

Douglas County

Debt Management Policy

Fiscal Year 2019

Prepared July 2018



JNA Consulting Group, LLC
410 Nevada Way, Suite 200
Boulder City, NV 89006
702-294-5100 fax 702-294-5145

EXECUTIVE SUMMARY

This Debt Management Policy was created to fulfill the requirements of NRS 350.013. Douglas County (the “County”) is generally limited in the bonds it can issue by its statutory debt limit, the \$3.64 limit on overlapping tax rates, and the amount of revenue available to pay debt service on bonds. This Debt Management Policy discusses the outstanding and proposed debt of the County, its ability to afford such debt, and other items relating to the issuance of bonds by the County.

Outstanding General Obligation Debt

As of June 30, 2018, the County has \$24,453,470 of general obligation debt outstanding comprised of \$5,025,000 of general obligation medium-term bonds and \$19,428,470 of general obligation revenue bonds.

Outstanding Other Debt

The County also has \$12,155,000 of revenue bonds outstanding which are secured by specific pledged revenues and are not general obligation debt and \$497,988 of other debts that are not general obligation debt and are paid the general revenues of the County.

Proposed General Obligation Debt

The County reserves the right to issue additional debt any time legal requirements are met.

Most of the County’s debt is paid from sources other than property taxes with approximately 79% of the County’s general obligation debt paid from water and sewer system revenues. The County presently has approximately \$276,563,000 of statutory debt limit available.

This policy contains information regarding the general obligation debt and capital improvement plans of the County and its component units, the Town of Gardnerville, Town of Minden, Town of Genoa, and the Douglas County Redevelopment Agency.

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Affordability of Existing, Authorized, and Proposed General Obligation Debt

NRS 350.013 1.(c)(1) A discussion of its ability to afford existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;

NRS 350.013 1.(c)(6) A discussion of its sources of money projected to be available to pay existing general obligation debt, authorized future general obligation debt and proposed future general obligation debt;

Outstanding, Authorized, and Proposed Debt

As of June 30, 2018, the County has \$19,428,470 of outstanding general obligation revenue supported debt and \$5,025,000 of general obligation medium-term debt outstanding. The County has \$12,155,000 of revenue bonds outstanding. The following tables list the County's outstanding debt.

Outstanding Debt
June 30, 2018

Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
<u>GENERAL OBLIGATION DEBT</u>				
<u>GENERAL OBLIGATION MEDIUM-TERM BONDS</u>				
Community Center Bonds	03/19/13	03/01/23	7,800,000	<u>5,025,000</u>
TOTAL G.O. MEDIUM-TERM BONDS				\$5,025,000
<u>GENERAL OBLIGATION REVENUE BONDS</u>				
<i>Consolidated Tax Secured Bonds</i>				
Community Center Bonds	08/01/12	08/01/32	6,750,000	6,450,000
<i>Water Systems Revenue Secured Bonds</i>				
SRF Water Bond, Series 2005D	12/30/05	07/01/25	674,542	339,739
SRF Water Bond, Series 2009	03/06/09	07/01/28	3,500,000	1,691,834
SRF Water Bond, Series 2010	02/11/10	01/01/30	1,150,000	795,936
Water Bonds, Series 2010A (RZEDB)	09/01/10	12/01/29	1,570,000	1,570,000
Water Imp. & Ref. Bonds, Series 2010B	09/01/10	12/01/22	3,970,000	1,570,000
SRF Water Bond, Series 2011A	04/29/11	01/01/31	1,000,000	776,987
Water Refunding Bonds, Series 2012A	03/22/12	11/01/24	2,485,000	1,575,000
SRF Water Bond, Series 2012	07/13/12	07/01/32	1,300,000	910,428 ¹
SRF Water Improv. Bond, Series 2014	10/29/14	07/01/34	1,000,000	789,136

