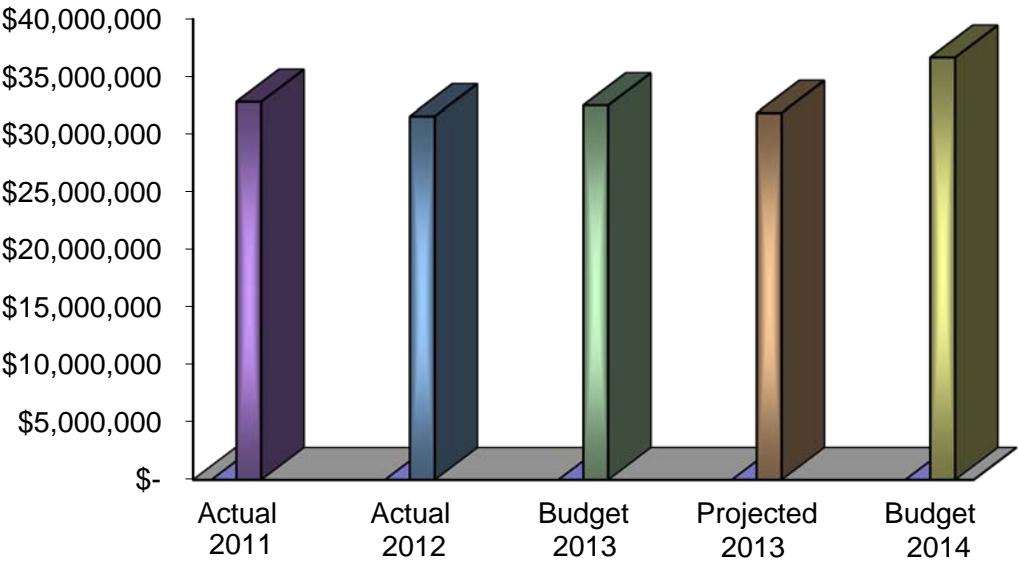


Debt Service Fund

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**

	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Amended Budget 2013</u>	<u>Projected 2013</u>	<u>Adopted Budget 2014</u>
<u>Revenues</u>					
Taxes	-	-	-	-	-
Intergovernmental	897,950	899,151	692,327	692,327	693,327
Charges for Services	532,524	525,134	535,000	550,090	550,000
Investment Earnings	2,312	-	2,500	2,100	2,000
Miscellaneous	71,609	75,157	73,402	73,402	70,769
Transfers from other funds	31,262,757	30,233,839	31,221,645	30,479,136	35,357,329
Total Revenues	32,767,152	31,733,281	32,524,874	31,797,055	36,673,425
<u>Expenditures</u>					
Trustee Commission	5,683	5,235	6,000	6,437	7,000
Retirement of Principal	21,410,000	21,430,000	20,595,000	20,595,000	25,245,000
Retirement of Notes	1,892,105	1,024,736	1,055,736	1,055,005	900,978
Bond Service Charge	17,281	14,747	25,000	16,894	25,000
Commercial Paper Interest & Fees	499,143	473,089	872,675	247,471	350,000
Interest	8,426,391	8,056,542	9,391,560	9,372,507	9,567,923
Administrative Expense	12,450	10,785	15,000	13,100	15,000
Payment to City	474,423	476,834	473,170	473,170	471,791
Interfund Transfer	90,733	90,733	90,733	90,733	90,733
Total Expenditures	32,828,209	31,582,701	32,524,874	31,870,317	36,673,425
Excess of Revenues Over (Under) Expenditures	(61,057)	150,580	-	(73,262)	-
Beginning Fund Balance	297,560	236,503	387,083	387,083	313,821
Fund Balance at end of year	236,503	387,083	387,083	313,821	313,821

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	5.00%-5.10%	4,220,000	-
2008A	5.00%-3.75%	2,883,780	16,516,220
2008B	4.00%-3.25%	2,591,507	8,878,493
2009	3.00%-4.375%	6,540,990	16,654,010
2010A	3.00%-4.00%	7,475,000	-
2010B	2.00%-4.25%	11,270,000	-
2010C	2.20%-5.00%	4,000,000	-
2011A	4.00%-3.50%	12,258,654	46,116,346
2011B	4.00%-5.00%	14,517,500	3,932,500
2013A	3.00%-2.75%	10,061,000	50,549,000
2013B	2.00%-3.00%	6,701,100	38,378,900
		82,519,531	181,025,469

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
2014	25,245,000	9,546,923	34,791,923
2015	23,800,000	9,165,170	32,965,170
2016	23,935,000	8,241,561	32,176,561
2017	20,395,000	7,335,286	27,730,286
2018-2031	170,170,000	30,382,900	200,552,900
	263,545,000	64,671,840	328,216,840

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. As of April 30, 2013, Hamilton County has repaid all draws of Commercial Paper and had no liabilities for Commercial Papers as of that date.

