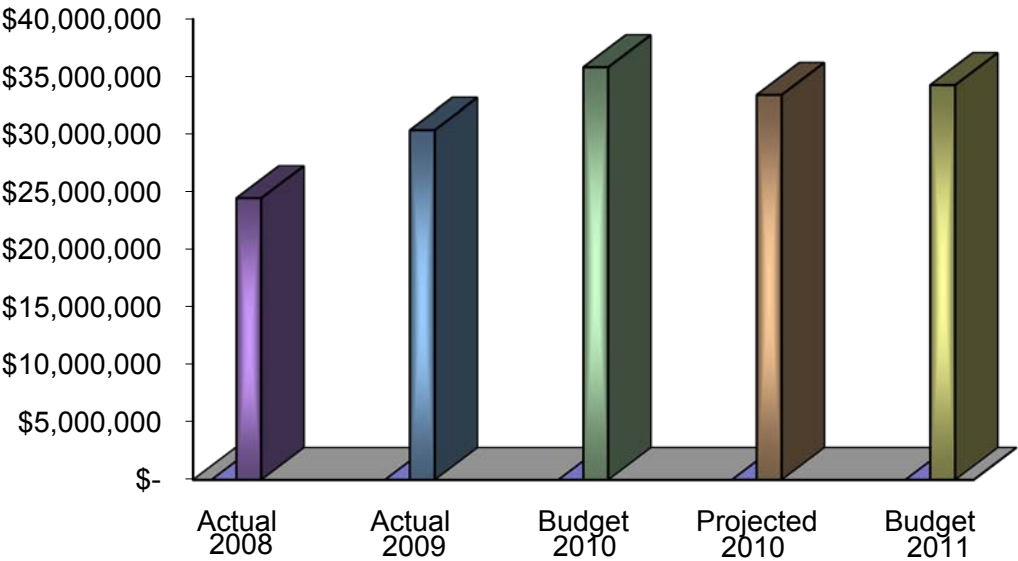


Debt Service Fund

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 2008	Actual 2009	Amended Budget 2010	Projected 2010	Adopted Budget 2011
<u>Revenues</u>					
Taxes	-	1,099	-	-	-
Intergovernmental	827,367	823,967	818,217	818,217	807,218
Charges for Services	504,247	541,358	500,000	561,243	525,000
Investment Earnings	54,339	8,311	10,000	78,566	2,000
Transfers from other funds	21,678,711	29,004,756	34,496,829	32,029,957	32,934,084
Total Revenues	23,064,664	30,379,491	35,825,046	33,487,983	34,268,302
<u>Expenditures</u>					
Trustee Commission	5,481	5,331	10,000	5,635	5,500
Retirement of Principal	16,425,000	19,650,000	21,720,000	21,720,000	21,410,000
Retirement of Notes	1,679,736	1,746,005	1,817,305	1,817,305	1,892,105
Bond Service Charge	33,258	26,259	36,000	23,268	36,000
Commercial Paper Interest & Fees	1,165,176	442,240	2,687,500	484,113	1,934,560
Taxable BAN Interest	-	-	538,000	494,969	-
Interest	4,243,505	8,007,678	8,523,388	8,366,236	8,500,714
Administrative Expense	13,100	37,103	15,000	19,031	15,000
Payment to City	478,741	478,191	477,853	477,853	474,423
Interfund Transfer	433,339	-	-	9,038	-
Total Expenditures	24,477,336	30,392,807	35,825,046	33,417,448	34,268,302
Excess of Revenues Over (Under) Expenditures	(1,412,672)	(13,316)	-	70,535	-
Beginning Fund Balance	1,653,012	240,340	227,024	227,024	297,559
Fund Balance at end of year	240,340	227,024	227,024	297,559	297,559

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, commercial paper and notes payable.

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 2004, serial bonds in the amount of \$10 million were borrowed for a term of 30 years. General obligation bonds are summarized by issue as follows: (See detail schedules)

Principal Amount			
Series	Interest Rates	General	School
1998B	4.65-5.10%	4,930,000	-
2004	4.00-4.65%	20,110,000	6,600,000
2008A	5.00%-4.375%	12,496,132	71,568,868
2008B	4.00%-3.25%	7,492,098	25,667,902
2009	3.00%-4.375%	8,326,050	21,198,950
2010A	3.00%-4.00%	7,475,000	-
2010B	2.00%-4.25%	16,115,000	-
2010C	0.750%-5.00%	4,980,000	-
		81,924,280	125,035,720

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
2011	21,410,000	8,407,757	29,817,757
2012	21,430,000	7,520,273	28,950,273
2013	17,810,000	6,689,173	24,499,173
2014	17,770,000	5,988,979	23,758,979
2015-2034	128,540,000	29,379,302	157,919,302
	206,960,000	57,985,484	264,945,484

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, 2010 is \$43,060,000.