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Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
<i>Sewer System Revenue Secured Bonds</i>				
Sewer Refunding Bonds, Series 2010C	09/01/10	12/01/20	2,420,000	890,000
Sewer Refunding Bonds, Series 2014	05/22/14	08/01/24	2,010,000	1,449,000
SRF Sewer Loan, Series 2016	05/04/16	07/01/37	5,550,000	53,410 ²
<i>Transportation Room Tax Secured Bonds</i>				
Transportation Refunding Bonds	07/10/12	05/01/20	2,009,000	567,000
TOTAL GENERAL OBLIGATION REVENUE BONDS				\$19,428,470
TOTAL GENERAL OBLIGATION DEBT OUTSTANDING				\$24,453,470
<u>REVENUE BONDS</u>				
Airport Revenue Bonds	12/02/14	06/01/29	\$1,075,000	\$880,000
Highway Revenue Bonds, Series 2016A	11/30/16	11/01/36	11,635,000	<u>11,275,000</u>
TOTAL REVENUE BOND DEBT				\$12,155,000
<u>OTHER DEBTS</u>				
Capital Lease-Vac Con Truck	07/15/14	10/15/20	\$320,000	\$141,850
Capital Lease-911 Emergency Console	10/27/16	10/27/23	<u>410,000</u>	<u>356,138</u>
TOTAL OTHER DEBT				\$497,988
GRAND TOTAL ALL OUTSTANDING DEBT				\$37,106,458

¹ The County has authorization for \$1,000,000, it has drawn \$789,136 as of June 30, 2018.

² The County has authorization for \$5,550,000, it has drawn \$53,410 as of June 30, 2018. Until the County makes its final draw or until three years from issuance it makes interest-only payment on the actual principal drawn.

SOURCE: Douglas County 2019 Final Budget; updated for loan draws after adoption of the Final Budget

The following sections demonstrate the ability of the County to make principal and interest payments on its outstanding bonds.

General Obligation Bonds

The County currently has no outstanding general obligation debt paid by the levy of a specific property tax.

General Obligation Medium-Term Bonds

The County currently has \$5,025,000 of outstanding medium-term debt secured by all legally available resources. The County pays principal and interest on the bonds from specific revenue sources. Debt service payments on these bonds are made from revenues received from the levy of a \$.05 tax override (the "Capital Projects Tax") and resources in the Room Tax Fund, if necessary. The following table details the remaining payments on the bonds.

General Obligation Medium-Term Bonds
Outstanding Debt Service
June 30, 2018

Fiscal Year	Outstanding Bonds		Total Debt Service
	Principal	Interest	
2019	\$965,000	\$103,013	\$1,068,013
2020	985,000	83,230	1,068,230
2021	1,005,000	63,038	1,068,038
2022	1,025,000	42,435	1,067,435
2023	<u>1,045,000</u>	<u>21,423</u>	<u>1,066,423</u>
TOTAL	\$5,025,000	\$313,138	\$5,338,138

SOURCE: Douglas County Finance Division

While the revenues shown are not pledged to the outstanding bonds, the following table demonstrates the sufficiency of these revenues to pay the outstanding bonds.

**General Obligation Medium-Term Bonds
Debt Service Coverage**

	2017 Audited	2018 Estimated	2019 Budgeted
Capital Projects Tax Fund Revenues	\$1,178,532	\$1,309,139	\$1,403,344
Room Tax Fund Revenues	<u>684,962</u>	<u>731,146</u>	<u>645,273</u>
Total Revenues	\$1,863,494	\$2,040,285	\$2,048,617
Annual Debt Service	\$1,066,348	\$1,067,385	\$1,068,013
Coverage	1.75	1.91	1.92

SOURCE: Douglas County Finance Division

General Obligation Consolidated Tax Secured Bonds

The County currently has \$6,450,000 of outstanding general obligation debt secured by a portion of the County's Consolidated Tax. The County is allowed to pledge 15% of the revenues collected by the County from the Consolidated Tax. The following table details the remaining payments on the bonds.

