



# Final Offering Circular Montgomery County, Tennessee

**\$4,500,000**

General Obligation Capital Outlay Notes,

Series 2009

Bank Qualified (ULT)

Closing/Settlement Date: March 6, 2009



**Stephens Inc.**  
Investment Bankers

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**FINAL  
OFFERING CIRCULAR**

**MONTGOMERY COUNTY, TENNESSEE**

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009  
(Bank Qualified) (ULT)**

**Date of Issuance: March 6, 2009**

**INTRODUCTORY STATEMENT**

The Final Offering Circular, including the cover page and appendices hereto, is furnished in connection with the issuance by Montgomery County, Tennessee (the "County") of \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Notes").

The Notes are being issued under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101, *et seq.*, *Tennessee Code Annotated*, as amended, and pursuant to Resolution duly adopted by the Board of County Commissioners of Montgomery County in a regular meeting on December 8, 2008 (the "Resolution") authorizing the execution, terms, issuance, and the sale of the Notes.

This Final Offering Circular includes descriptions of, among other matters, the Notes, the Resolution, and the County. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Resolution are qualified in their entirety by reference to the definitive document, including the Notes included in the Resolution. The Resolution is included as Appendix B. Other documents described herein or in the Resolution may be obtained from the County. After delivery of the Notes, copies of such documents will be available for inspection at the County Mayor's office. All capitalized terms used in this Final Offering Circular and not otherwise defined herein have the meanings set forth in the Resolutions.

**AUTHORITY AND PURPOSE OF THE NOTES**

The Resolution passed December 8, 2008 authorizes the issuance of \$4,500,000 General Obligation Capital Outlay Notes of the County to provide funds for the purpose (i) construction, renovation and equipping of parks and related facilities, including, but not limited to acquisition and site development of land and purchase of related equipment; (ii) purchase and equipping of school buses; (iii) acquisition of all property, real and personal appurtenant to the foregoing; (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (the "Projects"); (v) reimbursement for funds previously expended for the Projects costs, if any; and (vi) the payment of costs incident to the issuance and sale of the Notes.

## **INTEREST AND PRINCIPAL PAYMENTS**

Interest on the Notes will be computed on the basis of a year of 360 days composed of twelve 30-day months. Interest on the Notes shall be payable semi-annually on April 1 and October 1 so long as the Notes remain outstanding, commencing October 1, 2009, and principal payments shall be payable annually on April 1 beginning April 1, 2010 as indicated below. The interest and principal payments shall be payable at the Montgomery County Trustee's Office, as registration and paying agent for the Notes (the "Registration Agent"). The maturity dates and amount are as follows:

### **Maturities and Amounts**

<b>Maturity (April 1)</b>	<b>Amount</b>	<b>Interest Rate</b>
2010	\$500,000	2.65%
2011	500,000	2.65%
2012	3,500,000	2.65%

The Notes are callable as a whole or in part on April 1, 2010 and thereafter at the price of par plus accrued interest to the redemption date. If less than all the Notes shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners of the County, in its discretion, and, if less than all of the Notes of a maturity shall be called for redemption, the Notes within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

## **SECURITY AND SOURCES OF PAYMENT**

The Notes are payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Notes, the full faith and credit of the County are irrevocably pledged. Under Tennessee law, the County legislative body is authorized to levy a tax on all property within the County without limitation as to rate or amount, and a referendum is neither required nor permitted to set the rate or amount.

## **LITIGATION**

As of the date of this Final Offering Circular, the County has no knowledge or information concerning any pending or threatened litigation contesting the authority of the County to issue, sell or deliver the proposed Notes or concerning the use of the proceeds of the Notes or the source of payment of the Notes. The County has no knowledge or information of any actions pending or expected that would materially affect the County's ability to pay the debt service requirements of the Notes.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization and issuance of the Notes are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with the Notes. (See Appendix A). Certain legal matters will be passed upon for the County by Austin Peay, Esq., County Attorney.

## TAX MATTERS

### Federal Taxes

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel's opinions are subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Notes to be so included in gross income retroactive to the date of issuance of the Notes.

Prospective purchasers of the Notes should be aware that ownership of the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Notes. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Notes should consult their tax advisors as to collateral federal income tax consequences.

### State Taxes

Under existing law, the Notes and the income therefore are exempt from all present state, County and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Notes during the period the Notes are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Notes in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Notes, Bond Counsel has determined that the Notes upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

## **FINANCIAL ADVISOR**

This Final Offering Circular has been prepared under the direction of Montgomery County, Tennessee and with the assistance of Stephens Inc., Nashville, Tennessee who has been contracted by Montgomery County, Tennessee to perform professional services in the capacity of financial advisor.

## **MISCELLANEOUS**

The foregoing summaries do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. For details of all terms and conditions, purchasers are referred to the Resolutions, copies of which may be obtained from the County.

Any statement made in this Final Offering Circular involving matters of opinion and estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Final Offering Circular was duly authorized by the County.

## **FURTHER INFORMATION**

Copies of the Final Offering Circular may be obtained from the undersigned at the Office of the County Mayor, One Millennium Plaza, Suite 205, Montgomery County Historic Courthouse, Clarksville, TN 37040 or from Stephens Inc., Attention: Tom McAnulty, 3100 West End Avenue, Suite 630, Nashville, Tennessee 37203, telephone: (800) 732-6846 or (615) 279-4333, fax: (615) 279-4351. If there are any questions about the bid, bid process or information, please call.

**CERTIFICATE OF COUNTY MAYOR**

I, Carolyn Bowers, do hereby certify that I am the duly qualified and acting County Mayor of Montgomery County, Tennessee, and as such official, I do hereby further certify with respect to the Final Offering Circular dated February 9, 2009 issued in connection with the sale of the Notes, and to the best of my knowledge, information, and belief (a) that the descriptions and statements contained in said Final Offering Circular were at the time of the execution of acceptance of the offer and are on the date hereof true and correct in all material respects; and (b) that said Final Offering Circular did not at the time of awarding the Notes, and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

**WITNESS** my official signature this 6th day of March, 2009.

/s/ Carolyn Bowers  
County Mayor

I, Kellie Jackson, do hereby certify that I am the duly qualified and acting County Clerk of Montgomery County, Tennessee, and as such official, I do hereby certify that Carolyn Bowers is the duly qualified and acting County Mayor of said County and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

**WITNESS** my official signature and the seal of said Montgomery County, Tennessee as of the date subscribed to the foregoing certificate.

/s/ Kellie Jackson  
County Clerk

(SEAL)

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## GENERAL INFORMATION

Montgomery County (the "County") is located in the north central part of Tennessee approximately 45 miles northwest of Nashville, the State Capitol, and comprises an area of approximately 543 square miles. The County is within 250 miles of the population center of the United States. It is the seventh largest county in the state and a regional hub for seven counties in Tennessee and Kentucky for jobs, higher education, health care, retail trade, and service establishments.

The City of Clarksville is the County seat and the only incorporated city in the County with a population of 154,560 based on the 2007 estimated U.S. Census. The U.S. Census Bureau released data in July 2008 listing Clarksville as the 9th fastest-growing city in the nation for communities with populations over 100,000. The City of Clarksville is the fifth largest city in the state and the major city in the Metropolitan Statistical Area (the "MSA") of Clarksville-Hopkinsville, TN-KY, which is one of the seven MSAs in the state.

The Clarksville-Hopkinsville, TN-KY MSA adjoins the Nashville MSA, which includes eight counties in central Tennessee. All of the Tennessee counties in this area make up the Greater Nashville Regional Council (the "Region") which was organized by the Tennessee State Legislature over 30 years ago for regional planning and economic development. Included in the 13 counties are 53 cities. The Council coordinates the regional effort to solve problems pertaining to transportation, water and wastewater facilities, solid waste management, air and water quality, area growth forecasts and growth impact analysis, overall economic development and planning for the infrastructure of the region. The synergism of economic development, commercial trade and employment in the region is promoted by the state highway and federal interstate highway system along with the state capitol being located in the region. Within an hour, individuals can travel to most any major employer in the region.

## DEMOGRAPHIC DATA

### Population

Montgomery County's location in the central area of the state has promoted its population growth and economic expansion. According to the 2007 U. S. Census estimate, the County is the seventh largest county in the state with a population of 154,460 reflecting a 48 percent increase since the 1990 census.

	<u>Montgomery County</u>		<u>Tennessee</u>	
	<u>Number</u>	<u>% Change</u>	<u>Number</u>	<u>% Change</u>
1970 U. S. Census	62,721		3,926,018	
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2007 U. S. Census Estimate	154,460	14.6%	6,156,719	8.2%

Source: U.S. Bureau of Census

## Income and Housing

In 2006, the County had a per capita personal income of \$35,232, which was 109.5% percent of the State average of \$32,172. In May 2008 the U.S. Bureau of Economic Analysis released data ranking Montgomery County 5<sup>th</sup> in the State for per capita personal income. For the first time in recent history, Montgomery County surpassed the urban counties of Hamilton and Knox in per capita personal income. In 2001, Montgomery County ranked 17<sup>th</sup> in the State for per capita personal income.

