

Debt Administration Policies

County debt is administered through the Debt Service Fund that accounts for all bonds and capital outlay notes issued and the resources required to liquidate all debt obligations.

- ▶ There are no legal debt limits for Blount County bonds or notes. Section 9-21-103 of the laws of the State of Tennessee provides that bonds or notes may be issued without regard to any limit on indebtedness for Tennessee counties.
- ▶ All issues must have the written approval of the State Director of Local Finance before issuance.
- ▶ As long as the County has outstanding debt, the County's annual budget must be approved by the State Director of Local Finance to ensure funds are available for full and timely debt payments.
- ▶ Bonds and notes issued are direct obligations of Blount County Government. The full faith and credit, with the taxing power of the local government is pledged for each issue.
- ▶ The County (primary government) has no outstanding revenue debt.
- ▶ The County occasionally uses Tax Anticipation Notes -- which are required to be repaid before the end of the fiscal year. The TAN's have all been internally issued as interfund loans since there has been adequate fund balance avoiding the cost of borrowing in the debt markets.
- ▶ In 2005-06, several major debt transactions took place:
 1. In accordance with the CIP, the County issued \$14,000,000 in bonds through the Public Building Authority to continue the school building program. The bonds are variable rate and are payable over 22 years for buildings with life expectancy of greater than 30 years. The funds will be used for the completion of a new elementary school on what is referred to as the Carpenters Campus.

2. In FY 2005-06, the County repaid

\$ 210,000	Note Principal
<u>3,230,000</u>	Loan Agreement Principal
<u>\$3,440,000</u>	Total Principal

The County has one outstanding capital outlay note and eleven outstanding loan agreements at June 30, 2006

3. As shown in the debt payment schedule, the fiscal year with the highest payment requirements for existing debt is FY 2030-2031.
4. The County is committed to a very conservative debt practice. After five years, the existing obligations will be 17% repaid, 28% repaid in ten years, and 100% repaid in 28 years.

Effect of Existing Debt on Operations

The 2005-06 Debt Service Budget of \$11.7 million increased from \$10.8 million last fiscal year. At year-end, eleven loan agreements and one note were outstanding. At this time, there is \$10 million remaining on a \$24 million approved loan agreement that will be issued in the 2005-06 fiscal year. The first \$14 million of this issue was closed in January, 2005.

The 2005-06 budget is expected to draw from previously accumulated undesignated Debt Service Fund Balance as part of the County's overall plan to keep tax rates steady.

During FY 04-05, the County continued the refinement of its long-term capital improvements program (CIP). The CIP documents specific projects requiring debt financing according to priority and the County's ability to pay. The plan helps to ensure the best and highest use of County funds for capital projects, document the County's commitment to living within its means, provide a budgeting tool for the debt service fund and for capital projects and provide a planning tool for the departments' overseeing each of the projects. The document does include all projected projects; however, funding availability and emergency needs force the review of timing each year and the development of timing shifts with each budget.

The projects on the plan include: Completion of the third phase of the indoor air quality program, construction of two new elementary schools, construction of a new high school, several renovation projects at all the schools, and highway capital projects. You will find a schedule of these capital projects located in this section of the document. These items have been reviewed by the County Commission; however, official action approving the completion of these items has not been completed at this time.