Consolidated Tax Secured Bonds
Outstanding Debt Service
 June 30, 2018

Fiscal Year Ending June 30	Principal	Interest	Annual Debt Service
2019	\$0	\$197,194	\$197,194
2020	0	197,194	197,194
2021	0	197,194	197,194
2022	0	197,194	197,194
2023	0	197,194	197,194
2024	545,000	189,019	734,019
2025	565,000	172,369	737,369
2026	585,000	155,119	740,119
2027	605,000	137,269	742,269
2028	630,000	118,744	748,744
2029	650,000	99,544	749,544
2030	675,000	79,669	754,669
2031	705,000	58,528	763,528
2032	730,000	36,106	766,106
2033	<u>760,000</u>	<u>12,350</u>	<u>772,350</u>
TOTAL	\$6,450,000	\$2,044,685	\$8,494,685

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the bonds.

**Consolidated Tax Secured Bonds
Debt Service Coverage**

	2017 Audited	2018 Estimated	2019 Budgeted
Pledged Revenues	\$1,737,615	\$1,747,587	\$1,834,205
Annual Debt Service	\$298,694	\$197,194	\$197,194
Coverage	5.82	8.86	9.30

SOURCE: Douglas County Finance Division

General Obligation Water Systems Revenue Secured Bonds

The County currently has \$10,229,922 of outstanding general obligation debt secured by a lien on the net pledged revenues of the water systems of the County. The following table details the remaining payments on the County's outstanding water revenue bonds.

Water Systems Revenue Secured Bonds Outstanding Debt Service June 30, 2018

Fiscal Year Ended June 30	Outstanding Water Bonds Debt Service ¹		Pro Forma Debt Service 2014 SRF Loan ²		Grand Total
	Principal	Interest (Accrual Basis)	Principal	Interest	
2019	\$979,550	\$291,461	\$47,938	\$21,865	\$1,340,814
2020	1,019,601	254,522	50,300	23,096	1,347,519
2021	1,064,963	215,920	51,595	21,783	1,354,262
2022	815,643	182,043	52,925	20,437	1,071,048
2023	691,652	155,470	54,288	19,056	920,466
2024	748,000	130,087	55,687	17,639	951,413
2025	769,697	104,804	57,122	16,186	947,809
2026	596,303	83,705	58,593	14,696	753,298
2027	592,134	65,320	60,103	13,167	730,724
2028	608,378	46,370	61,651	11,599	727,999
2029	629,971	26,795	63,240	9,990	729,996
2030	461,056	11,178	64,869	8,340	545,442
2031	142,953	3,763	66,540	6,647	219,904
2032	72,893	1,380	68,255	4,911	147,439
2033	37,128	0	70,013	3,130	110,271
2034	0	0	71,817	1,303	73,120
2035	<u>0</u>	<u>0</u>	<u>32,827</u>	-	<u>32,827</u>
TOTAL	\$9,229,922	\$1,572,818	\$987,764	\$213,845	\$12,004,351

¹ Net of the expected RZEDB Credit.

² Pro forma debt service and payments will change as additional draws are made, the County pays principal and interest only on the actual amount drawn. The amount outstanding as of June 30, 2018 is \$789,136, and additional draws of \$100,000 are projected for fiscal year 2018-19.

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the outstanding water systems revenue bonds.

**Water Systems Revenue Secured Bonds
Debt Service Coverage**

	2017 Audited	2018 Estimated	2019 Budgeted
Operating Revenues	\$6,025,600	\$5,776,884	\$6,083,994
Operating Expenses ¹	(3,868,270)	(4,183,984)	(4,422,463)
Nonoperating Revenues ²	465,674	83,646	87,886
CWSD Annual Funding	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
Net Pledged Revenues	\$2,748,004	\$1,801,546	\$1,874,417
Annual Debt Service	\$1,273,852	\$1,535,982	\$1,344,834
Less Interest Subsidy (IRS Credit)	<u>(39,465)</u>	<u>(39,466)</u>	<u>(39,466)</u>
Net Annual Debt Service ³	\$1,234,387	\$1,496,516	\$1,305,368
Coverage	2.23	1.20	1.44

¹ Excludes depreciation.

² Capital contributions are included in Nonoperating Revenues.

³ Net annual debt service reflects the accrual basis of accounting as reported in the County's audited financial statements and annual budgets, includes budgeted debt service for SRF loans that are still in the draw down phase and is net of the expected interest subsidy available on the 2010A Recovery Zone Economic Development water bonds.

