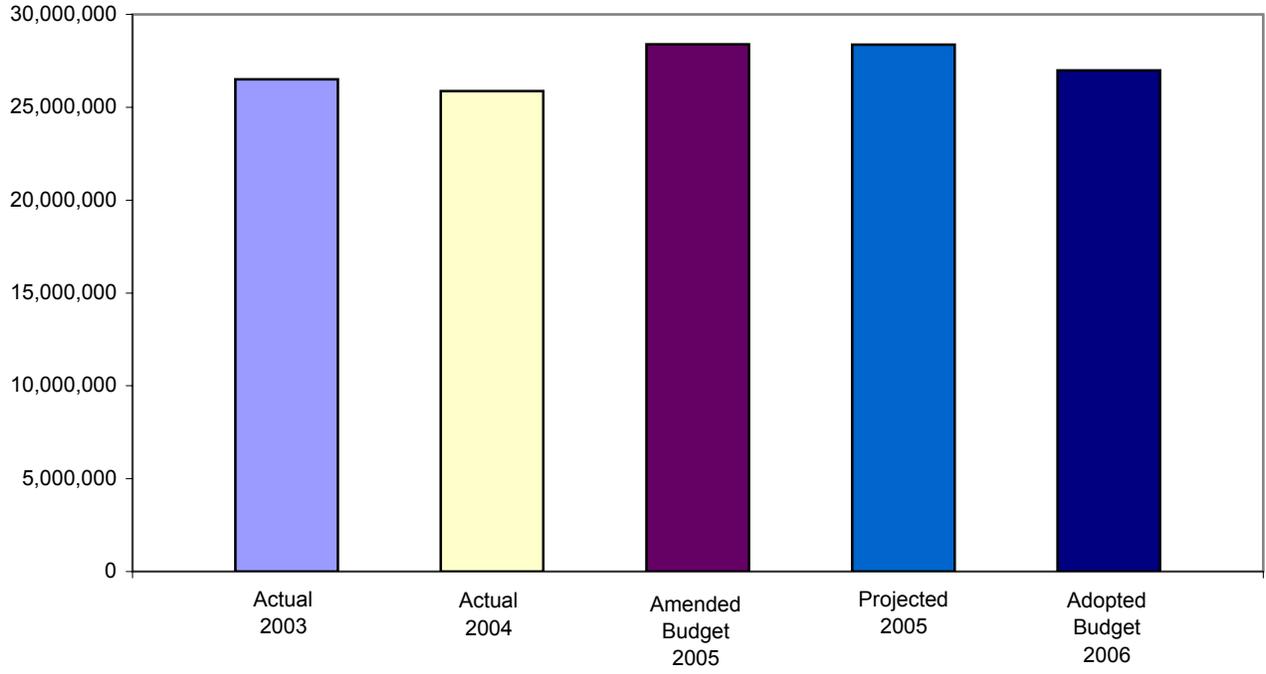


## **Debt Service Fund**

The Debt Service Fund was established to account for all principal and interest payments on the County's long-term debt. This fund is accounted for using the modified accrual method of accounting. The long-term debt is composed of Hamilton County General Obligation Bonds, Department of Education Debt, Certificates and Notes Payable.

### Debt Service Fund



**Debt Service Fund Budget Summary  
Schedule of Revenue and Expenditures**

	Actual 2003	Actual 2004	Amended Budget 2005	Projected 2005	Adopted Budget 2006
<b>Revenues</b>					
Taxes	35,221	46,154	2,000	614	-
Intergovernmental	886,609	988,761	616,597	642,431	738,692
Charges for Services	388,600	415,384	410,000	424,231	415,000
Investment Earnings	7,245	9,200	7,500	19,239	12,000
Miscellaneous	14,621	-	-	266	-
Transfers from other funds	24,720,127	24,847,255	27,351,769	27,351,769	25,812,259
<b>Total Revenues</b>	<b>26,052,423</b>	<b>26,306,754</b>	<b>28,387,866</b>	<b>28,438,550</b>	<b>26,977,951</b>
<b>Expenditures</b>					
Trustee Commission	15,197	10,518	22,000	12,950	22,000
Retirement of Principal	17,002,005	17,297,736	18,927,005	18,927,005	18,137,005
Retirement of Notes	1,116,500	1,169,700	1,226,600	1,226,600	1,549,400
Bond Service Charge	18,239	16,568	20,000	21,339	20,000
Interest	7,489,768	6,509,971	7,324,057	7,314,041	6,388,583
Administrative Expense	23,545	9,801	20,000	22,535	20,000
Payment to City	562,884	563,953	563,204	563,203	555,963
Interfund Transfer	285,000	285,000	285,000	285,000	285,000
<b>Total Expenditures</b>	<b>26,513,138</b>	<b>25,863,247</b>	<b>28,387,866</b>	<b>28,372,673</b>	<b>26,977,951</b>
Excess of Revenues Over (Under) Expenditures	(460,715)	443,507	-	65,877	-
Excess of non budgeted revenues over non budgeted expenditures	(392,429)	1,452	-	-	-
Restate beginning fund balance for GASB 33	-	-	-	-	-
<b>Beginning Fund Balance</b>	<b>1,685,023</b>	<b>831,879</b>	<b>1,276,838</b>	<b>1,276,838</b>	<b>1,342,715</b>
<b>Fund Balance at end of year</b>	<b>831,879</b>	<b>1,276,838</b>	<b>1,276,838</b>	<b>1,342,715</b>	<b>1,342,715</b>

