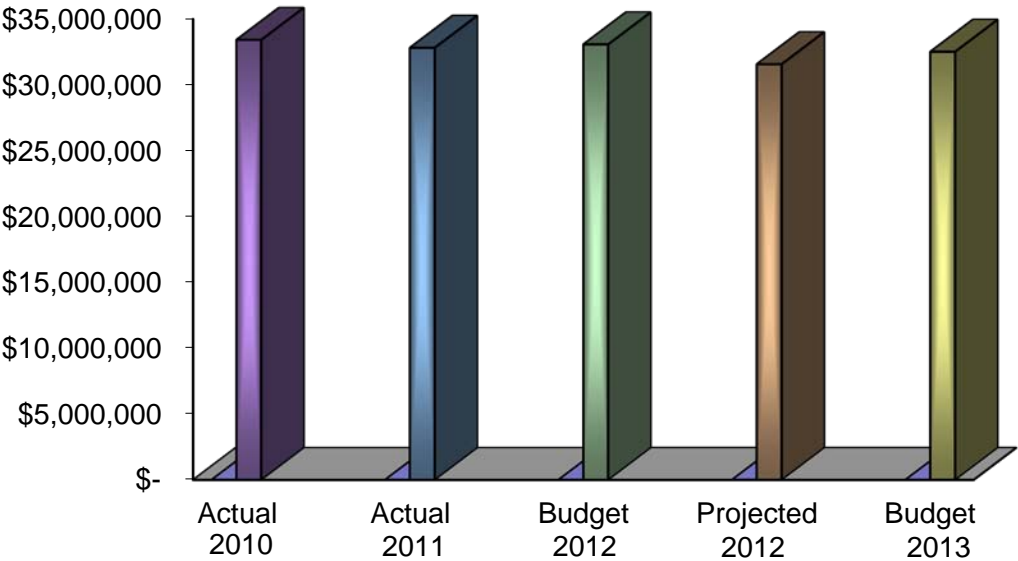


## **Debt Service Fund**

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 2010	Actual 2011	Amended Budget 2012	Projected 2012	Adopted Budget 2013
<b><u>Revenues</u></b>					
Taxes	-	-	-	-	-
Intergovernmental	818,217	897,950	-	899,151	765,729
Charges for Services	561,243	532,524	561,243	525,134	535,000
Investment Earnings	78,566	2,312	2,500	(3,829)	2,500
Miscellaneous	23,868	71,609	-	75,157	-
Transfers from other funds	32,020,919	31,262,757	32,522,047	30,233,839	31,221,645
<b>Total Revenues</b>	<b>33,502,813</b>	<b>32,767,152</b>	<b>33,085,790</b>	<b>31,729,452</b>	<b>32,524,874</b>
<b><u>Expenditures</u></b>					
Trustee Commission	5,635	5,683	6,000	5,235	6,000
Retirement of Principal	21,720,000	21,410,000	21,430,000	21,697,736	20,595,000
Retirement of Notes	2,011,738	1,982,838	1,024,736	1,043,368	1,055,736
Bond Service Charge	23,268	17,281	25,000	10,917	25,000
Commercial Paper Interest & Fees	125,214	352,975	371,814	-	212,643
Interest	8,885,073	8,407,757	9,645,673	8,087,583	10,051,592
Administrative Expense	192,555	177,252	15,000	297,942	15,000
Payment to City	477,853	474,423	476,834	436,090	473,170
Interfund Transfer	(9,058)	-	90,733	-	90,733
<b>Total Expenditures</b>	<b>33,432,278</b>	<b>32,828,209</b>	<b>33,085,790</b>	<b>31,578,871</b>	<b>32,524,874</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>70,535</b>	<b>(61,057)</b>	<b>-</b>	<b>150,581</b>	<b>-</b>
<b>Beginning Fund Balance</b>	<b>227,025</b>	<b>297,560</b>	<b>236,503</b>	<b>236,503</b>	<b>387,084</b>
<b>Fund Balance at end of year</b>	<b>297,560</b>	<b>236,503</b>	<b>236,503</b>	<b>387,084</b>	<b>387,084</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%	4,470,000	-
2008A	5.00%-4.375%	10,572,621	60,552,379
2008B	4.00%-3.25%	3,677,138	12,597,862
2009	3.00%-4.375%	7,136,010	18,168,990
2010A	3.00%-4.00%	7,475,000	-
2010B	2.00%-4.25%	12,885,000	-
2010C	1.80%-5.00%	4,325,000	-
2011A	3.00%-5.00%	12,875,000	48,435,000
2011B	3.00%-5.00%	15,948,000	4,587,000
		79,363,769	144,341,231

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
2013	20,595,000	9,334,136	29,929,136
2014	20,625,000	8,572,743	29,197,743
2015	19,410,000	7,788,739	27,198,739
2016	19,545,000	7,033,830	26,578,830
2017-2031	143,530,000	30,924,550	174,454,550
	223,705,000	63,653,998	287,358,998

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, 2012 is \$26,630,010.