### Per Capita Personal Income

	County	Tennessee	Percent of State
1990 Per Capita Personal Income	\$14,761	\$16,692	88.4%
2000 Per Capita Personal Income	\$23,992	\$26,096	91.9%
2001 Per Capita Personal Income	\$24,890	\$26,833	92.8%
2002 Per Capita Personal Income	\$26,081	\$27,435	95.0%
2003 Per Capita Personal Income	\$27,512	\$28,257	97.4%
2004 Per Capita Personal Income	\$28,719	\$29,539	97.2%
2005 Per Capita Personal Income	\$32,029	\$30,827	103.9%
2006 Per Capita Personal Income	\$35,232	\$32,172	109.5%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

### Median Household Income

	County	Tennessee	Percent of State
1990 Median Household Income	\$25,568	\$24,807	103.1%
2000 Median Household Income	38,981	36,360	110.0%
2004 Median Household Income	42,959	38,794	110.7%
2005 Median Household Income	45,737	38,874	117.7%
2006 Median Household Income	47,864	40,315	118.7%

Ranked as the Highest Median Household Income of all major cities in Tennessee  
– 2005 American Community Survey Data Profile

Source: U.S. Census Bureau

## ECONOMIC DATA

### Economic Base

The economic base and the quality of life in Montgomery County is reflected in the various awards and rankings received by the County and the City of Clarksville. The U.S. Census Bureau released data in July 2008 listing *Clarksville as the 9th fastest-growing city in the nation for communities with populations over 100,000*. In 2006 the U.S. Census Bureau ranked *Clarksville as the 17<sup>th</sup> fastest growing city in the nation and Montgomery County as the 100<sup>th</sup> fastest growing county in the Nation*. In 2005 Clarksville was also ranked as having *the highest median household income of all major cities in Tennessee* by the 2005 American Community Survey Data Profile. The City was the *Top 20 Best-Performing City in the Country's 200 largest metros* according to Milken Institute -2006. It was ranked as one of the *Top Five Up & Coming Cities for Attracting Creative Class Jobs (under 250,000 population)* - Money Magazine June 2004, *4th Best Place for Affordable Living* - Business Development Outlook February 2005, *Top Mid-Size Market Downtown*, Southern Business & Development, Fall, 2002; *21st Most Cost-Effective Labor Growth Market*, Expansion Management July, 2001; and *3rd Fastest Growing City in Tennessee During the 90's (Behind Nashville and Memphis)* U.S. Census April 2001.

## **Major Employers**

A diversified employment base of military, industries, state and local governments, health care, higher education and retail trade supports the economic base of the County. Based on June 2008 statistics provided by the Tennessee Department of Employment Security, the County has a resident labor force of 70,720, which does not include military personnel (soldiers).

Fort Campbell Military Base, located on the Tennessee - Kentucky line, with about 60% of the base being in Tennessee, is the largest employer in the area with approximately 4,356 civilians. There is no breakdown of employee's residence. From discussions with various parties in the County, as well as individuals located on the Base, a large number of the employees reside in Montgomery County; however, the number of civilian employees would be less than 10% of the County's total labor force and, most likely, less than 10% of the County's total employment.

Military personnel are not included in employment statistics as reported by the Tennessee Department of Employment Security and are not included in the County's Major Employers list because a significant portion of the personnel are located in other counties included in the Base's operation.

The military and civilian personnel at Fort Campbell provide a direct and indirect benefit to the County and the Region; however, during recent years, the employment in the County and Region have continually grown and diversified to the extent that the following list of major employers provide over 22,000 diversified jobs in the County.

In December 2008 Dow Corning Corporation and Hemlock Semiconductor LLC (HSC) announced that they will locate their next solar-grade polysilicon manufacturing facility in Montgomery County. The announcement will mean an initial investment of \$1.2 billion and the creation of at least 500 jobs for the region.

## Major County Employers

Employer	Number of Employees	Products /Services
Fort Campbell Military Base	4,356	Major Defense Installation
Montgomery County School System	3,700	Education and Schools
Trane Company	1,600	Air Condition & Heating Equipment
Convergys Corp.	1,400	Telemarketing Call Center
Gateway Health System (Hospital)	1,200	Medical Services
Wal-Mart Supercenter	1,100	Retail
Quebecor Printing	850	Magazine Printing
City of Clarksville	989	Municipal Services
Montgomery County General Government	850	County Services
Austin Peay State University	732	Higher Education
Larson Enterprises (McDonalds)	550	Restaurants
Josten's Printing & Publication	450	Yearbook Printing
Bosch Braking Systems	475	Anti-lock Brakes
State of Tennessee	409	State Government Services
Letica Corp. (Maui Cup)	400	Paper Cups
Bridgestone Metalpha USA Inc.	393	Metal Cord
Premier Medical Group	350	Health Care
Hendrickson Trailer Suspension System	310	Tractor Trailer Air-Ride Suspension Systems
Spear USA	268	Pressure Sensitive Labels
Florim USA	305	Ceramic & Porcelain Tile Manufacturing
Carreca Enterprises (Pizza Hut)	250	Restaurants
Cumberland Electric Co-op	215	Electricity Supplier
Progressive Directions, Inc.	215	Health Care

Source: Clarksville-Montgomery County Economic Development Council, State of Tennessee and individual companies.

## Labor Force, Employment and Unemployment Data

The annual unemployment rate in the County has remained below the State average and the United States average.

Year	Total			Unemployment		
	Labor Force	Unemployment	Employment	County	State	U.S.
1990	40,340	2,280	38,060	5.7%	5.3%	5.6%
2000	59,200	1,840	57,360	3.1%	3.9%	4.0%
2001	60,220	2,240	57,980	3.7%	4.5%	4.8%
2002	64,160	3,050	61,110	4.8%	5.1%	5.8%
2003	63,320	3,000	60,320	4.7%	5.8%	6.0%
2004	62,530	3,100	59,430	5.0%	5.4%	5.5%
2005	64,480	3,230	61,250	5.0%	5.6%	5.1%
2006	67,440	3,230	64,210	4.8%	5.2%	4.6%
2007	70,290	3,160	67,130	4.5%	4.7%	4.6%
Nov 08	69,400	3,990	65,420	5.7%	6.5%	6.8%

Source: Tennessee Department of Labor and Workforce Development, Employment Security Division

## **Transportation System**

The highway system in the County includes Interstate 24 from Atlanta and Nashville to Interstate 75 leading to St. Louis and Chicago. Other highways in the County include U.S. Highways 79 and 41A and State Highways 12, 13, 48, 76, 149, 374, 112, 236, and 237.

Originally, SR 840 was planned to complete the connection through five counties through the north but that portion of the project has been placed on indefinite hold. The southern portion of the loop around Nashville is under construction with some portions completed, which will connect at Interstate 40 in Wilson County and west of Nashville to Interstate 40 in Dickson and provide additional access to Interstate 24, Interstate 40 and Interstate 65.

The highway system provides for one-day delivery to 76% of major U.S. markets. In addition to the highway system, the R.J. Corman Railroad runs from Clarksville to CSX Transportation mainline in Guthrie, Kentucky approximately 20 miles north.

The transportation system includes the Cumberland River, a navigable waterway, which runs from east of Nashville to the Tennessee River, which connects to the Ohio River and Mississippi River.

Air transportation includes Outlaw Field overseen by the Clarksville/Montgomery County Airport Authority with runways of 6,000 and 4,000 feet to accommodate more than 40,000 private and corporate flights. The Nashville International Airport located approximately 45 miles southeast in Nashville, Tennessee provides commercial service on fifteen airlines operating to 79 markets with 404 daily flights.

## **Aspire Clarksville**

Area leaders have developed a focused economic development effort to recruit new businesses and work closely with existing businesses to meet current and future expansion needs. The Clarksville-Montgomery County Economic Development Council created "Aspire 2000" in 1996 and raised \$1.6 million for economic and community development over the next four years and 8,151 new jobs were created. "Aspire Clarksville II 2001-2004" raised \$2.2 million and created 4,311 jobs. In the fall of 2004, the Clarksville-Montgomery County Economic Development Council took action to move the Aspire Clarksville program into a foundation and call it "The Aspire Clarksville Foundation. In August 2005, the Internal Revenue Service officially granted the Foundation its 501c3 designation. This new IRS designation has enabled the Foundation to be considered for grants that it would not have otherwise been able to apply for. The newest four-year marketing program started in 2005, "Aspire Clarksville III 2005-2008", set a goal of \$2 million and 4,000 new jobs.

## **Fort Campbell Military Base**

A key factor in the growth in Montgomery County is the Fort Campbell Military Base (the "Base"). The construction and development of the Base began July 16, 1941 to accommodate an armored division and various support troops for a total of approximately 29,000 military personnel. The site includes approximately 105,000 acres located in Tennessee and Kentucky in four counties --- Montgomery and Stewart in Tennessee and Christian and Trigg in Kentucky. Approximately two-thirds of the installation is located in Tennessee.

The Base is home to the 101<sup>st</sup> Airborne Division (Air Assault Division), the 160<sup>th</sup> Special Operations Aviation Regiment, 101<sup>st</sup> Corps Support Group and the 5<sup>th</sup> Special Forces Group. It is one of the most powerful and prestigious divisions, having made a name for itself during World War II as the "Screaming Eagles." In 1968, the 101<sup>st</sup> took on the structure and equipment of an air mobile division. Today, the

highly trained soldiers of the 101<sup>st</sup> are the world's only air assault division with unequalled strategic and tactical mobility. The 101<sup>st</sup> participates in combat missions at home and abroad with some of the most recent being in Iraq during "Desert Storm", Afghanistan in "Operation Enduring Freedom", and Iraq in "Operation Iraqi Freedom". Some of the peacekeeping and humanitarian missions include Rwanda, Haiti, Sinai Peninsula, Panama, Bosnia, Kosovo, 2000 forest fires in Western U.S., South American 1999 Flood Relief, the Smoky Mountains, and hurricane ravaged Louisiana and Florida.

The Department of Defense classifies the 101<sup>st</sup> as one of four "Power Projection Platforms" with soldiers trained and equipped with the latest technology for "rapid deployment" anywhere in the world from 18 to 48 hours.

Over 30,000 soldiers and 55,000 family members call Fort Campbell home. 4,356 civilians also work at the Base, making it the largest employer in the Tennessee and Kentucky. The economic impact for the four county area includes a payroll of over \$2.49 billion.

The 105,068 acre installation includes 49 ranges and four major drop zones. Fort Campbell is a city within itself, having five elementary schools, two middle schools, and one high school with a total enrollment of 4,285 students. The Base also has a bowling alley, PX Mall, horseback riding, commissary, pools and a library. Blanchfield Army Community Hospital is a 185 bed facility and provides health care for the soldiers, eligible retirees and their family members at the Base. The Base is also a training site for approximately 3,308 reserve components.