# Debt Service Fund – 012

**FUNCTION:**

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

**PROGRAM COMMENTS:**

General Obligation Bonds - Hamilton County periodically issues general obligation bonds for the acquisition and construction of major capital facilities. These bonds are direct obligations backed by the full faith and credit of the County and are generally issued as 15 to 20 year serial bonds with the 15 year term being prevalent for the last few years. General obligation bonds are summarized by issue as follows: (See detail schedules)

**Principal Amount**

Series	Interest		General	School
	Series	Rates		
1996	5.00-5.10%		1,476,555	1,118,445
1997	5.00-5.125%		1,086,196	23,633,803
1998A	4.50-5.00%		9,587,369	1,797,632
1998B	4.30-5.10%		5,930,000	0
2000	5.00-5.30%		6,603,113	32,281,887
2002	4.00%		5,525,000	16,575,000
2004	4.00-5.00%		27,379,625	10,385,375
			<b>57,587,858</b>	<b>85,792,142</b>

The County's annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended	Annual Redemption	Annual Interest	Total
June	General & School	General & School	
2006	17,870,000	6,388,583	24,258,583
2007	17,780,000	5,562,264	23,342,264
2008	16,425,000	4,793,315	21,218,315
2009	13,180,000	4,123,415	17,303,415
2010-2034	78,125,000	19,282,263	97,407,263
		<b>143,380,000</b>	<b>183,529,840</b>

Notes Payable – 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 reserves 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 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, 2001, the County has withdrawn \$9,500,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2005, the balance due per the Agreement was \$4,727,900.

# Debt Service Fund (continued)

## PROGRAM COMMENTS: – Continued

Notes Payable – The County entered into a Loan Agreement (the “Agreement”) with the Public Building Authority of the County of Montgomery, Tennessee (the “Authority”) on November 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 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, 2001, the County has withdrawn \$9,000,000 of the Funds reserved. The County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2005, the balance due per the Agreement was \$6,335,000.

Carter Street Corporation Joint Venture – The Carter Street Corporation is a nonprofit corporation that was organized by Hamilton County and the City of Chattanooga. 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. In 1994, the Industrial Development Board of Hamilton County, Tennessee issued additional Lease Rental Revenue Bonds to provide for the partial refunding of Series 1986 Lease Rental Revenue Bonds and to provide funds for other needs of the Carter Street Corporation. At June 30, 2001, the total bond indebtedness of the Corporation was \$11,015,000. While the bonds do not constitute an indebtedness of the County or City, under the lease the County and City are unconditionally obligated to make the rental payments. Upon the repayment of the bonds, the County and the City will have an equity interest in the corporation. Hamilton County’s future minimum lease obligations under the current lease agreement at June 30, 2005 are \$734,699.

Finley Stadium Project – In February 1996, Hamilton County entered into an agreement with the City of Chattanooga to provide equal funding for the development of the Stadium Project and other project-related purposes. The City of Chattanooga issued \$13,000,000 of 20-year serial bonds at interest rates ranging from 4.5% to 5.7%. Hamilton County agreed to repay the City of Chattanooga for 50% of the principal and interest payments due on the bonds. Hamilton County’s obligation under the terms of the agreement at June 30, 2005 is \$5,356,059.

