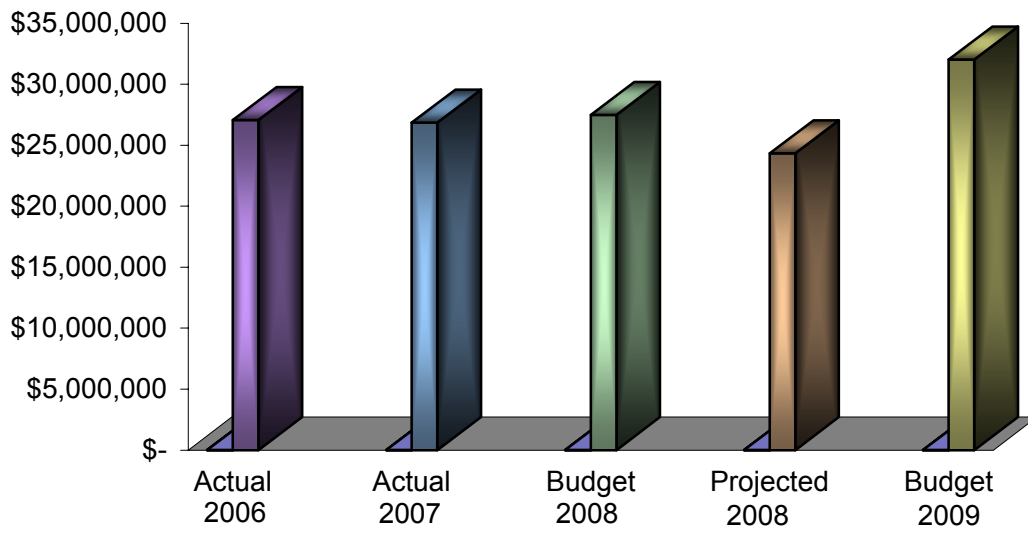


Debt Service Fund

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 2006	Actual 2007	Amended Budget 2008	Projected 2008	Adopted Budget 2009
Revenues					
Taxes	572	316	-	-	-
Intergovernmental	2,061,199	2,404,225	-	-	-
Charges for Services	460,247	465,107	450,000	504,245	480,000
Investment Earnings	7,961	56,940	12,000	54,339	50,000
Miscellaneous	-	-	-	-	-
Transfers from other funds	24,611,885	24,168,248	27,027,667	22,506,079	31,493,944
Total Revenues	27,141,864	27,094,836	27,489,667	23,064,663	32,023,944
Expenditures					
Trustee Commission	11,621	23,237	22,000	5,481	10,000
Retirement of Principal	17,870,000	18,047,005	16,692,736	16,692,736	19,917,005
Retirement of Notes	1,552,405	1,347,100	1,412,000	1,412,000	1,479,000
Bond Service Charge	38,966	35,510	36,000	33,258	36,000
Commercial Paper Interest & Fees	-	-	-	-	1,985,425
Interest	6,737,972	6,560,134	8,515,149	5,408,681	8,103,323
Administrative Expense	11,867	7,884	48,041	13,100	15,000
Payment to City	555,963	557,203	478,741	478,741	478,191
Interfund Transfer	285,000	285,000	285,000	285,000	-
Total Expenditures	27,063,794	26,863,073	27,489,667	24,328,997	32,023,944
Excess of Revenues Over (Under) Expenditures	78,070	231,763	-	(1,264,334)	-
Excess of non-budgeted revenues over non-budgeted expenditures	-	-	-	-	-
Restate beginning fund balance for GASB 33	-	-	-	-	-
Beginning Fund Balance	1,343,179	1,421,249	1,653,012	1,653,012	388,678
Fund Balance at end of year	1,421,249	1,653,012	1,653,012	388,678	388,678

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	General	School
	Rates		
1997	5.00%	155,108	3,374,892
1998A	4.50-4.55%	2,130,526	399,474
1998B	4.40-5.10%	5,360,000	-
2000	5.00%	1,200,566	5,869,434
2002	4.00%	1,202,500	3,607,500
2004	5.00-4.65%	23,078,334	8,066,666
2008A	4.00%-4.375%	14,418,900	82,581,100
2008B	4.00%-3.25%	8,317,900	28,497,100
		55,863,834	132,396,166

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
2009	19,650,000	7,900,166	27,550,166
2010	19,745,000	7,292,852	27,037,852
2011	17,355,000	6,464,007	23,819,007
2012	17,380,000	5,618,770	22,998,770
2013-2034	114,130,000	29,328,707	143,458,707
	188,260,000	56,604,502	244,864,502