The Base is constantly upgrading its infrastructure and military capability with no anticipated change in its status in the near future. According to military sources, there are no projections for the Base to be on the BRAC (Defense Base Closure and Realignment Commission) list.

## **Health Care Services**

Clarksville is quickly becoming a regional medical hub for the area. The Gateway Health System operates as a private, not-for-profit, 270-bed hospital under the direction of an independent board of directors. Gateway Health System encompasses Gateway Medical Center, Gateway Home Care, and Gateway Health Foundation. Approximately 150 physicians, representing over 30 specialties, provide services in the hospital, with over 1,200 other personnel employed in the hospital.

Gateway Health System is partnering with Triad Hospital, Inc. on construction of a new \$200 million, 270 bed, 490,000 square foot hospital to open in the fall of 2008. The 60 acre medical campus will include a 100,000 square foot Medical Office Building and will allow for a second MOB to be added in the future as demand warrants.

## **Retail Trade**

The area contains 17 shopping centers, downtown shopping, a regional shopping mall, and numerous specialty shops. Clarksville is home to several outlet stores, flea markets and antiques shops/malls. An open-air farmers market offers fresh fruit and produce.

From 1990 to 2007, sales subject to state sales tax, have increased from \$561 million to over \$1.6 billion reflecting a percentage increase of 185%.

## **Tourism, Restaurants and Lodging**

As all other economic areas in the County have flourished, the tourism, restaurants and lodging business have expanded in sales and number of establishments. There are 37 hotels/motels and bed & breakfast facilities with more than 2,200 rooms in the County and more than 250 restaurants. More than 20 major attractions are available in the area.

The Kentucky Lake on the Tennessee River, Lake Barkley on the Cumberland River and the Land Between the Lakes form the most complete water related recreational area in the Tennessee Valley and are within a one-hour drive of the County. Fishing, boating, lodging and lake homes on the nearby lakes provide tourists with diversified attractions. The Parks and Recreation Department offers more than 18 parks, three community centers, and seven community pools.

Annual events include the Old-Time Fiddlers Championship, Mid South Jazz Festival, Oktoberfest, North Tennessee State Fair, Clarksville Rodeo, Tennessee Walking Horse Show, and Riverfest.

## **Higher Education**

Montgomery County is home to one university, two colleges, a technology center and two vocational facilities offering a variety of four-year and two-year programs. These institutions include Austin Peay State University, Tennessee Technology Center, Draughon's Jr. College, Miller Motte Business College, North Central Institute, Tennessee Vocational Training Center, Bethel College and Nashville State Technical Institute.

*Austin Peay State University* is the primary institution of higher education in the County. It was founded in 1927 and had a Spring 2007 enrollment of over 9,200. The main campus is located on 160 acres with an additional site of 475 acres operated as an environmental education center. The University offers a diversified higher educational program offering 57 majors with more than 91 different areas of concentration and four Chairs of Excellence in the areas of creative arts, free enterprise, business and nursing and two Centers of Excellence in the areas of biology and the creative arts. The University has added a Business and Community Solution Center, which combines the efforts of the University and the Clarksville-Montgomery County Economic Development Council to provide a resource for business and economic development for the County.

*Tennessee Technology Center* is an occupational and technical training facility governed by the State Board of Regents and managed by the Dickson State Area Vocational-Technical Center.

*Draughon's Jr. College* offers one-year diplomas or two-year Associate degrees in Accounting, Business Management, Computer Information Technology, Health Information Technology, Pharmacy Technology, Criminal Justice, Legal Assisting, Medical Assisting, Radio Broadcasting, and Retail Management.

*Miller-Motte Business College* offers nine to eighteen month diplomas in Microcomputer Applications, Microcomputer Network Engineering, Electrician Technology, and Secretarial Science. Two-year Associate of Applied Science degrees are also available in Accounting Technology, Business Management, Computer-Aided Drafting, Medical Assisting, Microcomputer Applications, Office Administration, and Paralegal Technology.

*North Central Institute* is a non-denominational, privately owned, co-educational school of aviation and real estate, which operates by the authorization of the Tennessee Higher Education Commission.

## Private Schools

There are multiple private schools in the County offering an educational program for grades pre-kindergarten through 12. The enrollment in these schools exceeds 1,000.

## Public Education

One of the County's major assets is the education network of public and private elementary and secondary education and the higher education institutions. The Clarksville/Montgomery County School System provides the public education program in the County. All schools in the County are accredited by the Southern Association of Schools and Colleges and provide a diversified educational program within the state guidelines. The School System has been recognized in the top 10% of the nation's schools in meeting parents' goals. The enrollment is presented below.

### Montgomery County Schools

<b>School Year</b>	<b>Enrollment</b>
1990-1991	16,500
2000-2001	24,141
2001-2002	24,310
2002-2003	24,589
2003-2004	24,951
2004-2005	25,767
2005-2006	26,603
2006-2007	27,449
2007-2008	27,269

Source: State of Tennessee Department of Education

## GREATER NASHVILLE REGION

### Population for Region

The population of the Region is 26.6 percent of the state total population based on the 2007 U.S. Census estimate. The County's population in 2007 represents 9.4 percent of the Region's total population of 1,637,626. The growth of the County was 46.4 percent from 1990 to 2007, which was more than the state's growth of 26.2 percent. The County is the fourth largest in the Region after Davidson, Rutherford and Williamson Counties.

County	1990	2007	Growth Percent	Percent of Region
Cheatham	27,140	39,112	44.1%	2.4%
Davidson	510,786	619,626	21.3%	37.8%
Dickson	35,061	47,366	35.1%	2.9%
Houston	7,018	8,075	15.1%	0.5%
Humphreys	15,813	18,173	14.9%	1.1%
<b>Montgomery</b>	<b>100,498</b>	<b>154,460</b>	<b>53.7%</b>	<b>9.4%</b>
Robertson	41,494	63,333	52.6%	3.9%
Rutherford	118,570	241,462	103.6%	14.7%
Stewart	9,479	13,087	38.1%	0.8%
Sumner	103,281	152,721	47.9%	9.3%
Trousdale	5,920	7,727	30.5%	0.5%
Williamson	81,021	166,128	105.0%	10.1%
Wilson	67,675	106,356	57.2%	6.5%
Total for Region	1,123,756	1,637,626	45.7%	100.0%
State of Tennessee	4,877,203	6,156,719	26.2%	
Region % of State	23.0%	26.6%		

Source: U.S. Bureau of the Census

### Labor Force, Employment and Unemployment Data for Region – November 2008

For the month of November 2008, the County labor force represents 8.2% of the Region's total available labor force with an unemployment rate of 5.7%. The Region employs 28.1% of the state labor force and has an unemployment rate of 5.9% while the State has a rate of 6.8% as presented in the table below.

County	Labor	Employment		Unemployment	
		Number	% of	Number	Rate
Cheatham	21,390	20,090	2.5%	1,300	6.1%
Davidson	315,230	297,940	37.5%	17,280	5.5%
Dickson	24,530	22,470	2.8%	2,070	8.4%
Houston	3,960	3,620	0.5%	340	8.5%
Humphreys	9,420	8,560	1.1%	860	9.1%
<b>Montgomery</b>	<b>69,400</b>	<b>65,420</b>	<b>8.2%</b>	<b>3,990</b>	<b>5.7%</b>
Robertson	33,930	31,690	4.0%	2,250	6.6%
Rutherford	130,270	121,530	15.3%	8,750	6.7%
Stewart	6,250	5,750	0.6%	500	8.0%
Sumner	81,240	76,060	9.6%	5,180	6.4%
Trousdale	3,860	3,580	0.5%	270	7.1%
Williamson	87,850	83,850	10.6%	4,010	4.6%
Wilson	58,430	55,010	6.8%	3,420	5.8%
Total for Region	845,760	795,570	100.0%	50,220	5.9%
State of Tennessee	3,037,700	2,830,800		206,900	6.8%
Region % of State	27.8%	28.1%			

Source: Tennessee Department of Labor and Workforce Development

## **GOVERNMENTAL STRUCTURE**

### **County Government**

The County government operates under the general laws and uniform structure for counties in Tennessee with a County Mayor, Highway Superintendent, Superintendent of Education, various county officials and a 21 member county legislative body. The County operates under the 1957 centralized accounting and budgeting for all departments except the Department of Education, which has its own business office.

### **Other Post Employment Benefits (“OPEB”) Disclosure Statement**

The County is not presently required to implement Governmental Accounting Standards Board (“GASB”) Statement 43 and GASB Statement 45, which require disclosure of the nature and size of the County’s long-term financial obligations and commitments relative to Other Post-employment Benefits. The County plans to implement GASB 43 and GASB 45 as required for its fiscal year ending June 30, 2008.

The County currently provides post-employment health care benefits to eligible employees and the Montgomery County School Department provides post-employment health care and life insurance benefits to eligible employees. The County has retained an actuarial firm to determine the actuarial liability for these benefits but the amount of such liability is not yet known.

