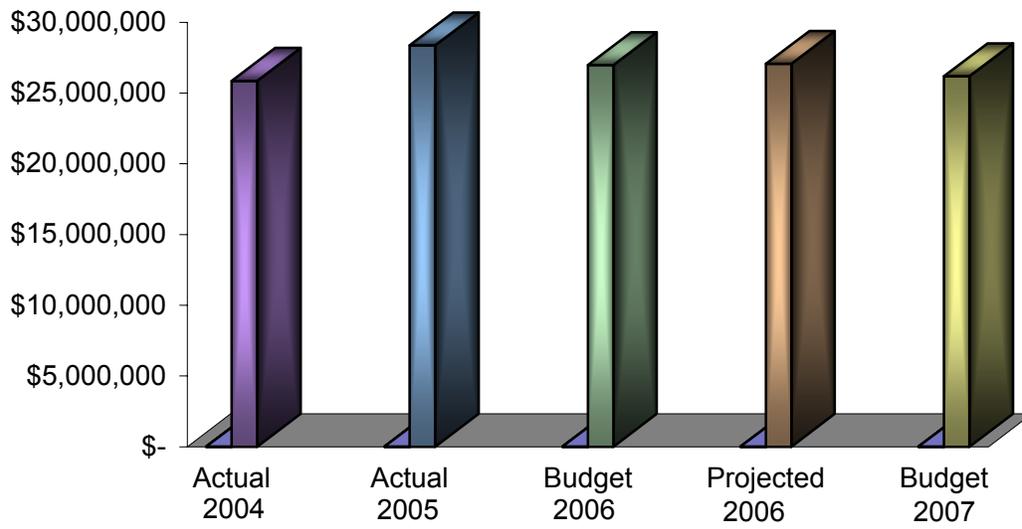


Debt Service Fund

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, and Certificates and Notes Payable.

Debt Service Fund Expenditures



Debt Service Fund Budget Summary
Schedule of Revenue and Expenditures

	Actual 2004	Actual 2005	Amended Budget 2006	Projected 2006	Adopted Budget 2007
Revenues					
Taxes	46,154	614	-	-	-
Intergovernmental	988,761	1,474,417	1,579,509	1,579,509	1,565,324
Charges for Services	415,384	424,231	415,000	415,000	450,000
Investment Earnings	10,652	19,702	12,000	12,000	12,000
Miscellaneous	-	267	-	-	-
Transfers from other funds	24,847,255	26,519,783	24,971,442	24,971,442	24,168,248
Total Revenues	26,308,206	28,439,014	26,977,951	26,977,951	26,195,572
Expenditures					
Trustee Commission	10,518	12,950	22,000	22,000	22,000
Retirement of Principal	17,297,736	18,927,005	18,137,005	18,137,005	18,047,005
Retirement of Notes	1,169,700	1,226,600	1,285,400	1,285,400	1,347,100
Bond Service Charge	16,568	21,339	20,000	40,000	20,000
Interest	6,509,971	7,314,041	6,652,583	6,724,053	5,897,264
Administrative Expense	9,801	22,535	20,000	14,000	20,000
Payment to City	563,953	563,203	555,963	555,963	557,203
Interfund Transfer	285,000	285,000	285,000	285,000	285,000
Total Expenditures	25,863,247	28,372,673	26,977,951	27,063,421	26,195,572
Excess of Revenues Over (Under) Expenditures	444,959	66,341	-	(85,470)	-
Excess of non-budgeted revenues over non-budgeted expenditures	-	-	-	-	-
Restate beginning fund balance for GASB 33	-	-	-	-	-
Beginning Fund Balance	831,879	1,276,838	1,343,179	1,343,179	1,257,709
Fund Balance at end of year	1,276,838	1,343,179	1,343,179	1,257,709	1,257,709

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 and are backed by the full faith and credit of the county. These bonds are generally issued as 15 to 20 year serial bonds. In the 2004 serial bonds \$10 million was borrowed for a 30 year term beginning with the 2004 issue. General obligation bonds are summarized by issue as follows: (See detail schedules)

Principal Amount

Series	Interest		
	Rates		
		General	School
1996	5.10%	731,165	553,835
1997	5.00-5.125%	930,869	20,254,131
1998A	4.50-5.00%	8,522,105	1,597,895
1998B	4.375-5.10%	5,750,000	-
2000	5.00-5.30%	6,002,830	29,347,170
2002	4.00%	4,065,000	12,195,000
2004	4.00-4.65%	25,781,000	9,779,000
		51,782,969	73,727,031

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

Year Ended June	Annual Redemption General & School	Annual Interest General & School	Total
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	13,155,000	3,496,189	16,651,189
2011-2034	64,970,000	15,786,074	80,756,074
	125,510,000	33,761,257	159,271,257

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, 2006, the balance due per the Agreement was \$4,041,500.

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 irrevocable 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, 2006, the balance due per the Agreement was \$5,736,000.

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, 2006 is \$4,800,096.

