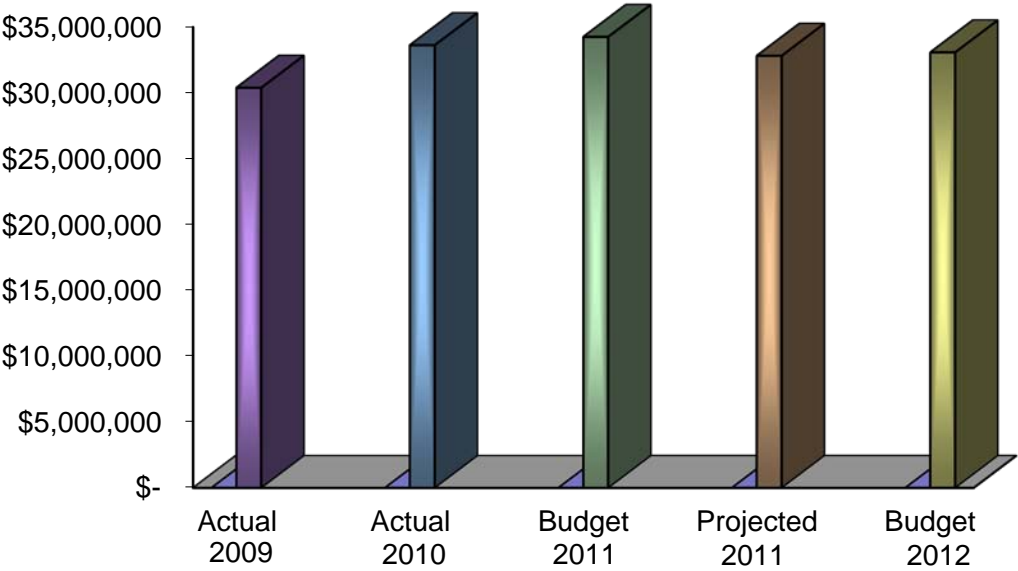


## **Debt Service Fund**

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 2009	Actual 2010	Amended Budget 2011	Projected 2011	Adopted Budget 2012
<b>Revenues</b>					
Taxes	1,099	-	-	-	-
Intergovernmental	823,967	1,012,650	807,218	897,951	899,150
Charges for Services	541,358	561,243	525,000	532,524	561,243
Investment Earnings	8,311	78,566	2,000	2,312	2,500
Miscellaneous	-	23,868	-	33,474	75,157
Transfers from other funds	29,004,756	32,029,957	32,934,084	31,262,757	31,547,740
<b>Total Revenues</b>	<b>30,379,491</b>	<b>33,706,284</b>	<b>34,268,302</b>	<b>32,729,018</b>	<b>33,085,790</b>
<b>Expenditures</b>					
Trustee Commission	5,331	5,635	5,500	5,683	6,000
Retirement of Principal	19,650,000	21,720,000	21,410,000	21,410,000	21,430,000
Retirement of Notes	1,746,005	2,011,738	1,892,100	1,982,838	1,038,403
Bond Service Charge	26,259	23,268	36,000	17,281	25,000
Commercial Paper Interest & Fees	442,240	503,144	1,934,560	152,303	2,420,148
Interest	8,007,678	8,885,073	8,500,719	8,760,732	7,674,405
Administrative Expense	37,103	-	15,000	24,950	15,000
Payment to City	478,190	477,853	474,423	474,423	476,834
Interfund Transfer	-	9,038	-	-	-
<b>Total Expenditures</b>	<b>30,392,806</b>	<b>33,635,749</b>	<b>34,268,302</b>	<b>32,828,210</b>	<b>33,085,790</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(13,315)</b>	<b>70,535</b>	<b>-</b>	<b>(99,192)</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>240,340</b>	<b>227,025</b>	<b>297,560</b>	<b>297,560</b>	<b>198,368</b>
<b>Fund Balance at end of year</b>	<b>227,025</b>	<b>297,560</b>	<b>297,560</b>	<b>198,368</b>	<b>198,368</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, 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	4.75-5.10%	4,705,000	-
2004	4.00-4.65%	18,623,333	5,866,667
2008A	5.00%-4.375%	11,534,377	66,060,623
2008B	4.00%-3.25%	5,585,182	19,134,818
2009	3.00%-4.375%	7,731,030	19,683,970
2010A	3.00%-4.00%	7,475,000	-
2010B	2.00%-4.25%	14,500,000	-
2010C	1.20%-5.00%	4,650,000	-
		74,803,922	110,746,078

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
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	16,440,000	5,319,175	21,759,175
2016-2034	112,100,000	24,060,127	136,160,127
	185,550,000	49,577,727	235,127,727

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, 2011 is \$58,616,000.

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 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

## 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, 2011, the balance due per the Agreement was \$2,364,000.

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, 2011 is \$2,333,685.

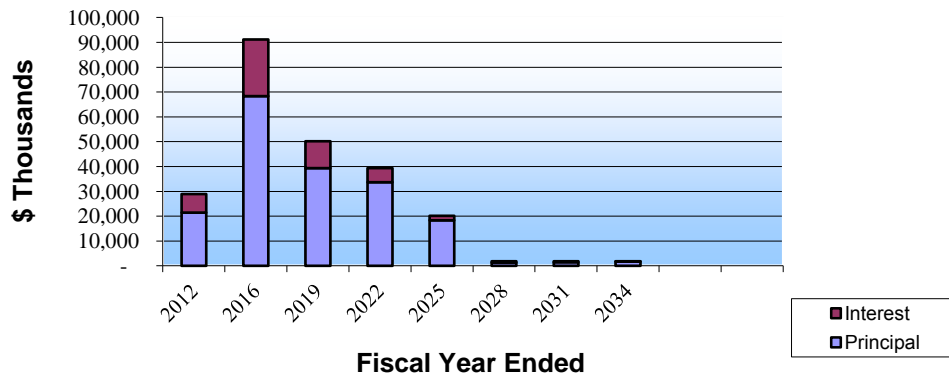
Contract with CCA – In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale 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, 2011 are \$616,719.