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

Debt Service Fund (continued)

PROGRAM COMMENTS: - Continued

County makes monthly withdrawals from the Authority to fund certain public works projects and the incidental and necessary expenses related thereto. At June 30, 2010, the balance due per the Agreement was \$897,100.

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, 2010, the balance due per the Agreement was \$3,092,000.

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, 2010 is \$2,808,108.

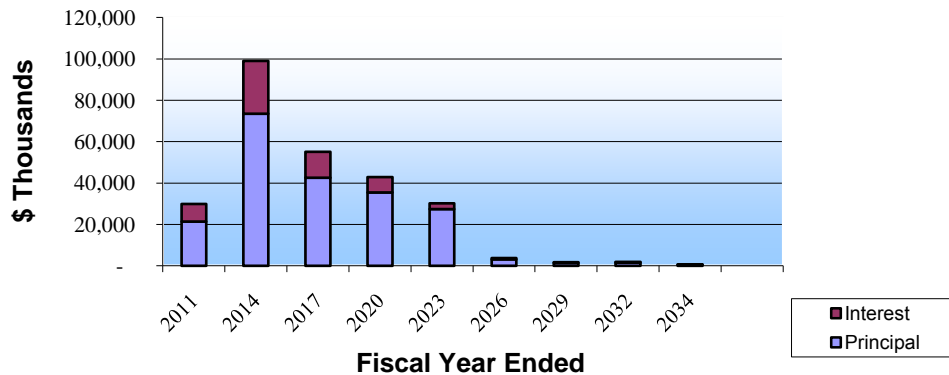
Contract with CCA – In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale 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 30, 2010 are \$883,724.

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 30, 2010 are \$712,901.

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, 2010 are \$14,481,508.

County’s General Obligation Bonds, Series 2010C (Recovery Zone Economic Development Bonds) – A portion of the General Obligation Bonds issued by Hamilton County in 2010 consist of \$4,980,000 of Federally Taxable Recovery Zone Economic Development Bonds (RZEDB). This portion of the 2010 bond issue has been referred to as ‘Series 2010C Bonds’. Under Internal Revenue Service guidelines, an issuer of RZEDB may apply to receive payments (the ‘Recovery Zone Interest Subsidy Payment’) from the Federal government equal to 45% of the corresponding interest payable on the RZEDB. To receive the Recovery Zone Interest Subsidy Payment, Hamilton County must file a Federal tax return (designated as Form 8038-CP) between 45 and 90 days prior to the corresponding bond interest payment due date. Under the terms of the IRS guidelines, the Federal government has pledged to refund the County for 45% of the interest payable on the RZEDB. Future reimbursements by the Federal government for a portion of the interest requirements on the Series 2010C RZEDB at June 30, 2010 are \$735,125.

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
FISCAL YEAR 2011 and FORWARD**

Fiscal Year Ended	Balance at Beginning of Fiscal Year	Annual Redemption	Annual Interest Requirements	Total Annual Requirements
06/30/2011	\$ 206,960,000	\$ 21,410,000	\$ 8,407,757	\$ 29,817,757
06/30/2012	185,550,000	21,430,000	7,520,273	28,950,273
06/30/2013	164,120,000	17,810,000	6,689,173	24,499,173
06/30/2014	146,310,000	17,770,000	5,988,979	23,758,979
06/30/2015	128,540,000	16,440,000	5,319,175	21,759,175
06/30/2016	112,100,000	16,395,000	4,735,316	21,130,316
06/30/2017	95,705,000	13,090,000	4,177,691	17,267,691
06/30/2018	82,615,000	13,115,000	3,587,354	16,702,354
06/30/2019	69,500,000	13,140,000	3,005,741	16,145,741
06/30/2020	56,360,000	11,180,000	2,406,421	13,586,421
06/30/2021	45,180,000	11,205,000	1,884,214	13,089,214
06/30/2022	33,975,000	11,240,000	1,428,489	12,668,489
06/30/2023	22,735,000	11,275,000	970,316	12,245,316
06/30/2024	11,460,000	4,845,000	495,381	5,340,381
06/30/2025	6,615,000	2,245,000	291,685	2,536,685
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		\$206,960,000	\$57,985,484	\$264,945,484

HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2011

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2010	Interest Payable
General Improvement	3-1-98-B	4.65	\$ 225,000	\$ 5,231
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	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	5.00	7,691,071	384,554
General Improvement	4-8-08-A	3.50	961,012	33,635
General Improvement	4-8-08-A	3.75	961,012	36,038
General Improvement	4-8-08-A	4.25	1,922,025	81,686
General Improvement	4-8-08-A	4.375	961,012	42,044
General Improvement	4-8-08-B	4.00	1,839,134	73,566
General Improvement	4-8-08-B	5.00	3,814,960	143,075
General Improvement	4-8-08-B	3.25	1,838,004	59,735
General Improvement	3-10-09	3.00	2,380,080	71,403
General Improvement	3-10-09	3.50	1,190,040	41,652
General Improvement	3-10-09	4.00	3,568,710	142,748
General Improvement	3-10-09	4.125	593,610	24,486
General Improvement	3-10-09	4.375	593,610	25,970
General Improvement	3-10-10-A	3.000	3,220,000	90,697
General Improvement	3-10-10-A	3.250	1,610,000	49,127
General Improvement	3-10-10-A	3.500	1,610,000	52,906
General Improvement	3-10-10-A	4.000	1,035,000	38,870
General Improvement	3-10-10-B	2.000	4,845,000	90,978
General Improvement	3-10-10-B	2.500	1,610,000	37,790
General Improvement	3-10-10-B	3.000	3,220,000	90,697
General Improvement	3-10-10-B	4.000	3,220,000	120,929
General Improvement	3-10-10-B	4.125	1,610,000	62,354
General Improvement	3-10-10-B	4.250	1,610,000	64,244
General Improvement	3-10-10-C	0.750	330,000	2,324
General Improvement	3-10-10-C	1.200	325,000	3,662
General Improvement	3-10-10-C	1.800	325,000	5,493
General Improvement	3-10-10-C	2.200	330,000	6,816

HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2011

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30,2010	Interest Payable
General Improvement	3-10-10-C	2.800	\$ 330,000	\$ 8,675
General Improvement	3-10-10-C	3.200	330,000	9,915
General Improvement	3-10-10-C	3.500	330,000	10,844
General Improvement	3-10-10-C	3.700	330,000	11,464
General Improvement	3-10-10-C	4.000	330,000	12,393
General Improvement	3-10-10-C	4.150	330,000	12,858
General Improvement	3-10-10-C	4.350	330,000	13,478
General Improvement	3-10-10-C	4.600	330,000	14,252
General Improvement	3-10-10-C	4.700	330,000	14,562
General Improvement	3-10-10-C	4.850	330,000	15,027
General Improvement	3-10-10-C	5.000	370,000	17,369
TOTAL GENERAL IMPROVEMENT BONDS			\$ 81,924,280	\$ 3,106,088
School Series	2-10-04	4.00	5,866,667	234,667
School Series	2-10-04	4.125	733,333	30,250
School Series	4-8-08-A	5.00	44,048,929	2,202,446
School Series	4-8-08-A	3.50	5,503,988	192,640
School Series	4-8-08-A	3.75	5,503,988	206,400
School Series	4-8-08-A	4.25	11,007,975	467,839
School Series	4-8-08-A	4.375	5,503,988	240,799
School Series	4-8-08-B	4.00	6,300,866	252,035
School Series	4-8-08-B	5.00	13,070,040	490,175
School Series	4-8-08-B	3.25	6,296,996	204,652
School Series	3-10-09	3.00	6,059,920	181,797
School Series	3-10-09	3.50	3,029,960	106,049
School Series	3-10-09	4.00	9,086,290	363,452
School Series	3-10-09	4.125	1,511,390	62,345
School Series	3-10-09	4.375	1,511,390	66,123
TOTAL SCHOOL BONDS			125,035,720	5,301,669
TOTAL GENERAL IMPROVEMENT BONDS			81,924,280	3,106,088
TOTAL BONDS			\$ 206,960,000	\$ 8,407,757

HAMILTON COUNTY, TENNESSEE
SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS
AS OF JUNE 30, 2010

Payments Due in Fiscal Year 2011

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 21,410,000	\$ 8,407,757	\$ 29,817,757
1996 Loan Agreement	897,100	*	897,100
1999 Loan Agreement	728,000	*	728,000
Finley Stadium Project	362,500	111,923	474,423
Silverdale Correctional Facility	267,005	-	267,005
Dept. of Education 2003 Loan Agreement	91,169	-	91,169
Short-Term Commercial Paper	**	**	**
Total payments due in fiscal year 2011	<u>\$ 23,755,774</u>	<u>\$ 8,519,680</u>	<u>32,275,454</u>
Less: Reimbursements by WWTa			(607,218)
Reimbursement on Series 2010 C Bonds			<u>(71,609)</u>
Net debt service and other obligations			<u>\$ 31,596,627</u>

Total Debt Obligations at June 30, 2010

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 206,960,000	\$ 57,985,484	\$ 264,945,484
1996 Loan Agreement	897,100	*	897,100
1999 Loan Agreement	3,092,000	*	3,092,000
Finley Stadium Project	2,445,000	363,108	2,808,108
Silverdale Correctional Facility	883,724	-	883,724
Dept. of Education 2003 Loan Agreement	712,901	-	712,901
Short-Term Commercial Paper	43,060,000	**	43,060,000
Total debt obligations outstanding	<u>\$ 258,050,725</u>	<u>\$ 58,348,592</u>	<u>316,399,317</u>
Less: Reimbursements by WWTa			(14,481,508)
Reimbursement on Series 2010 C Bonds			<u>(735,125)</u>
Net debt obligations outstanding			<u>\$ 301,182,684</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, 2010.