215L040036	22,058
Total Fund for the Improvement of Education			515,531
Total U.S. Department of Education			30,717,621
Total Expenditures of Federal Awards - Component Units			40,807,586
Total Expenditures of Federal Awards - Reporting Entity			52,274,482

(continued)

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
STATE GRANTS			
Board of Probation and Parole	N/A	Z-05-020612-00	$ 289,443
E Learning	N/A	GG-06-11992-01	102,385
Early Childhood	N/A	N/A	289,040
Election Commission HAVA	N/A	N/A	371,902
Family Resource Center	N/A	N/A	91,019
One Room Drop in School	N/A	N/A	99,663
Pre K Lottery Fund	N/A	N/A	778,549
Safe Schools	N/A	N/A	131,434
State Matching Grant, 05-06	N/A	N/A	185,669
Tennessee Department of Health	N/A	GG-06-11822-00	217,402
Tennessee Department of Health	N/A	GG-06-12317-00	87,832
Tennessee Department of Health	N/A	GR-06-12366-00	49,196
Tennessee Department of Health	N/A	GU-06-03284-00	411,546
Tennessee Department of Safety - State Title Issuance	N/A	GU-04-03038-01	228,672
Tennessee Department of Transportation	N/A	Z-06-027963-02	62,295
Tennessee Department of Transportation	N/A	Z-06-027963-00	44,006
Tennessee Department of Transportation	N/A	Z-06-027963-01	108,198
Tennessee Department of Transportation - Track Engineering	N/A	Z-04-019775-00	13,370
Tennessee Department of Transportation - Track Rehabilitation	N/A	Z-04-019807-00	173,937
Tennessee Department of Transportation - Bridge Engineering	N/A	Z-04-019792-00	4,034
Tennessee Department of Transportation - Bridge Engineering	N/A	Z-05-024276-00	10,754
Tennessee Department of Transportation - Bridge Engineering	N/A	Z-05-024309-00	60,000
Tennessee Department of Transportation - Bridge Engineering	N/A	Z-05-025844-00	6,001
Tennessee Dept of Economic & Community Development - Aakron Rule	N/A	GG-05-11553-00	222,393
Tennessee Dept of Economic & Community Development - Regis Corp	N/A	GG-05-11528-00	10,283
Tennessee Dept of Economic & Community Development - Shackleford	N/A	Z-05-022829-00	100,000
Tennessee Dept of Economic & Community Development - US Xpress	N/A	GG-05-11596-00	402,211
Tennessee Dept of Environment & Conservation-Recycling Rebate	N/A	GG-03-0405-00	23,992
Tennessee Dept of Environment & Conservation-Waste Oil I	N/A	Z-05024424-00	9,842
Tennessee Dept of Environment & Conservation-Waste Oil II	N/A	Z-05024425-00	10,906
Tennessee Dept of Environment & Conservation-Waste Tire	N/A	Z-03-011-350-00	306,031
Tennessee Dept of Environment & Conservation- Vehicle Emissions testi	N/A	GU-05-03260-00	56,840
Tennessee Dept of Finance & Administration	N/A	Z-06-07049-00	30,000
Total Expenditures of State Awards			4,988,845
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			$ 57,263,327

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

HAMILTON COUNTY, TENNESSEE
JUNE 30, 2006

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 Subrecipients
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 56,711
Title V – Delinquency Prevention Program	16.548	36,718
Title I Grants to Local Educational Agencies	84.010	9,140
Title II - Part A	84.367	29,480
Title IV - Safe and Drug-Free Schools and Communities	84.186	118,682
Title V - Innovative Education Program Strategies	84.298	8,852
Safe Schools Act	N/A	94,739
Runaway Youth Shelter	93.623	100,000
Social Services Block Grant	93.667	340,154
Governor's Prevention Initiative	93.994	120,000

HENDERSON HUTCHERSON & MCCULLOUGH, PLLC
Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance

and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hamilton County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Hamilton County's basic financial statements and have issued our report thereon dated February 14, 2007. We did not audit the financial statements of Hamilton County "911" Emergency Communications District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on those financial statements, insofar as it relates to the amounts included for the Hamilton County "911" Emergency Communications District, was based solely on the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hamilton County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06.1 and 06.2.

We noted other matters involving the internal control over financial reporting that we have reported to management of Hamilton County, Tennessee in a separate letter dated February 14, 2007 that we do not consider to be reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of Hamilton County, Tennessee in a separate letter dated February 14, 2007.