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, 2011 are \$615,758.

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, 2011 are \$13,874,290.

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, 2011 are \$663,516.

### ***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 2012 and FORWARD**

<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>
06/30/2012	\$ 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
<b>TOTAL</b>		<b>\$185,550,000</b>	<b>\$49,577,727</b>	<b>\$235,127,727</b>

**HAMILTON COUNTY, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF INTEREST REQUIREMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2012**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2011</b>	<b>Interest Payable</b>
General Improvement	3-1-98-B	4.75	\$ 235,000	\$ 5,581
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	2-10-04	4.00	10,636,666	425,467
General Improvement	2-10-04	4.125	1,556,667	64,212
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	6,729,316	336,466
General Improvement	4-8-08-A	3.50	961,012	33,636
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	1,839,133	73,566
General Improvement	4-8-08-B	5.00	1,908,045	47,701
General Improvement	4-8-08-B	3.25	1,838,004	59,735
General Improvement	3-10-09	3.00	1,785,060	53,552
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	96,600
General Improvement	3-10-10-A	3.250	1,610,000	52,325
General Improvement	3-10-10-A	3.500	1,610,000	56,350
General Improvement	3-10-10-A	4.000	1,035,000	41,400
General Improvement	3-10-10-B	2.000	3,230,000	64,600
General Improvement	3-10-10-B	2.500	1,610,000	40,250
General Improvement	3-10-10-B	3.000	3,220,000	96,600
General Improvement	3-10-10-B	4.000	3,220,000	128,800
General Improvement	3-10-10-B	4.125	1,610,000	66,412
General Improvement	3-10-10-B	4.250	1,610,000	68,425
General Improvement	3-10-10-C	1.200	325,000	3,900
General Improvement	3-10-10-C	1.800	325,000	5,850
General Improvement	3-10-10-C	2.200	330,000	7,260



**HAMILTON COUNTY, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF INTEREST REQUIREMENTS FOR**  
**FISCAL YEAR ENDED JUNE 30, 2012**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2011</b>	<b>Interest Payable</b>
General Improvement	3-10-10-C	2.800	\$ 330,000	\$ 9,240
General Improvement	3-10-10-C	3.200	330,000	10,560
General Improvement	3-10-10-C	3.500	330,000	11,550
General Improvement	3-10-10-C	3.700	330,000	12,210
General Improvement	3-10-10-C	4.000	330,000	13,200
General Improvement	3-10-10-C	4.150	330,000	13,695
General Improvement	3-10-10-C	4.350	330,000	14,355
General Improvement	3-10-10-C	4.600	330,000	15,180
General Improvement	3-10-10-C	4.700	330,000	15,510
General Improvement	3-10-10-C	4.850	330,000	16,005
General Improvement	3-10-10-C	5.000	370,000	18,500
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>\$ 74,803,922</b>	<b>\$ 2,895,550</b>
School Series	2-10-04	4.00	5,133,334	205,333
School Series	2-10-04	4.125	733,333	30,250
School Series	4-8-08-A	5.00	38,540,684	1,927,034
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	6,300,867	252,035
School Series	4-8-08-B	5.00	6,536,955	163,424
School Series	4-8-08-B	3.25	6,296,996	204,652
School Series	3-10-09	3.00	4,544,940	136,348
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
<b>TOTAL SCHOOL BONDS</b>			<b>110,746,078</b>	<b>4,624,723</b>
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>74,803,922</b>	<b>2,895,550</b>
<b>TOTAL BONDS</b>			<b>\$ 185,550,000</b>	<b>\$ 7,520,273</b>

**HAMILTON COUNTY, TENNESSEE**  
**SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS**  
**AS OF JUNE 30, 2011**

**Payments Due in Fiscal Year 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 21,430,000	\$ 7,520,273	\$ 28,950,273
1999 Loan Agreement	757,000	*	757,000
Finley Stadium Project	385,000	91,834	476,834
Silverdale Correctional Facility	267,736	-	267,736
Dept. of Education 2003 Loan Agreement	90,733	-	90,733
Short-Term Commercial Paper	**	**	**
Total payments due in fiscal year 2012	<u>\$ 22,930,469</u>	<u>\$ 7,612,107</u>	30,542,576
Less: Reimbursements by WWTa			(608,417)
Reimbursement on Series 2010 C Bonds			<u>(75,157)</u>
Net debt service and other obligations			<u>\$ 29,859,002</u>

**Total Debt Obligations at June 30, 2011**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 185,550,000	\$ 49,577,727	\$ 235,127,727
1999 Loan Agreement	2,364,000	*	2,364,000
Finley Stadium Project	2,082,500	251,185	2,333,685
Silverdale Correctional Facility	616,719	-	616,719
Dept. of Education 2003 Loan Agreement	615,758	-	615,758
Short-Term Commercial Paper	58,616,000	**	58,616,000
Total debt obligations outstanding	<u>\$ 249,844,977</u>	<u>\$ 49,828,912</u>	299,673,889
Less: Reimbursements by WWTa			(13,874,290)
Reimbursement on Series 2010 C Bonds			<u>(663,516)</u>
Net debt obligations outstanding			<u>\$ 285,136,083</u>

\* The interest rate on the 1999 Loan Agreement is 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, 2011.