Commercial Paper – The County Commission adopted a resolution on June 21, 2006 authorizing the County to participate in a Commercial Paper program in an aggregate principal amount not to exceed \$125,000,000. In order to provide liquidity for the payment of the principal of maturing Commercial Paper, the County entered into a Standby Note Purchase Agreement (the "Credit Agreement") with the Initial Bank simultaneously with the initial issuance and delivery of the Commercial Paper. The aggregate principal amounts of all advances made on any date may not exceed the outstanding available commitment amount under the Credit Agreement. The balance outstanding as of June 30, 2008 is \$25,000,000.

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, 2008, the balance due per the Agreement was \$2,553,400.

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, 2008, the balance due per the Agreement was \$4,465,000.

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, 2008 is \$3,764,152.

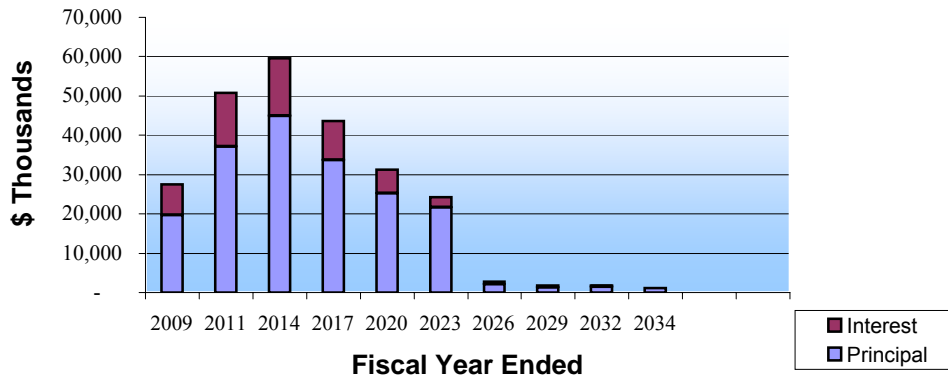
Debt Paid through Hotel-Motel Occupancy Tax Collections – Hamilton County has pledged future proceeds from its Hotel-Motel occupancy tax to repay the principal and interest on bonds issued by the City of Chattanooga for the Memorial Auditorium (\$2,500,000) and the Bessie Smith Hall (\$500,000) and bonds 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, 2008 are \$93,285.

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 2008 are \$1,417,734.

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 obligations under this agreement as of June 2008 are \$998,067.

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, 2008 are \$15,723,693.

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, 2008**

Fiscal Year Ended	Balance at Beginning of Fiscal Year	Annual Redemption	Annual Interest Requirements	Total Annual Requirements
06/30/2009	\$188,260,000	\$19,650,000	\$7,900,166	\$27,550,166
06/30/2010	168,610,000	19,745,000	7,292,852	27,037,852
06/30/2011	148,865,000	17,355,000	6,464,007	23,819,007
06/30/2012	131,510,000	17,380,000	5,618,770	22,998,770
06/30/2013	114,130,000	13,760,000	4,887,170	18,647,170
06/30/2014	100,370,000	13,720,000	4,288,426	18,008,426
06/30/2015	86,650,000	12,390,000	3,729,432	16,119,432
06/30/2016	74,260,000	12,345,000	3,276,964	15,621,964
06/30/2017	61,915,000	9,040,000	2,862,599	11,902,599
06/30/2018	52,875,000	9,065,000	2,432,611	11,497,611
06/30/2019	43,810,000	9,090,000	2,001,459	11,091,459
06/30/2020	34,720,000	7,130,000	1,566,151	8,696,151
06/30/2021	27,590,000	7,155,000	1,210,464	8,365,464
06/30/2022	20,435,000	7,195,000	901,794	8,096,794
06/30/2023	13,240,000	7,230,000	591,301	7,821,301
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		\$188,260,000	\$56,604,502	\$244,864,502

**HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2009**

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2008	Interest Payable
General Improvement	5-1-97	5.00	\$ 155,108	\$ 7,755
General Improvement	3-1-98-A	4.50	1,065,263	23,968
General Improvement	3-1-98-A	4.55	1,065,263	48,470
General Improvement	3-1-98-B	4.50	210,000	4,725
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	12,187
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	1,200,566	45,021
General Improvement	10-15-02	4.00	1,202,500	35,975
General Improvement	2-10-04	5.00	2,968,334	148,417
General Improvement	2-10-04	4.00	12,123,333	484,933
General Improvement	2-10-04	4.125	1,556,667	64,213
General Improvement	2-10-04	4.50	1,680,000	75,600
General Improvement	2-10-04	4.60	1,640,000	75,440
General Improvement	2-10-04	4.65	3,110,000	144,615
General Improvement	4-8-08-A	4.00	1,922,768	69,006
General Improvement	4-8-08-A	5.00	7,691,071	345,030
General Improvement	4-8-08-A	3.50	961,012	30,178
General Improvement	4-8-08-A	3.75	961,012	32,334
General Improvement	4-8-08-A	4.25	1,922,025	73,291
General Improvement	4-8-08-A	4.375	961,012	37,723
General Improvement	4-8-08-B	4.00	2,664,936	113,408
General Improvement	4-8-08-B	5.00	3,814,960	202,935
General Improvement	4-8-08-B	3.25	1,838,004	63,551
TOTAL GENERAL IMPROVEMENT BONDS			\$ 55,863,834	\$2,384,911

**HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2009**

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2008	Interest Payable
School Series	5-1-97	5.00	\$ 3,374,892	\$ 168,745
School Series	3-1-98-A	4.50	199,737	4,494
School Series	3-1-98-A	4.55	199,737	9,088
School Series	11-1-00	5.00	5,869,434	220,104
School Series	10-15-02	4.00	3,607,500	107,925
School Series	2-10-04	5.00	1,466,667	73,333
School Series	2-10-04	4.00	5,866,666	234,667
School Series	2-10-04	4.125	733,333	30,250
School Series	4-8-08-A	4.00	11,012,232	395,217
School Series	4-8-08-A	5.00	44,048,929	1,976,084
School Series	4-8-08-A	3.50	5,503,988	172,840
School Series	4-8-08-A	3.75	5,503,988	185,186
School Series	4-8-08-A	4.25	11,007,975	419,755
School Series	4-8-08-A	4.375	5,503,988	216,051
School Series	4-8-08-B	4.00	9,130,064	388,535
School Series	4-8-08-B	5.00	13,070,040	695,254
School Series	4-8-08-B	3.25	6,296,996	217,727
TOTAL SCHOOL BONDS			132,396,166	5,515,255
TOTAL GENERAL IMPROVEMENT BONDS			55,863,834	2,384,911
TOTAL BONDS			\$ 188,260,000	\$ 7,900,166

**HAMILTON COUNTY, TENNESSEE
SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS
AS OF JUNE 30, 2008**

Payments Due in Fiscal Year 2009

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 19,650,000	\$ 7,900,166	\$ 27,550,166
1996 Loan Agreement	806,000	*	806,000
1999 Loan Agreement	673,000	*	673,000
Finley Stadium Project	332,500	145,691	478,191
Hotel Motel Occupancy Tax debt			
City of East Ridge	90,000	3,285	93,285
Silverdale Correctional Facility	267,005	-	267,005
Dept. of Education 2003 Loan Agreement	90,733	-	90,733
Short-Term Commercial Paper	**	**	**
Total payments due in fiscal year 2009	<u>\$ 21,909,238</u>	<u>\$ 8,049,142</u>	29,958,380
Less: reimbursements by WWTA			<u>(623,968)</u>
Net debt service and other obligations			<u>\$ 29,334,412</u>

Total Debt Obligations at June 30, 2008

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$188,260,000	\$ 56,604,502	\$244,864,502
1996 Loan Agreement	2,553,400	*	2,553,400
1999 Loan Agreement	4,465,000	*	4,465,000
Finley Stadium Project	3,125,000	639,152	3,764,152
Hotel Motel Occupancy Tax debt			
City of East Ridge	90,000	3,285	93,285
Silverdale Correctional Facility	1,417,734	-	1,417,734
Dept. of Education 2003 Loan Agreement	998,067	-	998,067
Short-Term Commercial Paper	25,000,000	**	25,000,000
Total debt obligations outstanding	<u>\$225,909,201</u>	<u>\$ 57,246,939</u>	283,156,140
Less: Reimbursements by WWTA			<u>(15,723,693)</u>
Net debt obligations outstanding			<u>\$267,432,447</u>

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

** The interest rates and maturity dates on the short-term Commercial Paper vary. Actual interest expense and date of final payoff is unknown. The total Commercial Paper outstanding is shown as of April 30, 2009.