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**GENERAL FINANCIAL INFORMATION  
SUMMARY OF OUTSTANDING DEBT**

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 02/01/09
<b><u>Bonds</u></b>					
\$68,725,000	GO Public Improvement & Ref. Bonds, Series 2001	12/1/01	5/1/21	4.00% - 5.50%	\$19,405,000
25,000,000	GO Public Improvement Bonds, Series 2003	6/1/03	6/1/23	2.00% - 4.25%	24,000,000
81,640,000	GO Refunding Bonds, Series 2003	6/1/03	6/1/15	4.00% - 4.75%	53,140,000
43,240,000	GO Refunding Bonds, Series 2004	3/15/04	3/15/20	2.30% - 4.75%	42,950,000
22,000,000	GO Public Improvement Bonds, Series 2004	11/1/04	4/1/25	3.00% - 4.50%	21,700,000
40,000,000	GO School and Public Improvement Bonds, Series 2005	12/1/05	4/1/26	4.00% - 4.50%	39,800,000
63,945,000	GO School Refunding Bonds, Series 2006	8/11/06	4/1/26	4.25% - 5.00%	62,495,000
18,000,000	GO School and Public Improvement Bonds, Series 2007	8/30/07	5/1/28	4.00% - 5.00%	18,000,000
18,450,000	GO Industrial Park Bonds, Series 2008	8/28/08	5/1/22	5.00%-5.625%	18,450,000
<b>Sub-Total</b>					\$299,940,000
<b><u>Loan Agreements</u></b>					
\$20,140,987	PBA Loan through TN County Services Assn	6/6/08	5/25/29	Variable	\$20,140,987
2,470,731	Qualified Zone Academy (School) Bonds, Series 2001	2001	12/18/15	0.00%	1,411,845
2,751,820	Qualified Zone Academy (School) Bonds, Series 2005	2005	12/1/17	0.00%	2,232,620
<b>Sub-Total</b>					\$23,785,452
<b><u>Notes</u></b>					
\$5,585,000	Refunding Notes-Courts Center	3/15/04	5/1/11	4.00% - 5.00%	\$3,450,000
<b>Sub-Total</b>					\$3,450,000
<b>Total Outstanding Debt</b>					<b>\$327,175,452</b>

**DEBT STATEMENT**

(as of February 1, 2008)

<b>Outstanding Debt</b>		
Total Outstanding Debt		\$327,175,452
Plus: General Obligation Capital Outlay Notes, Series 2009		4,500,000
<b>Gross Direct Debt</b>		\$331,675,452
Less: Estimated Debt Service Fund Balance as of July 1, 2008		(25,601,896)
<b>Net Direct Debt</b>		\$306,073,556
<b>Net Overlapping Debt</b> (as of July 1, 2008)		
City of Clarksville		\$42,900,365
<b>Total Net Overlapping Debt</b>		\$42,900,365
<b>Overall Net Debt</b>		<b>\$348,973,921</b>

**DEBT RECORD**

**There is no record of a default on bond principal and interest from information available.**

Sources: Annual Financial Report for Fiscal Year ending June 30, 2007 and County Finance Department.

## POPULATION

	<b>Montgomery</b>			
	<b>County</b>	<b>% Change</b>	<b>Tennessee</b>	<b>% Change</b>
1980 Census	83,342	NA	4,591,023	NA
1990 Census	100,498	20.6%	4,877,203	6.2%
2000 Census	134,768	34.1%	5,689,283	16.7%
2007 Estimate	154,460	14.6%	6,156,719	8.2%

## DEBT PER CAPITA RATIOS

Outstanding Debt	\$2,118.19
Gross Direct Debt	\$2,147.32
Net Direct Debt	\$1,981.57
Total Net Overlapping Debt	\$277.74
Overall Net Debt	\$2,259.32

## DEBT RATIOS

	<b>Estimated Actual Value</b>	<b>Assessed Value</b>
Outstanding Debt to	3.32%	12.77%
Gross Direct Debt to	3.37%	12.94%
Net Direct Debt to	3.11%	11.94%
Total Net Overlapping Debt to	0.44%	1.67%
Overall Net Debt to	3.54%	13.62%

## DEBT TREND

<b>Form of Debt</b>	<b>06/30/04</b>	<b>06/30/05</b>	<b>06/30/06</b>	<b>06/30/07</b>	<b>Preliminary Pending Final Audit 06/30/08</b>
Bonded Debt	\$176,904,770	\$190,662,289	\$221,875,808	\$274,685,000	\$281,490,000
Loan Agreements	24,595,000	24,595,000	24,595,000	4,080,546	23,785,452
Notes Payable	10,720,569	9,433,457	7,168,587	5,016,726	3,450,000
Capitalized Leases	185,748	295,997	0	0	0
<b>Gross Direct Debt</b>	<b>\$212,406,087</b>	<b>\$224,986,743</b>	<b>\$253,639,395</b>	<b>\$283,782,272</b>	<b>\$308,725,452</b>
Less: Self Supported Debt	(\$582,975)	(\$140,808)	\$0	\$0	\$0
Less: Debt Service Fund Balance	(20,201,039)	(19,398,846)	(17,800,772)	(23,901,392)	(25,601,896)
<b>Net Direct Debt</b>	<b>\$191,622,073</b>	<b>\$205,447,089</b>	<b>\$235,838,623</b>	<b>\$259,880,880</b>	<b>\$283,123,556</b>

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2007 and County officials.

**DEBT SERVICE REQUIREMENTS**  
(as of July 1, 2008)

Year	Year Ended	Principal Requirements					Percent Retired	Interest Requirements					Total Debt Service
		Total Outstanding Bonds	Total Outstanding Notes	Total Outstanding Loan Agreements	Plus 2009 Notes	Total Principal Requirements		Total Outstanding Bonds Interest	Total Outstanding Notes Interest	Total Outstanding Loan Agreements Interest <sup>(1)</sup>	Plus 2009 Notes Interest	Total Interest Requirements	
No.	June 30	Principal	Principal	Principal	Principal	Requirements		Interest	Interest	Interest <sup>(1)</sup>	Interest	Requirements	Requirements
	2009	\$11,400,000	\$1,100,000	\$436,081		\$12,936,081		\$13,676,207	\$172,500	\$880,744		\$14,729,451	\$27,665,532
1	2010	12,525,000	1,150,000	1,136,068	500,000	15,311,068		13,530,989	117,500	908,437	127,531	14,684,457	29,995,525
2	2011	13,365,000	1,200,000	1,173,081	500,000	16,238,081		12,979,988	60,000	876,938	106,000	14,022,926	30,261,007
3	2012	15,200,000		1,199,081	3,500,000	19,899,081		12,379,126		843,773	92,750	13,315,649	33,214,730
4	2013	16,985,000		1,226,081		18,211,081		11,676,124		809,438		12,485,562	30,696,643
5	2014	18,015,000		1,253,081		19,268,081	30.71%	10,892,975		773,888		11,666,863	30,934,944
6	2015	19,050,000		1,282,081		20,332,081		10,059,474		737,123		10,796,597	31,128,678
7	2016	19,260,000		1,312,078		20,572,078		9,177,926		699,053		9,876,979	30,449,057
8	2017	20,545,000		1,061,820		21,606,820		8,272,124		658,786		8,930,910	30,537,730
9	2018	21,460,000		938,000		22,398,000		7,302,088		616,770		7,918,858	30,316,858
10	2019	22,645,000		971,000		23,616,000	63.43%	6,287,780		574,560		6,862,340	30,478,340
11	2020	22,835,000		1,005,000		23,840,000		5,225,294		530,865		5,756,159	29,596,159
12	2021	23,155,000		1,040,000		24,195,000		4,120,006		485,640		4,605,646	28,800,646
13	2022	14,180,000		1,077,000		15,257,000		2,994,450		438,840		3,433,290	18,690,290
14	2023	14,180,000		1,115,000		15,295,000		2,308,050		390,375		2,698,425	17,993,425
15	2024	13,280,000		1,154,000		14,434,000	91.48%	1,627,488		340,200		1,967,688	16,401,688
16	2025	11,180,000		1,194,000		12,374,000		980,138		288,270		1,268,408	13,642,408
17	2026	8,480,000		1,236,000		9,716,000		483,350		234,540		717,890	10,433,890
18	2027	1,100,000		1,280,000		2,380,000		101,750		178,920		280,670	2,660,670
19	2028	1,100,000		1,325,000		2,425,000		50,875		121,320		172,195	2,597,195
20	2029			1,371,000		1,371,000	100.00%			61,695		61,695	1,432,695
		<u>\$299,940,000</u>	<u>\$3,450,000</u>	<u>\$23,785,452</u>	<u>\$4,500,000</u>	<u>\$331,675,452</u>		<u>\$134,126,202</u>	<u>\$350,000</u>	<u>\$11,450,175</u>	<u>\$326,281</u>	<u>\$146,252,658</u>	<u>\$477,928,110</u>

<sup>(1)</sup>The PBA loan through the Tennessee County Services Association is a variable rate and resets weekly. We have assumed a fixed rate of 4.50% in the computations above.  
Sources: Annual Financial Report for Fiscal Year ending June 30, 2007 and County Finance Department.

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

### ***State Taxation of Property; Classifications of Taxable Property; Assessment Rates***

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the “*General Assembly*”) exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its values upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

### ***Assessment of Property***

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such

published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property; State Board of Equalization.* The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

### ***Valuation for Property Tax Purposes***

*County Valuation of Property.* The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State board of equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

*State Valuation of Public Utility Property.* The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

### ***Certified Tax Rate***

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

### ***Tax Collection and Tax Lien***

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

### ***Tax Freeze for the Elderly Homeowners***

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for “freezing” the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer’s property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program’s ownership and income requirements.

On March 10, 2008, the Montgomery County Commission adopted the Property Tax Freeze Program for the County. The County is implementing the Property Tax Freeze Program for the tax year 2008 for tax revenues to be received in the fiscal year ending June 30, 2009. For the 2008 tax year, taxpayers must apply for the program by April 6, 2009 and provide proof of continuing eligibility on an annual basis. As of August 7, 2008, 642 applicants have qualified. The County has not yet estimated the value of the property affected by the Property Tax Freeze Program.