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, 2013, the balance due per the Agreement was \$819,000.

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, 2013 is \$1,383,681.

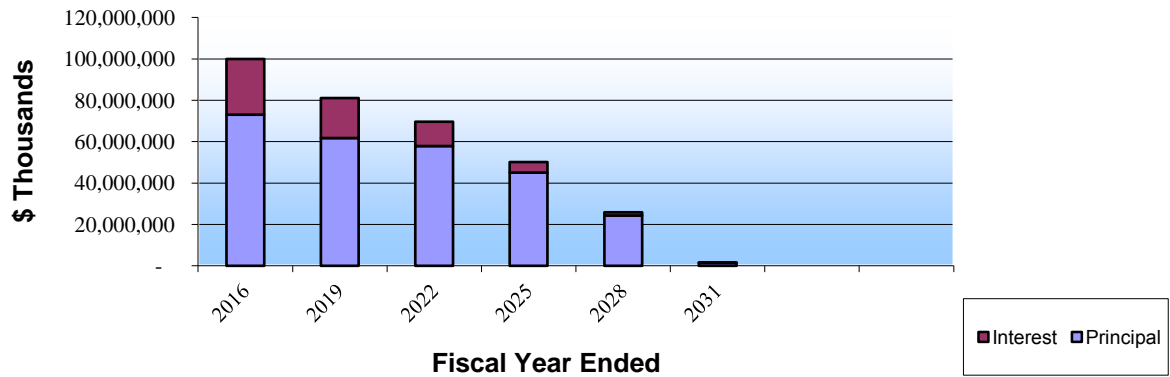
Contract with CCA – In 1998, Hamilton County amended its contract with Corrections Corporation of America (CCA) for the management of the Silverdale Correctional Facility (Hamilton County Penal Farm). Among other items, the contract amendment authorized CCA to construct an expansion to the Silverdale 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, 2013 are \$81,978.

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, 2013 are \$419,507.

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, 2013 are \$10,571,128.

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, 2013 are \$514,957.

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 2014 and FORWARD

Fiscal Year Ended	Balance at Beginning of Fiscal Year	Annual Redemption	Annual Interest Requirements	Total Annual Requirements
06/30/2014	\$ 263,545,000	\$ 25,245,000	\$ 9,546,923	\$ 34,791,923
06/30/2015	238,300,000	23,800,000	9,165,170	32,965,170
06/30/2016	214,500,000	23,935,000	8,241,561	32,176,561
06/30/2017	190,565,000	20,395,000	7,335,286	27,730,286
06/30/2018	170,170,000	20,575,000	6,461,349	27,036,349
06/30/2019	149,595,000	20,755,000	5,587,836	26,342,836
06/30/2020	128,840,000	19,125,000	4,691,129	23,816,129
06/30/2021	109,715,000	19,300,000	3,877,171	23,177,171
06/30/2022	90,415,000	19,530,000	3,077,509	22,607,509
06/30/2023	70,885,000	19,715,000	2,327,574	22,042,574
06/30/2024	51,170,000	13,860,000	1,641,082	15,501,082
06/30/2025	37,310,000	11,455,000	1,158,961	12,613,961
06/30/2026	25,855,000	9,805,000	777,994	10,582,994
06/30/2027	16,050,000	10,000,000	494,069	10,494,069
06/30/2028	6,050,000	4,570,000	184,469	4,754,469
06/30/2029	1,480,000	545,000	54,819	599,819
06/30/2030	935,000	565,000	35,063	600,063
06/30/2031	370,000	370,000	13,875	383,875
TOTAL		\$263,545,000	\$64,671,840	\$328,216,840

HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2014

Bond Redemption	Date of Issue	Interest Rate		Outstanding June 30, 2013	Interest Payable
General Improvement	3-1-98-B	5.00	\$	830,000	\$ 34,875
General Improvement	3-1-98-B	5.10		3,390,000	172,890
General Improvement	4-8-08-A	5.00		961,756	48,088
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-B	4.00		753,503	30,140
General Improvement	4-8-08-B	3.25		1,838,004	42,332
General Improvement	3-10-09	3.00		595,020	17,851
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	24,486
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	2.500		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	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	4.000		635,245	25,410
General Improvement	11-8-11-A	5.000		7,280,643	364,032
General Improvement	11-8-11-A	4.000		2,090,534	83,621