Debt Paid through Hotel-Motel Occupancy Tax Collections – Hamilton County has pledged future proceeds from its Hotel-Motel occupancy tax to repay the principal and interest on bonds issued by the City of Chattanooga for the Memorial Auditorium (\$2,500,000) and the Bessie Smith Hall (\$500,000) and bonds issued by the City of East Ridge for the Camp Jordan Park (\$1,000,000). The County’s remaining obligations under the agreements at June 30, 2005 are \$946,537.

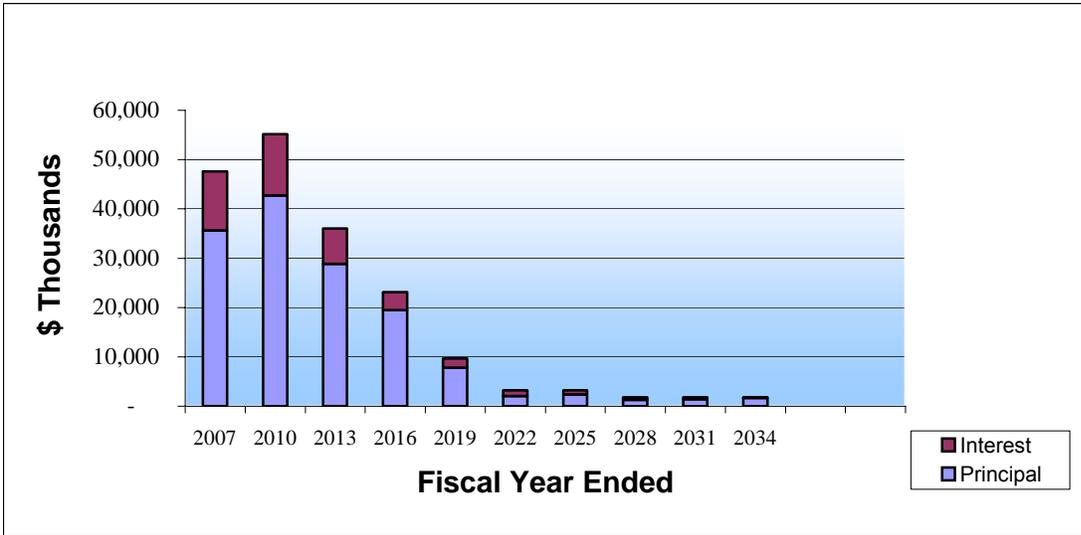
Contract with CCA - In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale Correctional Facility at a cost not to exceed \$4,000,000. The County agreed to repay the cost of the expansion over a 15-year period. The County’s remaining obligations under this agreement as of June 2005 are \$2,219,480.

Department of Education 2003 Loan Agreement – In 2003, Hamilton County entered into an agreement with the Tennessee State School Bond Authority. The Agreement reserved funds for Hamilton County in the amount of \$1,365,000 from the proceeds of the Tennessee State School Bond Authority’s Qualified Zone Academy Bonds, Series 2003. The draws from the Loan are required to be spent on behalf of the Hamilton County Department of Education to renovate, repair and equip certain schools in the County School System. The County is obligated to repay the Loan in installments consisting of principal and certain administrative expenses payable annually over a 15-year term. The Loan does not bear interest charges. The County’s remaining objections under this agreement as of June 2005 are \$1,270,267.

County’s General Obligation Bonds, Series 1991 – The City of Chattanooga agreed to reimburse Hamilton County for a portion of the debt service requirements on the County’s General Obligation Bonds, Series 1991 (to construct the public parking facility for the City County Courts Building). Future reimbursements by the City of Chattanooga for scheduled debt service on the Series 1991 bonds at June 30, 2005 are (\$129,448).

County’s General Obligation Bonds, Series 2004 – The Hamilton County Water and Wastewater Treatment Authority agreed to reimburse Hamilton County for a portion of the debt service requirements on the County’s General Obligation Bonds, Series 2004 (for water and wastewater treatment projects). Future reimbursements by the Hamilton County Water and Wastewater Treatment Authority for debt service on the bonds at June 30, 2005 are (\$17,622,445).