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## PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year Tax Year	2004-2005 2004	2005-2006 2005	2006-2007 2006	2007-2008 2007	2008-2009 2008
<b>ESTIMATED ACTUAL VALUES<sup>(1)</sup></b>					
Residential & Farm	\$4,235,244,600	\$4,836,197,517	\$5,493,355,800	\$5,832,902,800	\$6,873,701,571
Commercial & Industrial	1,373,929,500	1,536,298,095	1,744,099,500	1,826,682,000	2,252,824,579
Personal Tangible Property	475,342,170	492,838,997	514,147,670	556,167,407	555,072,110
Public Utilities	135,678,627	141,678,810	141,683,317	172,773,297	164,234,133
<b>Total Estimated Actual Values</b>	<u>\$6,220,194,897</u>	<u>\$7,007,013,419</u>	<u>\$7,893,286,287</u>	<u>\$8,388,525,504</u>	<u>\$9,845,832,393</u>
Annual Percentage Change	3.02%	12.65%	12.65%	6.27%	17.37%
Estimated Per Capita Amount	\$46,155	\$45,365	\$51,102	\$54,309	\$63,744
<b>ASSESSED VALUES<sup>(1)</sup></b>					
Residential & Farm (at 25%)	\$1,058,811,150	\$1,129,977,550	\$1,373,338,950	\$1,458,225,700	\$1,531,117,025
Commercial & Industrial (at 40%)	549,571,800	574,329,680	697,639,800	730,672,800	802,906,680
Personal Tangible Property (at 30%)	142,602,651	138,182,198	154,214,451	166,850,222	148,370,775
Public Utilities (at 30%-55%)	59,343,112	57,919,178	61,969,443	67,380,363	80,129,240
<b>Total Assessed Values</b>	<u>\$1,810,328,713</u>	<u>\$1,900,408,606</u>	<u>\$2,287,162,644</u>	<u>\$2,423,129,085</u>	<u>\$2,562,523,720</u>
Annual Percentage Change	2.71%	4.98%	20.35%	5.94%	5.75%
Estimated Per Capita Amount	\$13,433	\$12,304	\$14,807	\$15,688	\$16,590
<b>Appraisal Ratio</b>	100.00%	93.46%	100.00%	100.00%	89.10%
<b>Assessed Values to Actual Values</b>	29.10%	27.12%	28.98%	28.89%	26.03%
<b>Property Tax Rate</b>					
General	\$1.020	\$1.110	\$0.970	\$0.970	\$0.990
Highway/Public Works	0.140	0.150	0.130	0.130	0.180
General Purpose School	1.120	1.160	1.020	1.020	1.020
Debt Service	0.820	0.820	0.897	0.897	0.970
General Capital Projects	0.000	0.000	0.055	0.055	0.050
Schools Capital Projects	<u>0.000</u>	<u>0.000</u>	<u>0.068</u>	<u>0.068</u>	<u>0.090</u>
<b>Total Property Tax Rate</b>	<u>\$3.100</u>	<u>\$3.240</u>	<u>\$3.140</u>	<u>\$3.140</u>	<u>\$3.300</u>
<b>Taxes Levied</b>					
Total Taxes Levied	\$56,120,190	\$61,573,239	\$71,816,907	\$76,086,253	\$84,563,283
<b>Collections</b>					
Current Fiscal Year	\$53,424,843	\$58,371,944	\$69,495,783	\$72,955,555	In Process
Percent Collected Current FY	95.20%	94.80%	96.77%	95.89%	
As of 6/30/08:					
Amount Uncollected	\$124,556	\$528,687	\$957,127	\$3,130,698	In Process
Percent Collected	99.78%	99.14%	98.67%	95.89%	
Percent Uncollected	0.22%	0.86%	1.33%	4.11%	

<sup>(1)</sup>The actual and assessed values do not include any values for Fort Campbell - U.S. Department of Defense Military Base - located on approximately 47,000 acres or about 13.5% of land in the County.

Sources: State Board of Equalization, State Board of Equalization Tax Aggregate Reports of Tennessee, Tennessee Office of State Assessed Properties, Property Assessor's office and County Trustee of Montgomery County, TN and Comprehensive Annual Financial

## TOP TAXPAYERS

<u>Business</u>	<u>Type of Business</u>	<u>Assessed Value as a % of 2008</u>		
		<u>2008 Assessed Value</u>	<u>Total Assessment</u>	<u>Tax Levy</u>
Clarksville Health System	Healthcare	\$57,597,810	2.25%	\$1,808,571
Cumberland Electric	Utility	26,582,881	1.04%	834,702
Bridgestone Metalpha	Metal Cord	24,782,735	0.97%	778,178
BellSouth	Telecommunication	18,656,743	0.73%	585,822
Quebeor	Printing	17,133,270	0.67%	537,985
Tinytown Village	Real Estate	16,848,230	0.66%	529,034
Tennessee Metro Holdings	Commercial	16,723,694	0.65%	525,124
Robert Bosch Corporation	Brake Manufacturer	16,391,305	0.64%	514,687
Trane Company	Heating & cooling equipment	15,593,726	0.61%	489,643
Governor's Square	Retail shopping mall	15,364,024	0.60%	482,430

Sources: Montgomery County Trustee and Assessor of Property

## FUND BALANCES

	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/07</u>	<u>Preliminary Pending Final Audit 06/30/08</u>
<b>GOVERNMENTAL FUNDS</b>					
General Government Fund	\$7,318,465	\$7,936,161	\$9,764,561	\$16,144,917	\$18,976,024
Special Revenue Funds	50,076	1,607,718 <sup>(1)</sup>	1,763,197	1,912,642	1,809,654
Highway/Public Works	1,338,908	0 <sup>(1)</sup>	0	0	0
Education Funds	14,098,350	15,636,154	18,427,366	21,515,056	21,405,187
Debt Service Funds	20,201,039	19,398,846	17,800,772	23,901,392	25,872,565
Capital Project - Gen. Government	11,986,301	19,818,656	31,140,422	55,295,284	15,926,591
Capital Project-Education	465,335	217,210	1,651,318	2,860,452	3,134,551
<b>Total Governmental Funds</b>	<b>\$55,458,474</b>	<b>\$64,614,745</b>	<b>\$80,547,636</b>	<b>\$121,629,743</b>	<b>\$87,124,572</b>

<sup>(1)</sup> Due to auditor adjustments for compliance with GASB 34 the Highway/Public Works Fund changed from a Major Fund to Special Revenue Fund.

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2003-2007 and County officials.

## LOCAL SALES TAX

	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/07</u>	<u>Preliminary Pending Final Audit 06/30/08</u>
<b>Rate (Percent of retail sales)</b>	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Distribution</b>					
General Debt Service Fund	\$2,360,088	\$2,542,043	\$2,676,472	\$2,954,707	\$2,899,239
General Purpose School Fund	25,347,607	27,430,470	28,817,756	31,838,876	31,227,582
Cities Portion	8,724,049	9,828,188	10,163,209	12,093,816	11,060,471
<b>Total Amount Collected</b>	<b>\$36,431,744</b>	<b>\$39,800,701</b>	<b>\$41,657,437</b>	<b>\$46,887,399</b>	<b>\$45,187,292</b>
% of Increase	7.52%	9.25%	4.67%	12.55%	-3.63%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2003-2007 and County officials.

## WHEEL TAX

	<u>06/30/04</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/07</u>	<u>Preliminary Pending Final Audit 06/30/08</u>
<b>Rate Per Vehicle</b>	\$30.50	\$30.50	\$30.50	\$30.50	\$30.50
General Purpose School Fund	\$3,151,767	\$3,256,891	\$3,390,834	\$3,547,215	\$3,650,243
<b>Total Amount Collected</b>	<b>\$3,151,767</b>	<b>\$3,256,891</b>	<b>\$3,390,834</b>	<b>\$3,547,215</b>	<b>\$3,650,243</b>
% of Increase	5.97%	3.34%	4.11%	4.61%	2.90%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2007 and County officials.

## SELECTED FINANCIAL INFORMATION REGARDING THE COUNTY

### General

The County accounts for its financial resources on the basis of funds and account groups, each of which is considered a separate accounting entity. The General Fund is the general operating fund of the County. Other funds include Special Revenue Funds, the General Debt Service Fund, Capital Projects Funds, Internal Service Funds and Trust and Agency Funds. For additional information regarding the component units, see Notes to the General Purpose Financial Statements contained in APPENDIX 5 hereto.

Revenues received from ad valorem taxes levied on all taxable property within the boundaries of the County securing the payment of principal of and interest on the Obligations are deposited in the Debt Service Funds of the County. Such tax collections for the Obligations will be used exclusively to pay the principal of and interest on the Obligations. Included as APPENDIX 5 to this Offering Circular are the General Purpose Financial Statements and notes thereto for the fiscal year ended June 30, 2007. Potential purchasers should read APPENDIX 5 in its entirety for more complete information concerning the County's financial position.

The County uses the modified accrual basis of accounting for all Governmental Funds, Expendable Trust Funds and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the related fund liability is incurred. Funds where expenditures determine the eligibility for grants recognize revenue at the time of the expenditures. Grant proceeds received prior to meeting the aforementioned revenue recognition policy are recorded as deferred revenues. Principal and interest on general long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

The primary revenue susceptible to accrual are revenues received from the State of Tennessee. Sales tax collected and held by the State at year end on behalf of the County and its component units are also recognized as revenue.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when incurred.

For additional information regarding these funds, see Notes to the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2007 in APPENDIX 5 hereto.

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TAB 1

Form of Legal Opinion

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BASS, BERRY & SIMS PLC  
*Attorneys at Law*

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A PROFESSIONAL LIMITED LIABILITY COMPANY

315 Deaderick Street, Suite 2700  
Nashville, Tennessee 37238-3001  
(615) 742-6200

March 6, 2009

Board of County Commissioners of  
Montgomery County, Tennessee  
Clarksville, Tennessee

U. S. Bank, N.A.  
5425 Walnut Street, 11<sup>th</sup> Floor  
Cincinnati, Ohio 45202

Re: Montgomery County, Tennessee \$4,500,000 General Obligation Capital Outlay Note,  
Series 2009

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Montgomery County, Tennessee (the "Issuer") of \$4,500,000 General Obligation Capital Outlay Note, Series 2009, dated March 6, 2009 (the "Note"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Note has been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitutes a valid and binding obligation of the Issuer.

2. The resolution of the Board of County Commissioners of the Issuer authorizing the Note has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Note constitutes a general obligation of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Note are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.

4. Interest on the Note is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Note in order that interest thereon

be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Note to be so included in gross income retroactive to the date of issuance of the Note. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Note.