**HAMILTON COUNTY, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF INTEREST REQUIREMENTS FOR
FISCAL YEAR ENDED JUNE 30, 2014**

Bond Redemption	Date of Issue	Interest Rate	Outstanding June 30, 2013	Interest Payable
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	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
General Improvement	4-10-13-A	3.000	671,453	17,178
General Improvement	4-10-13-A	4.000	5,365,811	183,034
General Improvement	4-10-13-A	2.000	670,623	11,438
General Improvement	4-10-13-A	2.125	670,623	12,153
General Improvement	4-10-13-A	2.250	670,623	12,868
General Improvement	4-10-13-A	2.375	670,623	13,582
General Improvement	4-10-13-A	2.500	670,622	14,297
General Improvement	4-10-13-A	2.750	670,622	15,727
General Improvement	4/10/13-B	2.000	188,784	3,220
General Improvement	4-10-13-B	4.000	4,682,446	159,724
General Improvement	4-10-13-B	3.000	1,829,870	46,814
TOTAL GENERAL IMPROVEMENT BONDS			\$ 82,519,531	\$ 3,115,330
School Series	4-8-08-A	5.000	5,508,244	275,412
School Series	4-8-08-A	3.500	5,503,988	192,640
School Series	4-8-08-A	3.750	5,503,988	206,399
School Series	4-8-08-B	4.000	2,581,497	103,260
School Series	4-8-08-B	3.250	6,296,996	145,030
School Series	3-10-09	3.000	1,514,980	45,449
School Series	3-10-09	3.500	3,029,960	106,049
School Series	3-10-09	4.000	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	4.000	2,389,755	95,590
School Series	11-8-11-A	5.000	27,389,357	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	4.000	647,167	25,887
School Series	11-8-11-B	5.000	3,285,333	164,266
School Series	4-10-13-A	3.000	3,373,547	86,307
School Series	4-10-13-A	4.000	26,959,189	919,608
School Series	4-10-13-A	2.000	3,369,377	57,467
School Series	4-10-13-A	2.125	3,369,377	61,058
School Series	4-10-13-A	2.250	3,369,377	64,650
School Series	4-10-13-A	2.375	3,369,377	68,242
School Series	4-10-13-A	2.500	3,369,378	71,833
School Series	4-10-13-A	2.750	3,369,378	79,016
School Series	4-10-13-B	2.000	1,081,216	18,441
School Series	4-10-13-B	4.000	26,817,554	914,777
School Series	4-10-13-B	3.000	10,480,130	268,116
TOTAL SCHOOL BONDS			181,025,469	6,431,593
TOTAL BONDS			\$ 263,545,000	\$ 9,546,923

HAMILTON COUNTY, TENNESSEE
SUMMARY OF DEBT SERVICE AND OTHER OBLIGATIONS
AS OF JUNE 30, 2013

Payments Due in Fiscal Year 2014

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 25,245,000	\$ 9,546,923	\$ 34,791,923
1999 Loan Agreement	819,000	*	819,000
Finley Stadium Project	422,500	49,291	471,791
Silverdale Correctional Facility	81,978	-	81,978
Dept. of Education 2003 Loan Agreement	90,733	-	90,733
Total payments due in fiscal year 2014	<u>\$ 26,659,211</u>	<u>\$ 9,596,214</u>	<u>36,255,425</u>
Less: Reimbursements by WWTA			(602,594)
Reimbursement on Series 2010 C Bonds			<u>(70,769)</u>
Net debt service and other obligations			<u>\$ 35,582,062</u>

Total Debt Obligations at June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Bonded debt	\$ 263,545,000	\$ 64,671,840	\$ 328,216,840
1999 Loan Agreement	819,000	*	819,000
Finley Stadium Project	1,295,000	88,681	1,383,681
Silverdale Correctional Facility	81,978	-	81,978
Dept. of Education 2003 Loan Agreement	419,507	-	419,507
Total debt obligations outstanding	<u>\$ 266,160,485</u>	<u>\$ 64,760,521</u>	<u>330,921,006</u>
Less: Reimbursements by WWTA			(10,571,128)
Reimbursement on Series 2010 C Bonds			<u>(514,957)</u>
Net debt obligations outstanding			<u>\$ 319,834,921</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.