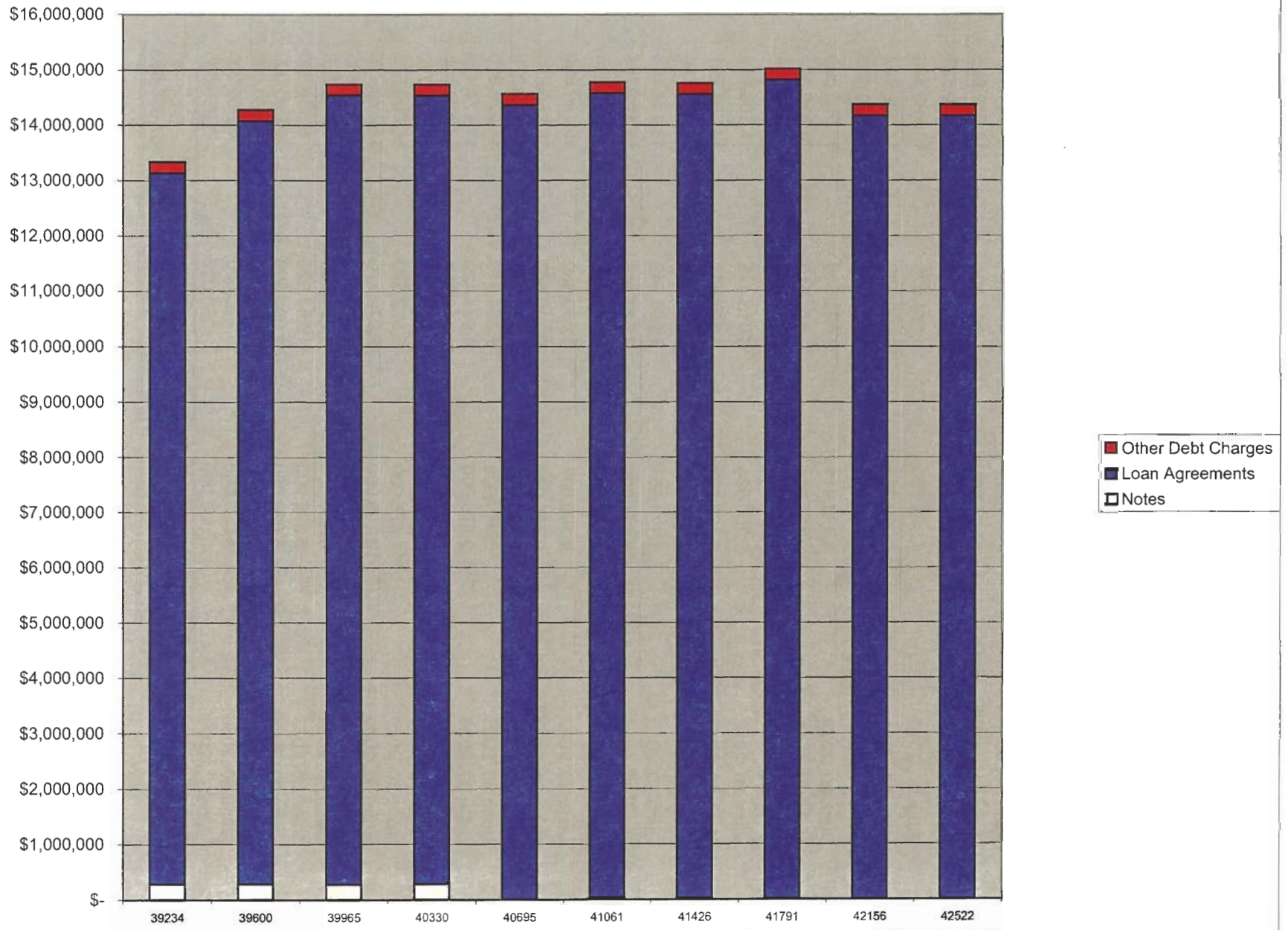
The effect of the debt (construction projects) on existing operations has been absorbed by the Debt Service fund and by operational funds where applicable. The County has demonstrated its ability and willingness to face tough financial issues in a fiscally responsible manner. As mentioned above, another exhibition in foresight is the tax increase in this fiscal year to provide for future capital projects.

The full operating costs of the new schools are included in the funding of the General Purpose School Fund included in this year's budget. Currently, the School Board is actively working with the Public Building Authority to ensure the facilities are both fully functional and cost-effective. The School Board and the County Commission should be commended for their foresight in school budget issues.