5. Under existing law, the Note and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on any of the Note during the period such Note is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Note in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Note is a "qualified tax-exempt obligation" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Note and the enforceability of the Note and the resolution authorizing the Note may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Offering Circular relating to the Note.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. This opinion may be relied upon by the addressees hereof, as well as by their respective successors and/or assigns, but only with regard to the opinions expressly set forth herein and only as of the date hereof.

Yours truly,

TAB 2

Resolution

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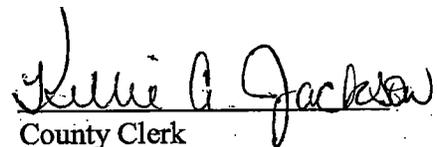
STATE OF TENNESSEE

MONTGOMERY COUNTY

I, Kellie A. Jackson, County Clerk and Clerk of the Board of Commissioners of Montgomery County, Tennessee, hereby certify the forgoing to be a true copy of Resolution # 08-12-5 of the Montgomery County Board of Commissioners in Montgomery County, Tennessee. Said Resolution "Authorizing the Issuance of Interest Bearing General Obligation Capital Outlay Notes of Montgomery County, Tennessee, in an Aggregate Principal Amount of not to Exceed Four Million Five Hundred Thousand Dollars (\$4,500,000.00); Making Provision for the Issuance, Sale and Payment of Said Notes; Establishing the Terms Thereof and the Disposition of Proceeds Therefrom; and Providing for the Levy of Tax for the Payment of Principal Thereof and Interest Thereon" was Approved.

Said Approved Resolution was adopted by the Board of Commissioners in regular session on December 08, 2008, and recorded in this office in Board of Commissioners' Minute Book 79.

Witness my hand and official seal at office in Clarksville, Tennessee, this 22<sup>nd</sup> day of January, 2009.

  
County Clerk

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A RESOLUTION AUTHORIZING THE ISSUANCE OF INTEREST BEARING GENERAL OBLIGATION CAPITAL OUTLAY NOTES OF MONTGOMERY COUNTY, TENNESSEE, IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS (\$4,500,000); MAKING PROVISION FOR THE ISSUANCE, SALE AND PAYMENT OF SAID NOTES, ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM; AND PROVIDING FOR THE LEVY OF TAX FOR THE PAYMENT OF PRINCIPAL THEREOF AND INTEREST THEREON.

WHEREAS, pursuant to authority granted by Sections 9-21-101 et seq., Tennessee Code Annotated, subject to the approval of the State Director of Local Finance, counties in Tennessee are authorized to issue interest bearing capital outlay notes for all county purposes for which general obligation bonds can be legally authorized and issued for a period of ending not later than the end of the third fiscal year following the fiscal year in which said notes are issued;

WHEREAS, the Board of County Commissioners of Montgomery County, Tennessee (the "County") has determined that it is necessary and desirable to issue not to exceed \$4,500,000 in aggregate principal amount of capital outlay notes to provide funds for the purpose of (i) construction, renovation and equipping of parks and related facilities, including, but not limited to acquisition and site development of land and purchase of related equipment; (ii) purchase and equipping of school buses; ~~(iii) construction, renovation, repair, maintenance and equipping of school buildings;~~ (iv) acquisition of all property, real and personal appurtenant to the foregoing; ~~(v) iv~~ payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (the "Projects"); ~~(vi) v~~ reimbursement for funds previously expended for the Projects costs, if any; and ~~(vii) vi~~ payment of costs incident to the issuance and sale of the Notes authorized herein; and

WHEREAS, it appears to the Board of County Commissioners of the County that it will be advantageous to the County to issue not to exceed \$4,500,000 in aggregate principal amount of capital outlay notes for said purposes; and

WHEREAS, it is the intention of the Board of County Commissioners of the County to adopt this resolution for the purpose of authorizing such notes, establishing the terms thereof, providing for the issuance, sale and payment of the notes and disposition of proceeds therefrom, and providing for the levy of a tax for the payment of principal thereof and interest thereon.

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Montgomery County, Tennessee, as follows:

Section 1. Authority. The notes authorized by this resolution are issued pursuant to Sections 9-21-101 et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

(a) "Code" shall mean the Internal Revenue Code of 1986, as amended, and all regulations promulgated or proposed thereunder;

(b) "County" shall mean Montgomery County, Tennessee;

(c) "Governing Body" shall mean the Board of County Commissioners of the County;

(d) "Notes" shall mean the not to exceed \$4,500,000 General Obligation Capital Outlay Notes of the County, to be dated the date of issuance, and having such series designation or such other dated date as shall be determined by the County Mayor, authorized to be issued by this resolution;

(e) "Projects" shall mean (i) construction, renovation and equipping of parks and related facilities, including, but not limited to acquisition and site development of land and purchase of related equipment; (ii) purchase and equipping of school buses; (iii) ~~construction, renovation, repair, maintenance and equipping of school buildings;~~ (iv) iii acquisition of all property, real and personal appurtenant to the foregoing; and (v) iv payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing;

(f) "Registration Agent" shall mean the County Trustee who shall serve as registration and paying agent or any successor registration agent and paying agent appointed by the Governing Body.

Section 3. Authorization and Terms of the Notes. (a) For the purpose of funding the Projects and reimbursing the County for funds previously expended for Project costs, if any, subject to the adjustments permitted pursuant to Section 7 hereof, including the costs incident to the issuance and sale of the Notes as more fully set forth in Section 7 hereof, there are hereby authorized to be issued interest bearing capital outlay notes of the County, in certificated form, or such other form as authorized herein, as shall be determined by the County Mayor to be advantageous to the County, in an aggregate principal amount of not to exceed \$4,500,000. Subject to the adjustments permitted in Section 7 hereof, the Notes shall be issued in one or more emissions, in fully registered form, without coupons, shall be known as "General Obligation Capital Outlay Notes" and shall be dated the date of issuance, and having such series designation or such other dated date as shall be determined by the County Mayor; and shall bear interest at a rate or rates not to exceed six percent (6%) per annum, payable, subject to the adjustments permitted pursuant to Section 7 hereof, semi-annually on April 1 and October 1 until the Notes mature or are redeemed, commencing October 1, 2009. The Notes shall be issued initially in \$5,000 denominations or integral multiples thereof, as shall be requested by the original purchaser thereof. Subject to the adjustments permitted by Section 7 hereof, the Notes shall mature serially or be subject to mandatory redemption and be payable on April 1 of each year in such manner that will retire not less than one ninth (1/9) of the original principal amount of the Notes but in no event shall the Notes mature later than the end of the third fiscal year following the fiscal year in which the Notes are issued provided, that, with the approval of the State Director of Local Finance, the maturity of the Notes may be extended or renewed for not more

than two (2) additional periods not exceeding three (3) years each and periodic retirement may not be required.

(b) Subject to the adjustments permitted by Section 7 hereof, the Notes shall be subject to redemption prior to maturity at the option of the County, as a whole or in part, at any time at the redemption price of par plus accrued interest to the redemption date. If less than all the Notes shall be called for redemption, the maturities to be redeemed shall be designated by the Governing Body, in its discretion, and, if less than all of the Notes of a maturity shall be called for redemption, the Notes within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

(c) Pursuant to Section 7 hereof, the County Mayor is authorized to sell the Notes, or any maturities thereof, as term notes ("Term Notes") with mandatory redemption requirements as determined by the County Mayor, consistent with the requirements of Section 3(a) hereof. In the event any or all the Notes are sold as Term Notes, the County shall redeem Term Notes on redemption dates in aggregate principal amounts equal to the maturity amounts determined by the County Mayor at a price of par plus accrued interest thereon to the date of redemption. The Term Notes to be redeemed within a single maturity shall be selected in the manner described in subsection (b) above.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such mandatory redemption date, the County may (i) deliver to the Registration Agent for cancellation Notes to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Notes of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of a mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Note so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the County on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Notes to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The County shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

(d) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the County not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Notes to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Note registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Notes for which proper notice was given. The

Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates determined by the County Mayor) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Notes called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein.

(e) The County hereby authorizes and directs the Registration Agent to maintain Note registration records with respect to the Notes, to authenticate and deliver the Notes as provided herein, either at original issuance or upon transfer, to effect transfers of the Notes, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Notes as provided herein, to cancel and destroy Notes which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the County at least annually a certificate of destruction with respect to Notes canceled and destroyed, and to furnish the County at least annually an audit confirmation of Notes paid, Notes outstanding and payments made with respect to interest on the Notes.

(f) The Notes shall be payable, both principal and interest, in lawful money of the United States of America at the main office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Notes by check or draft on each interest payment date directly to the registered owners as shown on the Note registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Note registration records, without, except for final payment, the presentation or surrender of such registered Notes, and all such payments shall discharge the obligations of the County in respect of such Notes to the extent of the payments so made. Payment of principal of and premium, if any, on the Notes shall be made upon presentation and surrender of such Notes to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. If requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Notes, payment of interest on such Notes shall be paid by wire transfer to a bank within the continental United States and written notice of any such election is given to the Registration Agent prior to the record date.

(g) Any interest on any Note that is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the County to the persons in whose names the Notes are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the County shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the County shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in

respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the County of such Special Record Date and, in the name and at the expense of the County, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Note registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Notes shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the County to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Notes when due.

(h) The Notes are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Note(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Note(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Note(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Note or the Note to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Note during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Note, nor to transfer or exchange any Note after the notice calling such Note for redemption has been made, nor to transfer or exchange any Note during the period following the receipt of instructions from the County to call such Note for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Note, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the County nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Notes shall be overdue. The Notes, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Notes of the same maturity in any authorized denomination or denominations.

(i) The Notes shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the County with the manual or facsimile signature of the County Mayor and with the official seal, or a facsimile thereof, of the County impressed or imprinted thereon and attested by the manual or facsimile signature of the County Clerk.