SOURCE: Douglas County; compiled by JNA Consulting Group, LLC

General Obligation Sewer System Revenue Secured Bonds

The County currently has \$7,889,000 of outstanding general obligation debt secured by a lien on the net pledged revenues of the County's sewer systems. The following table details the remaining payments on the bonds.

**Sewer System Revenue Secured Bonds
Outstanding Debt Service
June 30, 2018**

Fiscal Year Ended June 30	Outstanding Sewer Bonds Debt Service		Pro Forma Debt Service 2016 SRF Loan ¹		Grand Total
	Principal	Interest (Accrual Basis)	Principal	Interest	
2019	\$473,000	\$62,170	\$0	\$57,435	\$592,605
2020	498,000	47,158	275,941	109,540	930,639
2021	509,000	30,680	281,627	103,796	925,103
2022	205,000	20,400	287,430	97,933	610,763
2023	210,000	14,558	293,352	91,950	609,860
2024	216,000	8,027	299,397	85,843	609,267
2025	228,000	623	305,566	79,611	613,800
2026	0	0	311,862	73,250	385,112
2027	0	0	318,288	66,759	385,047
2028	0	0	324,847	60,133	384,980
2029	0	0	331,540	53,371	384,911
2030	0	0	338,372	46,469	384,841
2031	0	0	345,344	39,426	384,770
2032	0	0	352,459	32,237	384,696
2033	0	0	359,722	24,900	384,622
2034	0	0	367,134	17,412	384,546
2035	0	0	374,699	9,770	384,469
<u>2036</u>	<u>0</u>	<u>0</u>	<u>382,420</u>	<u>1,970</u>	<u>384,390</u>
TOTAL	\$2,339,000	\$183,616	\$5,550,000	\$1,051,805	\$9,124,421

¹ The County has authorization for \$5,550,000, it has drawn \$53,410 as of June 30, 2018. Additional draws of \$5,496,590 are projected for fiscal year 2018-19. Until the County makes its final draw or until three years from issuance it makes interest-only payment on the actual principal drawn.

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the bonds.

**Sewer System Revenue Secured Bonds
Debt Service Coverage**

	2017 Audited	2018 Estimated	2019 Budgeted
Operating Revenues	\$2,133,349	\$2,094,000	\$2,240,969
Operating Expenses ¹	(1,062,815)	(2,538,232)	(2,591,722) ²
Nonoperating Revenues	<u>12,607</u>	<u>2,567</u>	<u>2,706</u>
Pledged Revenues	\$1,083,141	(\$441,665)	(\$348,047)
Annual Debt Service ³	\$655,091	\$534,701	\$648,945
Coverage	1.65	(0.83)	(0.54) ⁴

¹ Excludes depreciation.

² The increase in operating expenses is due to \$1,451,500 in major repairs and maintenance projects budgeted for fiscal year 2018 and \$1,149,500 in 2019. These expenses will be financed with reserve funds.

³ Annual debt service reflects principal and interest on the accrual basis of accounting as reported in the County's audited financial statements and annual budgets.

⁴ The County has a budgeted ending fund balance of \$1,758,935 which is available to pay debt service.

SOURCE: Douglas County Finance Division

General Obligation Transportation Room Tax Secured Bonds

The County has pledged the revenues generated by a 1% room tax levied in the Lake Tahoe area for the payment of bonds issued for transportation improvements of which \$567,000 is outstanding. The following table details the remaining payments on the bonds.

**Transportation Room Tax Secured Bonds
Debt Service**

Fiscal Year	Principal	Interest	Annual Debt Service
2019	\$281,000	\$10,338	\$291,338
2020	<u>286,000</u>	<u>4,472</u>	<u>290,472</u>
TOTAL	\$567,000	\$14,810	\$581,810

SOURCE: Douglas County Finance Division

The following table demonstrates the debt service coverage for the bonds.