**Total Debt Service  
Requirements**



*Hamilton County's debt retirement schedule is very aggressive, based on 15-year level principal repayment.*

*Section 5-10-501 to 5-10-509, inclusive, of the laws of the State of Tennessee provide that bonds may be issued without regard to any limit or indebtedness for Tennessee Counties.*

**HAMILTON COUNTY, TENNESSEE  
DEBT SERVICE FUND  
REQUIREMENTS FOR FUTURE YEARS  
AS OF JUNE 30, 2005**

<b>Fiscal Year Ended</b>	<b>Balance at Beginning of Fiscal Year</b>	<b>Annual Redemption</b>	<b>Annual Interest Requirements</b>	<b>Total Annual Requirements</b>
06/30/2006	\$ 143,380,000	\$ 17,870,000	\$ 6,388,583	\$ 24,258,583
06/30/2007	125,510,000	17,780,000	5,562,264	23,342,264
06/30/2008	107,730,000	16,425,000	4,793,315	21,218,315
06/30/2009	91,305,000	13,180,000	4,123,415	17,303,415
06/30/2010	78,125,000	13,155,000	3,496,189	16,651,189
06/30/2011	64,970,000	10,775,000	2,911,345	13,686,345
06/30/2012	54,195,000	10,795,000	2,394,615	13,189,615
06/30/2013	43,400,000	7,285,000	1,875,357	9,160,357
06/30/2014	36,115,000	7,310,000	1,534,188	8,844,188
06/30/2015	28,805,000	6,065,000	1,222,513	7,287,513
06/30/2016	22,740,000	6,080,000	936,135	7,016,135
06/30/2017	16,660,000	2,575,000	737,230	3,312,230
06/30/2018	14,085,000	2,600,000	630,493	3,230,493
06/30/2019	11,485,000	2,625,000	522,590	3,147,590
06/30/2020	8,860,000	665,000	410,533	1,075,533
06/30/2021	8,195,000	690,000	378,095	1,068,095
06/30/2022	7,505,000	730,000	344,187	1,074,187
06/30/2023	6,775,000	765,000	308,457	1,073,457
06/30/2024	6,010,000	800,000	271,032	1,071,032
06/30/2025	5,210,000	840,000	231,785	1,071,785
06/30/2026	4,370,000	400,000	202,575	602,575
06/30/2027	3,970,000	420,000	184,175	604,175
06/30/2028	3,550,000	440,000	164,855	604,855
06/30/2029	3,110,000	460,000	144,615	604,615
06/30/2030	2,650,000	480,000	123,225	603,225
06/30/2031	2,170,000	505,000	100,905	605,905
06/30/2032	1,665,000	530,000	77,422	607,422
06/30/2033	1,135,000	555,000	52,777	607,777
06/30/2034	580,000	580,000	26,970	606,970
<b>TOTAL</b>		<b>\$143,380,000</b>	<b>\$40,149,840</b>	<b>\$183,529,840</b>

**HAMILTON COUNTY, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF INTEREST REQUIREMENTS FOR  
FISCAL YEAR ENDED JUNE 30, 2006**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30,2005</b>	<b>Interest Payable</b>
General Improvement	5-1-96	5.00	\$ 745,390	\$ 18,635
General Improvement	5-1-96	5.10	731,165	37,289
General Improvement	5-1-97	5.00	620,872	31,044
General Improvement	5-1-97	5.125	465,324	23,848
General Improvement	3-1-98-A	4.50	4,261,053	167,779
General Improvement	3-1-98-A	4.55	1,065,263	48,469
General Improvement	3-1-98-A	4.65	1,065,263	49,535
General Improvement	3-1-98-A	4.75	1,065,263	50,600
General Improvement	3-1-98-A	4.85	1,065,263	51,665
General Improvement	3-1-98-A	5.00	1,065,264	53,263
General Improvement	3-1-98-B	4.30	180,000	3,870
General Improvement	3-1-98-B	4.375	190,000	8,312
General Improvement	3-1-98-B	4.40	200,000	8,800
General Improvement	3-1-98-B	4.50	210,000	9,450
General Improvement	3-1-98-B	4.60	220,000	10,120
General Improvement	3-1-98-B	4.65	225,000	10,463
General Improvement	3-1-98-B	4.75	235,000	11,163
General Improvement	3-1-98-B	4.875	250,000	12,188
General Improvement	3-1-98-B	5.00	830,000	41,500
General Improvement	3-1-98-B	5.10	3,390,000	172,890
General Improvement	11-1-00	5.00	6,002,830	285,134
General Improvement	11-1-00	5.30	600,283	31,815
General Improvement	10-15-02	4.00	5,525,000	191,800
General Improvement	2-10-04	5.00	1,598,625	79,931
General Improvement	2-10-04	4.00	3,200,875	128,035
General Improvement	2-10-04	5.00	3,215,375	160,769
General Improvement	2-10-04	4.00	13,042,750	521,710
General Improvement	2-10-04	4.125	1,660,250	68,485
General Improvement	2-10-04	4.50	1,218,000	54,810
General Improvement	2-10-04	4.60	1,189,000	54,694
General Improvement	2-10-04	4.65	2,254,750	104,846
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>\$ 57,587,858</b>	<b>\$2,502,912</b>