KNOW ALL MEN BY THESE PRESENTS: That Montgomery County, Tennessee (the "County"), for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth, and to pay interest (computed on the basis of a 360 day year of twelve 30 day months) on said principal amount at the rate of interest hereinabove set forth from the date hereof until this Note matures [or is redeemed], said interest being payable on [October 1, 2009], and semi-annually thereafter on April 1 and October 1. Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft at the office of the Montgomery County Trustee, Clarksville, Tennessee as registration and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Note on each interest payment date directly to the registered owner hereof shown on the Note registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at such owner's address shown on said note registration records, without, except for final payment, the presentation or surrender of this Note, and all such payments shall discharge the obligations of the County to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the person in whose name this Note is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Notes of the issue of which this Note is one not less than ten (10) days prior to such Special Record Date. Payment of principal hereof shall be made upon presentation and surrender of this Note to the Registration Agent when due.

Notes of the issue of which this Note are subject to redemption at any time prior to maturity at the option of the County at a price of par plus accrued interest to the redemption date.

This Note is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Note is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the County nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Note shall be overdue. Notes, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Notes of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Note during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Note, [nor to transfer or

exchange any Note after the notice calling such Note for redemption has been made, nor during a period following the receipt of instructions from the County to call such Note for redemption.]

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Note does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

This Note is one of a total authorized issue aggregating \$4,500,000 and issued by the County for the purpose of providing funds for the for the purpose of (i) construction, renovation and equipping of parks and related facilities, including, but not limited to acquisition and site development of land and purchase of related equipment; (ii) purchase and equipping of school buses; ~~(iii) construction, renovation, repair, maintenance and equipping of school buildings;~~ (iii) acquisition of all property, real and personal appurtenant to the foregoing; ~~(iv)~~ (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (the "Projects"); ~~[(vi v)~~ (vi v) reimbursement for funds previously expended for the Projects costs] and ~~[(vii vi)]~~ (vii vi) payment of costs incident to the issuance and sale of the Notes of the issue of which this Note is one, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101 et seq., Tennessee Code Annotated, and pursuant to a resolution (the "Resolution") duly adopted by the Board of County Commissioners of the County on the 8<sup>th</sup> day of December, 2008.

This Note is payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on this Note, the full faith and credit of the County are irrevocably pledged. For a more complete statement of the general covenants and provisions pursuant to which this Note is issued, reference is hereby made to said Resolution.

This Note and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Note during the period the Note is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Note in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

IN WITNESS WHEREOF, Montgomery County, Tennessee, has caused this Note to be signed by its County Mayor with her manual [facsimile] signature and attested by its County Clerk with her manual [facsimile] signature under an impression [facsimile] of the corporate seal of the County, all as of the day and date hereinabove set forth.

MONTGOMERY COUNTY

BY: \_\_\_\_\_  
County Mayor

(SEAL)

ATTESTED:

\_\_\_\_\_  
County Clerk

Transferable and payable at the  
principal office of:

Montgomery County Trustee  
Clarksville, Tennessee

Date of Registration: \_\_\_\_\_

This Note is one of the issue of Notes issued pursuant to the Resolution hereinabove described.

Montgomery County Trustee  
Registration Agent

\_\_\_\_\_

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto \_\_\_\_\_, whose address is \_\_\_\_\_ (Please insert Social Security or Federal Tax Identification Number \_\_\_\_\_), the within Note of Montgomery County, Tennessee and does hereby irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the said Note on the records kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within Note in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed:  
\_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by a member of a medallion program acceptable to the Registration Agent.

Section 6. Levy of Tax. The County, through its Governing Body, shall annually levy and collect a tax upon all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay principal of and interest on the Notes when due, and for that purpose there is hereby levied a direct tax in such amount as may be found necessary each year to pay principal and interest coming due on the Notes. Principal and interest falling due at any time when there are insufficient funds from this tax levy on hand shall be paid from the current funds of the County and reimbursement therefor shall be made out of the taxes hereby provided to be levied when the same shall have been collected. The tax herein provided may be reduced to the extent of direct appropriations from the general funds or other legally available funds of the County to the payment of debt service on the Notes.

Section 7. Sale of Notes. (a) The Notes shall be offered for public sale, pursuant to an informal or competitive bid process, or by private negotiated sale, as required by law, at a price of not less than ninety-nine percent (99%) of par, plus accrued interest, if any, as a whole or in part from time to time as shall be determined by the County Mayor, in consultation with Stephens Inc., Nashville, Tennessee, the County's financial advisor (the "Financial Advisor").

(b) If the Notes are sold in more than one emission, the County Mayor is authorized to designate the series of each emission, to cause to be sold in each emission an aggregate principal amount of Notes less than that shown in Section 3 hereof for each emission, and to make corresponding adjustments to the maturity schedule of each emission designated in Section 3 hereof, so long as the total aggregate principal amount of all emissions issued does not exceed the total aggregate of Notes authorized to be issued herein.

(c) The County Mayor is authorized (i) to change the dated date of the Notes to a date other than the date of issuance; (ii) to change the designation of the Notes to a designation other than "General Obligation Capital Outlay Notes, Series 2008"; (iii) to change the first interest payment date on the Notes to a date other than October 1, 2009 but not later than twelve (12) months from the dated date of the Notes; (iv) to adjust the principal and interest payment dates and maturity amounts of the Notes, provided that (A) the total principal amount of all emissions of the Notes does not exceed the total amount of Notes authorized herein, (B) the first maturity date of the Notes or any emission thereof is a date not earlier than April 1, 2009, (C) the final maturity date of each emission shall not exceed the end of the third fiscal year following the fiscal year in which the Notes are issued; and (D) such maturity schedule is approved by the Director of Local Finance, if required; (v) to change the County's optional redemption provisions of the Notes, provided that, if the Notes are sold at not less than par, the redemption premium, if any, shall not exceed one percent (1%) of the par amount of the Notes called for redemption; (vi) to sell less than the authorized principal amount of Notes authorized herein; (vii) to sell the Notes, or any emission thereof, or any maturities thereof as Term Notes with mandatory redemption requirements corresponding to the maturities determined by the County Mayor,

consistent with the requirements of Section 3(a) hereof and as she shall deem most advantageous to the County; (viii) if deemed advantageous to the County, to cause the Notes, or any emission thereof, to be issued in book-entry form in accordance with the guidelines and procedures of The Depository Trust Company, as securities depository of the Notes; and (ix) to cause all or a portion of the Notes to be insured by a bond insurance policy issued by a nationally recognized bond insurance company to achieve the purposes set forth herein and to serve the best interests of the County and to enter into an agreement with such insurance company with respect to the Notes to the extent not inconsistent with this Resolution.

(d) The County Mayor is authorized to sell the Notes, or any emission thereof, simultaneously with any other bonds or notes authorized by resolution or resolutions of the Governing Body. The County Mayor is further authorized to sell the Notes, or any emission thereof, as a single issue of notes with any other general obligation capital outlay notes with substantially similar terms authorized by resolution or resolutions of the Governing Body, in one or more emissions or series as she shall deem to be advantageous to the County; provided, however, that the total aggregate principal amount of combined notes to be sold does not exceed the total aggregate principal amount of Notes authorized by this resolution or notes authorized by any other resolution or resolutions adopted by the Governing Body.

(e) The County Mayor is authorized to award the Notes, or any emission thereof, to the bidder whose bid results in the lowest true interest cost to the County, as determined by the County Mayor, or to sell the Notes to a purchaser pursuant to negotiated sale, provided the rate or rates on none of the Notes does not exceed six percent (6%) per annum. The sale of the Notes by the County Mayor shall be binding on the County, and no further action of the Governing Body with respect thereto shall be required. The form of the Note set forth in Section 5 hereof, shall be conformed to reflect any changes made pursuant to this Section 7 hereof. The County Mayor is hereby authorized to enter into a purchase agreement with the purchaser of the Notes, if sold at negotiated sale. The terms of such purchase agreement shall be consistent with the terms of this resolution.

(f) The County Mayor and County Clerk, or either of them, are authorized to cause the Notes to be authenticated and delivered by the Registration Agent to the original purchaser and to execute, publish, and deliver all certificates and documents, including an official statement and closing certificates, as they shall deem necessary in connection with the sale and delivery of the Notes.

(g) The Notes, nor any emission thereof, shall not be issued until after the approval of the State Director of Local Finance shall have been obtained as required by Sections 9-21-101 et seq., Tennessee Code Annotated.

(h) The County Mayor and County Clerk are hereby authorized to enter into a contract with the Financial Advisor, for financial advisory services in connection with the sale of the Bonds and to enter into a contract with Bass, Berry & Sims PLC to serve as bond counsel in connection with the Notes.

Section 8. Disposition of Note Proceeds.

(a) All accrued interest, if any, shall be deposited to the appropriate fund of the County to be used to pay interest on the Notes on the first interest payment date following delivery of the Notes.

(b) The remainder of the proceeds of the sale of the Notes shall be paid to the County Trustee to be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar or successor federal agency in a special fund known as the 2008 Note Fund (the "Note Fund"), or such other designation as shall be determined by the County Mayor, to be kept separate and apart from all other funds of the County. The monies in the Note Fund shall be solely used by the County to pay other costs of the Projects and, if applicable, to reimburse the County for any funds previously expended for Project costs. Moneys in the Note Fund shall be invested at the direction of the County Trustee in such investments as shall be permitted by applicable law. Earnings from such investments shall be retained in the Note Fund to the extent needed to reimburse the Note Fund for any costs of issuance paid related to the issuance of the Notes and any remaining earnings from such investments shall be deposited by the County Trustee in the County's general debt service fund to pay principal and interest on the Notes unless otherwise approved by the Governing Body. Funds remaining in the Note Fund after the completion of the Projects and reimbursement to the County for funds previously expended for Project costs, if any, shall be transferred to the County's debt service to be used to pay principal and interest on the Notes.

(c) In accordance with state law, the various department heads responsible for the fund or funds receiving and disbursing funds are hereby authorized to amend the budget of the proper fund or funds for the receipt of proceeds from the issuance of the obligations authorized by this resolution including bond and note proceeds, accrued interest, reoffering premium and other receipts from this transaction. The department heads responsible for the fund or funds are further authorized to amend the proper budgets to reflect the appropriations and expenditures of the receipts authorized by this resolution.