**Transportation Room Tax Secured Bonds
Debt Service Coverage**

	2017 Audited	2018 Estimated	2019 Budgeted
Pledged Revenues	\$691,876	\$553,846	\$651,662
Annual Debt Service	\$288,684	\$291,089	\$291,338
Coverage	2.40	1.90	2.24

SOURCE: Douglas County Finance Division

General Obligation Debt Limit

NRS 350.013 1.(c)(2) A discussion of its capacity to incur authorized and proposed future general obligation debt without exceeding the applicable debt limit;

The County is limited by state statutes as to the amount of general obligation debt it can have outstanding. The limit is equal to 10 percent of the County’s total assessed valuation including the Redevelopment Agency. As of June 30, 2018, the County has \$19,428,470 of general obligation revenue supported debt and \$5,025,000 of medium-term general obligation debt outstanding. Based on the projected fiscal year 2019 assessed value, the County’s available general obligation debt limit is \$276,563,838.

General Obligation Debt Limit
Based on Projected Fiscal Year 2018 Assessed Value

Douglas County Assessed Value	\$2,908,641,064
Douglas County Redevelopment Agency Assessed Value	<u>101,532,015</u>
Total Assessed Value	3,010,173,079
General Obligation Debt Limit (10%)	301,017,308
Outstanding General Obligation Debt	24,453,470
Proposed General Obligation Debt	<u>0</u>
Available General Obligation Debt Limit	<u>\$276,563,838</u>

Other factors also limit the amount of debt the County can issue. These factors include, but are not limited to; overlapping tax rates, available revenues, market conditions, type of projects to be funded.

General Obligation Debt Comparisons

NRS 350.013 1.(c)(3) A discussion of its general obligation debt that is payable from property taxes per capita as compared with such debt of other municipalities in this state;

NRS 350.013 1.(c)(4) A discussion of its general obligation debt that is payable from property taxes as a percentage of assessed valuation of all taxable property within the boundaries of the municipality;

The following table shows a comparison of the County's outstanding debt with other comparable local governments.

General Obligation Debt Comparison June 30, 2018

District	General Obligation Debt	Population ¹	FY 2018 Assessed Value ²	GO Debt Per Capita	GO Debt as a % of Assessed Value
Carson City	\$176,359,719	55,885	\$1,502,046,933	\$3,155.76	11.74%
Douglas County	24,453,470	48,447	2,908,641,064	504.75	0.84%
Lyon County	10,687,636	54,893	1,682,761,005	194.70	0.64%
Nye County	21,362,845	46,472	1,910,358,824	<u>459.69</u>	<u>1.12%</u>
			Average:	\$1,078.73	3.58%

¹ 2018 population projections from the Office of the State Demographer for Nevada, *Population Projections for Nevada and its Counties 2018 to 2022 Based on the 2017 Estimate*.

² Excludes redevelopment agencies; includes net proceeds of minerals.

SOURCE: Nevada Department of Taxation, Local Government Finance, *Property Tax Rates for Nevada Local Governments, Fiscal Year 2017-2018*; Nevada State Demographer, and the counties; compiled by JNA Consulting Group, LLC

Method of Sale

NRS 350.013 1.(c)(5) Policy regarding the manner in which the municipality expects to sell its debt;

Bonds can generally be sold at a competitive sale, negotiated sale or be privately placed.

Competitive Sale - Offering documents are sent to any firm interested in purchasing the bonds. A day and time are chosen for the sale and bonds are awarded to the firm offering the lowest true interest cost on the bonds (the "TIC"). The TIC is the discount rate which results in a present value of the future debt service payments equal to the amount bid for the bonds.

Negotiated Sale - One firm, or group of firms, is chosen in advance to offer the bonds for sale. At the time of sale, interest rates and other terms of the bonds are negotiated with the Underwriter.

Private Placement - A purchaser, usually an individual or bank, is identified and the bonds are placed directly. Interest rates and other terms of the bonds are negotiated with the purchaser.