Summary of Note and Loan Agreement Maturities as of June 30, 2006

<u>Maturity Date within Year Ending</u>	<u>Note & Loan Agreement Principal</u>	<u>Interest Payable</u>	<u>Total</u>
June 30, 2007	\$ 3,850,978	\$ 9,280,297	\$ 13,131,275
June 30, 2008	4,171,861	9,901,004	14,072,865
June 30, 2009	4,181,785	10,358,738	14,540,523
June 30, 2010	4,348,750	10,184,676	14,533,426
June 30, 2011	4,352,758	10,009,535	14,362,293
June 30, 2012	4,749,812	9,828,771	14,578,583
June 30, 2013	4,933,914	9,624,616	14,558,530
June 30, 2014	5,415,064	9,405,010	14,820,074
June 30, 2015	5,007,267	9,161,709	14,168,976
June 30, 2016	5,255,524	8,913,435	14,168,959
June 30, 2017	6,101,837	8,652,454	14,754,291
June 30, 2018	7,988,210	8,347,549	16,335,759
June 30, 2019	8,174,554	7,966,942	16,141,496
June 30, 2020	8,551,339	7,577,445	16,128,784
June 30, 2021	8,946,339	4,143,955	13,090,294
June 30, 2022	9,100,000	6,690,980	15,790,980
June 30, 2023	9,530,000	6,230,560	15,760,560
June 30, 2024	8,620,000	5,749,070	14,369,070
June 30, 2025	8,945,000	5,334,870	14,279,870
June 30, 2026	9,270,000	4,904,420	14,174,420
June 30, 2027	9,595,000	4,457,720	14,052,720
June 30, 2028	10,820,000	3,994,770	14,814,770
June 30, 2029	11,475,000	3,525,570	15,000,570
June 30, 2030	13,205,000	2,970,770	16,175,770
June 30, 2031	13,905,000	2,322,585	16,227,585
June 30, 2032	6,320,000	1,626,720	7,946,720
June 30, 2033	5,292,000	1,297,520	6,589,520
June 30, 2034	5,000,000	1,000,000	6,000,000
June 30, 2035	5,000,000	750,000	5,750,000
June 30, 2036	5,000,000	500,000	5,500,000
June 30, 2037	5,000,000	250,000	5,250,000
Total	\$ 222,106,992	\$ 184,961,691	\$ 407,068,683
Max Repayment Year	Principal	Interest	Total
FY 2016-2017			
Requirements	\$ 7,988,210	\$ 8,347,549	\$ 16,335,759

Total Debt Payments (Principal & Interest)



Blount County, Tennessee

Schedule of Changes in General Long-Term Notes and Other Loans

Primary Government and Discretely Presented Blount County School Department

For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2005	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2006
PRIMARY GOVERNMENT								
NOTES PAYABLE								
Payable thru Gen Debt Service Fund								
Industrial Park	2,500,000	4.20 to 6.00	6/26/1998	5/1/2010	\$ 1,225,000	\$ -	\$ 220,000	\$ 1,005,000
Total Notes Payable					\$ 1,225,000	\$ -	\$ 220,000	\$ 1,005,000
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
Jail Project (Series II-B)	10,000,000	Variable	12/31/1996	12/31/2016	\$ 8,105,000	\$ -	\$ 710,000	\$ 7,395,000
School & Library	10,000,000	4.00 to 5.20%	11/1/1997	3/1/2007	810,000	-	395,000	415,000
Various Purpose	20,000,000	4.00 to 5.20%	8/1/1998	4/1/2008	2,805,000	-	895,000	1,910,000
Various Purpose	7,000,000	4.15 to 5.40%	8/1/1999	4/1/2009	1,290,000	-	300,000	990,000
Various Purpose	39,000,000	Swapped	3/16/2000	6/1/2023	39,000,000	-	-	39,000,000
Library	4,100,000	Variable	12/1/2000	6/1/2016	3,300,000	-	200,000	3,100,000
Various Purpose	20,000,000	Swapped	5/17/2001	6/1/2031	20,000,000	-	-	20,000,000
Various Purpose	10,000,000	Swapped	6/27/2002	6/1/2030	10,000,000	-	-	10,000,000
Various Purpose	9,100,000	Variable	2/27/2003	6/1/2030	8,075,000	-	550,000	7,525,000
Various Purpose	10,000,000	Swapped	1/29/2004	6/1/2028	10,000,000	-	-	10,000,000
Various Purpose	7,405,000	2.00 to 4.15%	9/1/2004	3/1/2019	7,380,000	-	70,000	7,310,000
Various Purpose	5,060,000	2.00 to 4.00%	10/1/2004	4/1/2019	5,045,000	-	45,000	5,000,000
Various Purpose	14,860,000	3.00 to 4.00%	1/27/2005	4/1/2019	14,860,000	-	-	14,860,000
Various Purpose	14,000,000	Swapped	3/17/2005	6/1/2027	14,000,000	-	-	14,000,000
Various Purpose	13,650,000	Variable	12/28/2005	6/1/2027	-	13,650,000	-	13,650,000
Various Purpose	35,000,000	Variable	6/29/2006	6/1/2037	-	35,000,000	-	35,000,000
Various Purpose (Taxable)	2,000,000	5.50 to 6.20%	6/29/2006	6/1/2021	-	2,000,000	-	2,000,000
					\$ 144,670,000	\$ 50,650,000	\$ 3,165,000	\$ 192,155,000