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

## Debt Service Fund (continued)

### PROGRAM COMMENTS: - Continued

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, 2012, the balance due per the Agreement was \$1,607,000.

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, 2012 is \$1,856,851.

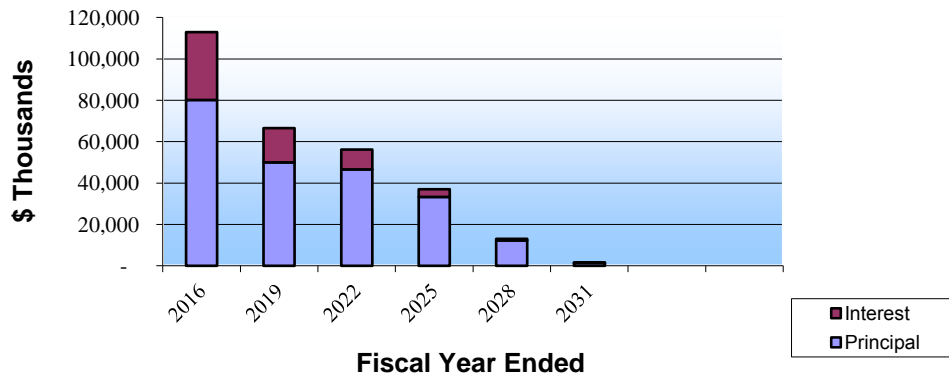
Contract with CCA – In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale 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, 2012 are \$348,983.

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, 2012 are \$517,351.

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, 2012 are \$11,172,722.

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, 2012 are \$719,106.

### ***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 2013 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>
06/30/2013	\$ 223,705,000	\$ 20,595,000	\$ 9,334,136	\$ 29,929,136
06/30/2014	203,110,000	20,625,000	8,572,743	29,197,743
06/30/2015	182,485,000	19,410,000	7,788,739	27,198,739
06/30/2016	163,075,000	19,545,000	7,033,830	26,578,830
06/30/2017	143,530,000	16,425,000	6,296,155	22,721,155
06/30/2018	127,105,000	16,650,000	5,516,368	22,166,368
06/30/2019	110,455,000	16,880,000	4,735,205	21,615,205
06/30/2020	93,575,000	15,295,000	3,928,848	19,223,848
06/30/2021	78,280,000	15,525,000	3,203,440	18,728,440
06/30/2022	62,755,000	15,765,000	2,538,615	18,303,615
06/30/2023	46,990,000	16,020,000	1,861,217	17,881,217
06/30/2024	30,970,000	9,820,000	1,156,282	10,976,282
06/30/2025	21,150,000	7,415,000	760,011	8,175,011
06/30/2026	13,735,000	5,765,000	469,944	6,234,944
06/30/2027	7,970,000	5,960,000	281,969	6,241,969
06/30/2028	2,010,000	530,000	73,369	603,369
06/30/2029	1,480,000	545,000	54,189	599,189
06/30/2030	935,000	565,000	35,063	600,063
06/30/2031	370,000	370,000	13,875	383,875
<b>TOTAL</b>		<b>\$223,705,000</b>	<b>\$63,653,998</b>	<b>\$287,358,998</b>

**HAMILTON COUNTY, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF INTEREST REQUIREMENTS FOR  
FISCAL YEAR ENDED JUNE 30, 2013**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2012</b>	<b>Interest Payable</b>
General Improvement	3-1-98-B	4.875	\$ 250,000	\$ 6,094
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	4-8-08-A	5.00	5,767,560	288,378
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	1,839,134	51,853
General Improvement	4-8-08-B	3.25	1,838,004	59,735
General Improvement	3-10-09	3.00	1,190,040	35,701
General Improvement	3-10-09	3.50	1,190,040	41,651
General Improvement	3-10-09	4.00	3,568,710	142,748
General Improvement	3-10-09	4.125	593,610	24,487
General Improvement	3-10-09	4.375	593,610	25,971
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	1,615,000	32,300
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	66,413
General Improvement	3-10-10-B	4.250	1,610,000	68,425
General Improvement	3-10-10-C	1.800	325,000	5,850
General Improvement	3-10-10-C	2.200	330,000	7,260
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
General Improvement	11-8-11-A	3.000	616,345	18,490
General Improvement	11-8-11-A	4.000	635,245	25,410