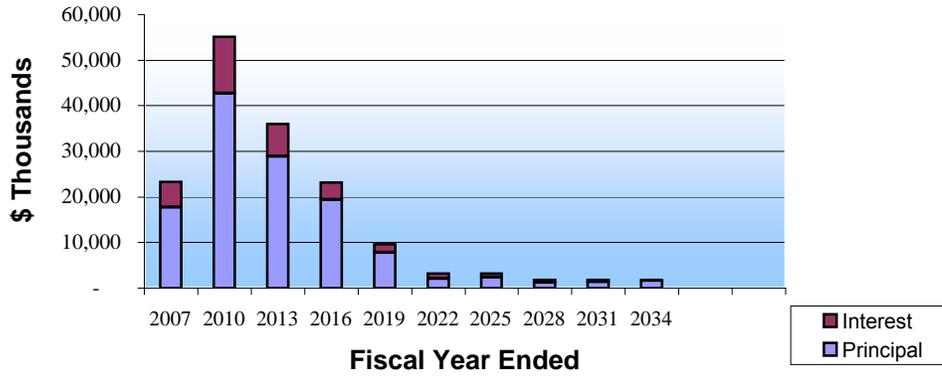
Debt Paid through Hotel-Motel Occupancy Tax Collections – Hamilton County has pledged future proceeds from its Hotel-Motel occupancy tax to repay the principal and interest on bonds issued by the City of Chattanooga for the Memorial Auditorium (\$2,500,000) and the Bessie Smith Hall (\$500,000) and bonds 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, 2006 are \$640,545.

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 2006 are \$1,952,475.

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 2006 are \$1,179,534.

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, 2006 are \$16, 981,628.

***Total Debt Service
Requirements***



Hamilton County's debt retirement schedule is very aggressive, based on a 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, 2006**

Fiscal Year Ended	Balance at Beginning of Fiscal Year	Annual Redemption	Annual Interest Requirements	Total Annual Requirements
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
TOTAL		\$125,510,000	\$33,761,257	\$159,271,257

**HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2007**

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2006	Interest Payable
General Improvement	5-1-96	5.10	\$ 731,165	\$ 18,645
General Improvement	5-1-97	5.00	465,544	23,277
General Improvement	5-1-97	5.125	465,325	23,848
General Improvement	3-1-98-A	4.50	3,195,789	119,842
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	4.375	190,000	4,156
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	5,402,547	255,120
General Improvement	11-1-00	5.30	600,283	31,815
General Improvement	10-15-02	4.00	4,065,000	133,775
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
TOTAL GENERAL IMPROVEMENT BONDS			\$ 51,782,969	\$2,233,933

**HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2007**

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2006	Interest Payable
School Series	5-1-96	5.10	\$ 553,835	\$ 14,123
School Series	5-1-97	5.00	10,129,456	506,473
School Series	5-1-97	5.125	10,124,675	518,890
School Series	3-1-98-A	4.50	599,210	22,470
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	26,412,453	1,247,255
School Series	11-1-00	5.30	2,934,717	155,540
School Series	10-15-02	4.00	12,195,000	401,325
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
TOTAL SCHOOL BONDS			73,727,031	3,328,331
TOTAL GENERAL IMPROVEMENT BONDS			51,782,969	2,233,933
TOTAL BONDS			\$125,510,000	\$5,562,264

HAMILTON COUNTY, TENNESSEE
SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS
AS OF JUNE 30, 2006

Payments Due in Fiscal Year 2007

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Ref. In Schedules</u>
Bonded debt	\$ 17,780,000	\$ 5,562,264	\$ 23,342,264	p.2-8
1996 Loan Agreement	724,100	*	724,100	p.9
1999 Loan Agreement	623,000	*	623,000	p.10
Finley Stadium Project	382,500	174,703	557,203	p.11
Hotel Motel Occupancy Tax debt				
City of Chattanooga	170,000	24,480	194,480	p.12
City of East Ridge	75,000	15,070	90,070	p.12
Silverdale Correctional Facility	267,005	-	267,005	p.13
Dept. of Education 2003 Loan Agreement	90,734	-	90,734	p.14
Total payments due in fiscal year 2006	<u>\$ 20,112,339</u>	<u>\$ 5,776,517</u>	25,888,856	
Less: reimbursements by Chattanooga			(62,756)	p.15
reimbursements by WWTA			<u>(630,568)</u>	p.16
Net debt service and other obligations			<u>\$ 25,195,532</u>	

Total Debt Obligations at June 30, 2006

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Final Payment</u>
Bonded debt	\$125,510,000	\$33,761,257	\$159,271,257	2034
1996 Loan Agreement	4,041,500	*	4,041,500	2011
1999 Loan Agreement	5,736,000	*	5,736,000	2014
Finley Stadium Project	3,827,500	972,596	4,800,096	2016
Hotel Motel Occupancy Tax debt				
City of Chattanooga	340,000	36,720	376,720	2008
City of East Ridge	245,000	27,825	272,825	2009
Silverdale Correctional Facility	1,952,475	-	1,952,475	2014
Dept. of Education 2003 Loan Agreement	1,179,534	-	1,179,534	2019
Total debt obligations outstanding	<u>\$142,832,009</u>	<u>\$34,798,398</u>	177,630,407	
Less: Reimbursements by Chattanooga			(62,756)	2007
Reimbursements by WWTA			<u>(16,981,628)</u>	2034
Net debt obligations outstanding			<u>\$160,586,023</u>	

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