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

Chattanooga, Tennessee
February 14, 2007

Henderson Hutcherson & McCullough, PLLC

HENDERSON HUTCHERSON
& McCULLOUGH, PLLC
Certified Public Accountants

Report on Compliance With Requirements

Applicable to Each Major Federal Program and on Internal

Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Hamilton County, Tennessee, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Hamilton County, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Hamilton County, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters and the report of other auditors did not disclose any matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Chattanooga, Tennessee
February 14, 2007

Henderson Hutcherson & McCullough, PLLC

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
• Material weaknesses identified?	____yes	__X__no
• Reportable conditions identified that are not considered to be material weaknesses?	__X__yes	_____none reported
Noncompliance material to financial statements noted?	____yes	__X__no

Federal Awards

Internal control over major programs:		
• Material weaknesses identified?	____yes	__X__no
• Reportable conditions identified that are not considered to be material weaknesses?	____yes	__X__no
Type of auditor's report issued on compliance for major programs:	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____yes	__X__no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	U. S. Department of Agriculture:
10.553	School Breakfast Program
10.555	National School Lunch Program
	U.S. Department of Housing and Urban Development:
14.246	Community Development Block Grant/Brownfields Economic Development Initiative
	U.S. Department of Education:
84.010	Title I Grants to Local Education Agencies
84.048	Perkins Grant Program Improvement Voc. Ed.
84.357	Reading First

(continued)

(continued)

	U.S. Department of Health and Human Services:
93.116	Project Grants and Cooperative Agreements for Tuberculosis
93.268	Immunization Grants
93.563	Child Support Programs Title IV-D
93.667	Social Services Block Grant
93.991	Preventive Health and Health Services Block Grant
	U.S. Department of Homeland Security
97.004	State Domestic Preparedness Equipment Support Program

Dollar threshold used to distinguish between type A and type B programs: $ 1,568,234

Auditee qualified as low-risk auditee? __X__ yes _____no

SECTION II – FINANCIAL STATEMENT FINDINGS

06.1 Reconciliations

Condition: Monthly bank reconciliations were not prepared on a timely basis.

Criteria: Reconciliations should be prepared on a timely basis to ensure adequate cash flow, to detect errors and other misstatements, and to provide accurate financial reporting.

Effect: Because of the failure to provide timely reconciliations, financial reports were inaccurate and misstatements were not detected in a timely manner.

Recommendation: Reconciliations should be prepared and distributed to the appropriate parties on a monthly basis.

06.2 Federal Awards

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

Criteria: A detailed schedule of county-wide federal and state awards should be maintained by the accounting department.

Effect: Since there was not a centralized federal and state award schedule, it was difficult to ensure completeness and accuracy of reporting.

Recommendation: A detailed schedule of county-wide federal and state awards should be maintained by the accounting department

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

HAMILTON COUNTY, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2006

None

PHOTO IDENTIFICATION

Cover	A segment of the Riverwalk, the pedestrian bridge crosses South Chickamauga Creek. The 329 ft. span provides dramatic views of the Tennessee River and South Chicamauga Creek.
Page 2 and 3	A vantage point from the deck of The Hunter Museum looking West and South onto the Tennessee River, the Walnut Street Bridge, the Chief John Ross (Market Street) Bridge and the Olgiati Bridge.
Page 4	The 21st Century Waterfront.
Pages 6 and 7	The Discovery Playground at Normal Park Elementary School features a "Spanish Galleon" play structure, walking paths, a butterfly gate and student-inspired fence finials.
Page 8 and 9	The neo-classic face of the Hunter Museum.
Pages 11	The 21st Century Waterfront from the dock across the river in the new Renaissance Park.
Pages 13	The Hamilton County Courthouse.
Page 14	The new Electric Power Board Building at M.L. King between Broad and Market.
Pages iv and v	The entrance to The Passage, The University of Tennessee at Chattanooga gate with McKenzie Arena in the background, Bessie Smith Hall and the Chattanooga African-American Museum, Warner Park, new street signage on Market and Second, Battle Academy playground.
Page vi and vii	The Tennessee River from the Olgiati Bridge; the Tennessee Riverwalk: signage, "Red and Black Spiral" by George Sugarman – painted and welded aluminum, metalmen collection in the Bluff View Art District Sculpture Garden, public art in the Hunter Museum Courtyard, blue metalman overlooking the Tennessee River from the Sculpture Garden wall.
Page xi	"Full Count" by John Dreyfus – bronze casting with brown patina – below the Hunter Museum courtyard.
Pages xii	The Walnut Street Bridge from Coolidge Park.
Page xiii	Bikers at Battery Park, strollers near the pedestian bridge that crosses South Chickamauga Creek, wildflowers at Renaissance Park, and bikers on the Riverwalk near BASF.
Pages xiv and xv	In the foreground, the water cannons at the foot of The Passage; in the background, the Chief John Ross Bridge undergoing a two-year renovation.
pages xvi	"Inland Sea Fowl" by Evan Lewis – steel, stainless steel and aluminum – at the South entrance to the Walnut Street Bridge.
Back cover	A continuation of the cover shot – a segment of the Riverwalk, this pedestrian bridge crosses South Chickamauga Creek. The 329 ft. span provides dramatic views of the Tennessee River and South Chickamauga Creek.

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