NRS 350 generally requires bonds issued by the County to be sold at competitive sale. For most County general obligation bonds a competitive sale will usually result in the lowest TIC on the bonds. There are certain circumstances under which the County would consider a negotiated sale or private placements. Such circumstances include, but are not limited to:

- 1) Bonds issued with a variable rate of interest
- 2) Bonds rated below A- or not rated
- 3) Very small or very large bond issues
- 4) Unstable or highly volatile markets
- 5) Bonds with unusual security or structure

The County will follow the requirements of NRS 350.155 in choosing a method of sale for its bonds. If the County determines that a negotiated sale is warranted for a general obligation bond or a bond secured by an excise tax, it will distribute a request for proposal to underwriting firms. The selection of an underwriter(s) will be based on a determination of the firm that demonstrates its ability to obtain the overall best interest rate for the County. Consideration in making this determination will be given to the firm's experience with similar financings, proposed compensation structure, and marketing plan.

Operational Costs of Future Capital Projects

NRS 350.013 1.(c)(7) A discussion of its operational costs and revenue sources, for the ensuing 5 fiscal years, associated with each project included in its plan for capital improvement submitted pursuant to paragraph (d), if those costs and revenues are expected to affect the property tax rate.

The County has prepared a Capital Improvement Plan which will be filed with the State Department of Taxation under separate cover. The County anticipates that any financial impact on the general fund will be provided for within the maximum rate calculated by the Department of Taxation and that no tax overrides for operational costs will be required.

Capital Improvement Plan

NRS 350.013 1.(d) Either:

(1) Its plan for capital improvement for the ensuing 5 fiscal years, which must include any contemplated issuance of general obligation debt during this period and the sources of money projected to be available to pay the debt; or

(2) A statement indicating that no changes are contemplated in its plan for capital improvement for the ensuing 5 fiscal years.

The County’s five-year Capital Improvement Plan is filed with the State Department of Taxation under separate cover.

Chief Financial Officer of Douglas County

NRS 350.013 1.(e) A statement containing the name, title, mailing address and telephone number of the chief financial officer of the municipality.

The chief financial officer of Douglas County is:

Jenifer Davidson
Acting Chief Financial Officer
P.O. Box 218
Minden, Nevada 89423
775-782-9821
775-782-6255 fax

Component Units of Douglas County

NRS 350.013 2. The governing body of a municipality may combine a statement or plan required by subsection 1 with the corresponding statement or plan of another municipality if both municipalities have the same governing body or the governing bodies of both municipalities agree to such a combination.

The Douglas County Board of Commissioners also sits as the governing body for the Town of Gardnerville, Town of Minden, Town of Genoa, and the Douglas County Redevelopment Agency. Each of the towns also has an elected board of five members. These boards manage the operations of their respective towns in an advisory capacity to the Board of County Commissioners.

This section discusses the outstanding general obligation debt information for each of these entities.

Town of Minden has no debt outstanding.

Town of Genoa has no debt outstanding.

Douglas County Redevelopment Agency has no debt outstanding.

Town of Gardnerville has no general obligation debt outstanding. The Town has a promissory note outstanding in the amount of \$150,000 which is paid from the Town's general revenues.

Town of Gardnerville

The Town of Gardnerville (the “Town”) has no general obligation debt outstanding as of June 30, 2018. The Town has \$100,000 of debt outstanding in the form of a promissory note. The note is paid from general revenues of the Town.

**Town of Gardnerville
Outstanding Debt
June 30, 2018**

Issue	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Promissory Note	08/30/16	08/01/19	\$150,000	\$100,000

The following table details the payments on the promissory note.

**Town of Gardnerville
Promissory Note Debt Service
June 30, 2018**

Fiscal Year	Principal	Interest	Total Debt Service
2019	\$50,000	\$3,500	\$53,500
2020	<u>50,000</u>	<u>1,750</u>	<u>51,750</u>
TOTAL	\$100,000	\$5,250	\$105,250

The Town of Gardnerville’s debt limit is 25% of its assessed value. Based on the 2018 assessed value, the Town’s debt limit is \$49,167,837.

**Town of Gardnerville
General Obligation Debt Limit
Based on Projected Fiscal Year 2018 Assessed Value**

Total Assessed Value	\$196,671,348
General Obligation Debt Limit (25%)	49,167,837
Outstanding General Obligation Debt	0
Available General Obligation Debt Limit	\$49,167,837