**HAMILTON COUNTY, TENNESSEE  
DEBT SERVICE FUND  
SCHEDULE OF INTEREST REQUIREMENTS FOR  
FISCAL YEAR ENDED JUNE 30, 2013**

<b>Bond Redemption</b>	<b>Date of Issue</b>	<b>Interest Rate</b>	<b>Outstanding June 30, 2012</b>	<b>Interest Payable</b>
General Improvement	11-8-11-A	5.000	\$ 7,280,644	\$ 364,032
General Improvement	11-8-11-A	4.000	2,090,534	83,621
General Improvement	11-8-11-A	3.250	1,107,741	36,002
General Improvement	11-8-11-A	3.500	1,144,491	40,057
General Improvement	11-8-11-B	3.000	1,430,500	42,915
General Improvement	11-8-11-B	4.000	1,427,833	57,113
General Improvement	11-8-11-B	5.000	7,424,667	371,233
General Improvement	11-8-11-B	4.000	410,000	16,400
General Improvement	11-8-11-B	3.000	1,770,000	53,100
General Improvement	11-8-11-B	3.250	475,000	15,438
General Improvement	11-8-11-B	3.375	490,000	16,538
General Improvement	11-8-11-B	3.500	1,040,000	36,400
General Improvement	11-8-11-B	3.625	545,000	19,756
General Improvement	11-8-11-B	3.750	935,000	35,062
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>\$ 79,363,769</b>	<b>\$ 3,158,557</b>
School Series	4-8-08-A	5.00	33,032,440	1,651,622
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	177,647
School Series	4-8-08-B	3.25	6,296,996	204,652
School Series	3-10-09	3.00	3,029,960	90,898
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
School Series	11-8-11-A	3.000	2,318,655	69,559
School Series	11-8-11-A	4.000	2,389,755	95,590
School Series	11-8-11-A	5.000	27,389,356	1,369,468
School Series	11-8-11-A	4.000	7,864,466	314,579
School Series	11-8-11-A	3.250	4,167,259	135,436
School Series	11-8-11-A	3.500	4,305,509	150,693
School Series	11-8-11-B	3.000	654,500	19,635
School Series	11-8-11-B	4.000	647,167	25,887
School Series	11-8-11-B	5.000	3,285,333	164,266
<b>TOTAL SCHOOL BONDS</b>			<b>144,341,231</b>	<b>6,175,579</b>
<b>TOTAL GENERAL IMPROVEMENT BONDS</b>			<b>79,363,769</b>	<b>3,158,557</b>
<b>TOTAL BONDS</b>			<b>\$ 223,705,000</b>	<b>\$ 9,334,136</b>

**HAMILTON COUNTY, TENNESSEE**  
**SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS**  
**AS OF JUNE 30, 2012**

**Payments Due in Fiscal Year 2013**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 20,595,000	\$ 9,334,136	\$ 29,929,136
1999 Loan Agreement	788,000	*	788,000
Finley Stadium Project	402,500	70,670	473,170
Silverdale Correctional Facility	267,005	-	267,005
Dept. of Education 2003 Loan Agreement	90,734	-	90,734
Short-Term Commercial Paper	**	**	**
Total payments due in fiscal year 2013	<u>\$ 22,143,239</u>	<u>\$ 9,404,806</u>	31,548,045
Less: Reimbursements by WWTA			(601,594)
Reimbursement on Series 2010 C Bonds			(73,402)
Net debt service and other obligations			<u>\$ 30,873,049</u>

**Total Debt Obligations at June 30, 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 223,705,000	\$ 63,653,998	\$ 287,358,998
1999 Loan Agreement	1,607,000	*	1,607,000
Finley Stadium Project	1,697,500	159,351	1,856,851
Silverdale Correctional Facility	348,983	-	348,983
Dept. of Education 2003 Loan Agreement	517,351	-	517,351
Short-Term Commercial Paper	23,556,000	**	23,556,000
Total debt obligations outstanding	<u>\$ 251,431,834</u>	<u>\$ 63,813,349</u>	315,245,183
Less: Reimbursements by WWTA			(11,172,722)
Reimbursement on Series 2010 C Bonds			(588,359)
Net debt obligations outstanding			<u>\$ 303,484,102</u>

\* The interest rate on the 1999 Loan Agreement is adjustable. Interest expense will vary based upon the actual interest rate assessed on the loans.

\*\* 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, 2012.