**HAMILTON COUNTY, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF INTEREST REQUIREMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2006**

School Series	5-1-96	5.00	\$ 564,610	\$ 14,115
School Series	5-1-96	5.10	553,835	28,246
School Series	5-1-97	5.00	13,509,128	675,456
School Series	5-1-97	5.125	10,124,675	518,890
School Series	3-1-98-A	4.50	798,947	31,459
School Series	3-1-98-A	4.55	199,737	9,088
School Series	3-1-98-A	4.65	199,737	9,288
School Series	3-1-98-A	4.75	199,737	9,487
School Series	3-1-98-A	4.85	199,737	9,687
School Series	3-1-98-A	5.00	199,737	9,987
School Series	11-1-00	5.00	29,347,170	1,393,991
School Series	11-1-00	5.30	2,934,717	155,540
School Series	10-15-02	4.00	16,575,000	575,400
School Series	2-10-04	5.00	606,375	30,319
School Series	2-10-04	4.00	1,214,125	48,565
School Series	2-10-04	5.00	1,219,625	60,981
School Series	2-10-04	4.00	4,947,250	197,890
School Series	2-10-04	4.125	629,750	25,977
School Series	2-10-04	4.50	462,000	20,790
School Series	2-10-04	4.60	451,000	20,746
School Series	2-10-04	4.65	855,250	39,769
<b>TOTAL SCHOOL BONDS</b>			<b>85,792,142</b>	<b>3,885,671</b>
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>57,587,858</b>	<b>2,502,912</b>
<b>TOTAL BONDS</b>			<b>\$ 143,380,000</b>	<b>\$ 6,388,583</b>

**HAMILTON COUNTY, TENNESSEE**  
**SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS**  
**AS OF JUNE 30, 2005**

**Payments Due in Fiscal Year 2006**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 17,870,000	\$ 6,388,583	\$ 24,258,583
1996 Loan Agreement	686,400	*	686,400
1999 Loan Agreement	599,000	*	599,000
Carter Street Corporation Joint Venture	714,167	20,532	734,699
Finley Stadium Project	365,000	190,963	555,963
Hotel Motel Occupancy Tax debt			
City of Chattanooga	170,000	36,720	206,720
City of East Ridge	70,000	20,272	90,272
Silverdale Correctional Facility	267,005	-	267,005
Dept. of Education 2003 Loan Agreement	90,733	-	90,733
Total payments due in fiscal year 2006	<u>\$ 20,832,305</u>	<u>\$ 6,657,070</u>	27,489,375
Less: reimbursements by Chattanooga			(66,692)
reimbursements by WWTA			<u>(640,817)</u>
Net debt service and other obligations			<u>\$ 26,781,866</u>

**Total Debt Obligations at June 30, 2005**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Final Payment</u>
Bonded debt	\$ 143,380,000	\$ 40,149,840	\$ 183,529,840	2034
1996 Loan Agreement	4,727,900	*	4,727,900	2011
1999 Loan Agreement	6,335,000	*	6,335,000	2014
Carter Street Corporation Joint Venture	714,167	20,532	734,699	2006
Finley Stadium Project	4,192,500	1,163,559	5,356,059	2016
Hotel Motel Occupancy Tax debt				
City of Chattanooga	510,000	73,440	583,440	2008
City of East Ridge	315,000	48,097	363,097	2009
Silverdale Correctional Facility	2,219,480	-	2,219,480	2014
Dept. of Education 2003 Loan Agreement	1,270,267	-	1,270,267	2019
Total debt obligations outstanding	<u>\$ 163,664,314</u>	<u>\$ 41,455,468</u>	205,119,782	
Less: Reimbursements by Chattanooga			(129,448)	2007
Reimbursements by WWTA			<u>(17,622,445)</u>	2034
Net debt obligations outstanding			<u>\$ 187,367,889</u>	

\* The interest rates on the 1996 and 1999 Loan Agreements are adjustable. Actual interest expense is unknown.