Section 9. Official Statement. The County Mayor, working with Stephens Inc., Nashville, Tennessee (the "Financial Advisor"), is hereby authorized to provide for the preparation and distribution of a Preliminary Official Statement or Preliminary Offering Circular describing the Notes. No Official Statement or Offering Circular need be prepared if the Notes are sold to a purchaser that does not intend to reoffer the Notes to the public. After bids have been received and the Notes have been awarded, if sold at public sale or informal bid process, or after the Notes have been sold, if sold at negotiated sale, the County Mayor shall make such completions, omissions, insertions and changes in the Preliminary Official Statement or Preliminary Offering Circular not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement or final Offering Circular for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The County Mayor shall arrange for the delivery to the successful bidder, if sold at public sale or informal bid process, or to the original purchaser, if sold at negotiated sale, of the Notes of a reasonable number of copies of the Official Statement or Offering Circular within seven business days after the Notes have been awarded, if

sold at public sale or informal bid process, or sold, if sold at negotiated sale, for delivery, by the successful bidder, if sold at public sale or informal bid process, or, if sold at negotiated sale, the original purchaser, on the Notes, to each potential investor requesting a copy of the Official Statement or Offering Circular and to each person to whom such bidder and members of his bidding group, if sold at public sale or informal bid process, or, if sold at negotiated sale, to each person to whom its selling group, initially sell the Notes.

The County Mayor and the County Clerk are authorized, on behalf of the County, to deem the Preliminary Official Statement or Preliminary Offering Circular and the Official Statement or Offering Circular in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement or Preliminary Offering Circular of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement or Preliminary Offering Circular and the Official Statement or Offering Circular in final form shall be conclusive evidence that each has been deemed in final form as of its date by the County except for the omission in the Preliminary Official Statement or Preliminary Offering Circular of such pricing and other information.

If the Notes, or any emission thereof, are sold to a purchaser that does not intend to reoffer the Notes to the public as evidenced by a certificate executed by the purchaser, then an Official Statement or Offering Circular is authorized, but not required, as shall be determined by the County Mayor.

Section 10. Tax Covenants. The County recognizes that the purchasers and owners of the Notes will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excluded from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Notes. In this connection, the County covenants that it shall take no action or omit to take any action which may render the interest on any of said Notes subject to inclusion in gross income for purposes of federal income taxation. It is the reasonable expectation of the Governing Body of the County that the proceeds of the Notes will not be used in a manner which will cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Code including any lawful regulations promulgated or proposed thereunder, and to this end the said proceeds of the Notes and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. The Governing Body further covenants and represents that in the event it shall be required by Section 148(f) of the Code to pay any investment proceeds of the Notes to the United States government, it will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Notes from becoming taxable. The County Mayor and County Clerk, or either of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Notes as either or both shall deem appropriate, and such certifications shall constitute a representation and certification of the County.

Section 11. Discharge and Satisfaction of Notes. If the County shall pay and discharge the indebtedness evidenced by any of the Notes in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Notes as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or bank whose deposits are insured by the Federal Deposit Insurance Corporation and which has trust powers ("a Trustee"), in trust, on or before the date of maturity, sufficient money or Federal Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay such Notes and to pay interest thereon when due until the maturity date;

(c) By delivering such Notes to the Registration Agent, for cancellation by it; and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Notes, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Trustee to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Notes when due, then and in that case the indebtedness evidenced by such Notes shall be discharged and satisfied and all covenants, agreements and obligations of the County to the owners of such Notes shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Notes in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Federal Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Federal Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Federal Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and premium, if any, and interest on said Notes; provided that any cash received from such principal or interest payments on such Federal Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Notes and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes of this Section, Federal Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee Law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

Section 12. Continuing Disclosure. The County hereby covenants and agrees that it will provide annual financial information and material event notices if and as required by Rule 15c2-12 of the Securities Exchange Commission for the Notes. The County Mayor is authorized

to execute at the Closing of the sale of the Notes, an agreement for the benefit of and enforceable by the owners of the Notes specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the County to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Notes to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the County to comply with their undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 13. Qualified Tax-Exempt Obligations. The Governing Body hereby authorizes the County Mayor to designate the Notes as "qualified tax-exempt obligations", to the extent the Notes, or any emission thereof, may be designated, within the meaning of and pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

Section 14. Reasonably Expected Economic Life. The "reasonably expected economic life" of the Projects within the meaning of Section 9-21-101 et seq., Tennessee Code Annotated, is greater than four (4) years.

Section 15. Resolution a Contract. The provisions of this resolution shall constitute a contract between the County and the registered owners of the Notes, and after the issuance of the Notes, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner until such time as the Notes and interest due thereon shall have been paid in full.

Section 16. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 17. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this 8<sup>th</sup> day of December, 2008.

Sponsor Eunice Hester

Commissioner Joe / Aub

Approved Candy Powers  
County Mayor

Attested Kellie A. Jackson  
County Clerk

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STATE OF TENNESSEE )

COUNTY OF MONTGOMERY )

I, Kellie Jackson, certify that I am the duly qualified and acting County Clerk of Montgomery County, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of December 8, 2008 of the governing body of the County; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to not to exceed \$4,500,000 General Obligation Capital Outlay Notes of said County.

WITNESS my official signature and seal of said County this \_\_\_\_\_ day of \_\_\_\_\_, 2008.

\_\_\_\_\_  
County Clerk

(SEAL)

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The Board of County Commissioners of Montgomery County, Tennessee, met in a regular called session on December 8, 2008, at 7:00 p.m., at the Montgomery County Courthouse, 1 Millennium Plaza, Clarksville, Tennessee with Carolyn Bowers, County Mayor, presiding.

The following Commissioners were present:

The following Commissioners were absent:

There were also present Kellie Jackson, County Clerk and Erinne J. Hester, Director of Accounts and Budgets.

After the meeting was duly called to order, the following resolution was introduced by \_\_\_\_\_, seconded by \_\_\_\_\_ and after due deliberation, was adopted by the following vote:

AYE:

NAY:

#7283898.1

7283898.2

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08-12-5

On Motion to Amend by Commissioner Sokol, seconded by  
Commissioner Brockman, on pages 1, 2 and 8, strike thru Roman Numeral  
iii and renumber the rest of the Roman Numerals, the foregoing  
Amendment was Approved by the following roll call vote:

Jerry Allbert	Y	John M. Genis	Y	Ginger Miles	Y
Ed Baggett	Y	Robert Gibbs	Y	Ruth A. Milliken	Y
Mark Banasiak	Y	Dalton Harrison	Y	Keith Politi	Y
Martha Brockman	Y	Nancy Kahihikolo	Y	Elizabeth Rankin	Y
Loretta Bryant	Y	Lettie Kendall	Y	Nick Robards	Y
Joe L. Creek	Y	Charlie Keene	Y	Benny Skinner	Y
Dwain Etterling	Y			Ronald J. Sokol	Y

Ayes - 20 Abstentions - 0 Noes - 0

ABSENT: Mark Kelly (1).

On a Motion to adopt by Commissioner Allbert, seconded by  
Commissioner Sokol, the foregoing Amended Resolution was Approved by  
the following roll call vote:

Jerry Allbert	Y	John M. Genis	Y	Ginger Miles	Y
Ed Baggett	Y	Robert Gibbs	Y	Ruth A. Milliken	Y
Mark Banasiak	Y	Dalton Harrison	Y	Keith Politi	Y
Martha Brockman	Y	Nancy Kahihikolo	Y	Elizabeth Rankin	Y
Loretta Bryant	Y	Lettie Kendall	Y	Nick Robards	Y
Joe L. Creek	Y	Charlie Keene	Y	Benny Skinner	Y
Dwain Etterling	Y			Ronald J. Sokol	Y

Ayes - 20 Abstentions - 0 Noes - 0

ABSENT: Mark Kelly (1).

## TAB 3

State of Tennessee Division of  
Local Finance Approval Letter

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DIVISION OF LOCAL FINANCE  
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0274  
PHONE (615) 401-7976  
FAX (615) 532-5232  
[www.comptroller.state.tn.us/cpdivlf.htm](http://www.comptroller.state.tn.us/cpdivlf.htm)

January 28, 2009

Honorable Carol Bowers  
Montgomery County Mayor  
P. O. Box 368, Courthouse  
Clarksville, Tennessee 37041-0368

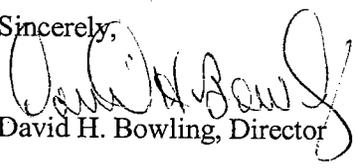
This will acknowledge receipt of a letter from Mr. Thomas D. McAnulty dated January 26, 2009 enclosing a certified copy of a resolution authorizing the issuance of \$4,500,000 capital outlay notes for the purpose of providing funds to finance the cost for various public works projects.

Local Governments in Tennessee are authorized under Title 9, Chapter 21, Tennessee Code Annotated, to issue capital outlay notes for the purpose stipulated in the resolution. I have reviewed the resolution and find it meets the requirements of the above-noted statute.

This letter constitutes approval by this office for the issuance of not to exceed \$4,500,000 Various Public Works Projects Capital Outlay Notes in accordance with the resolution adopted by the County Legislative Body on December 12, 2008. *This approval is effective for a period of six (6) months. If the notes have not been issued during that time, a resolution must subsequently be adopted by the Legislative Body and submitted to this office confirming that the information contained in the note resolution which has currently been submitted remains valid. We will acknowledge receipt of such resolution and will issue our statement that this approval remains valid for an additional 6-month period.*

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to Title 9, Chapter 21, Section 151, this form is to be completed and filed with our office within 45 days after issuance of this debt obligation.

Sincerely,

  
David H. Bowling, Director

DHB:laa

Cc: Mr. Thomas D. McAnulty

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## TAB 4

Receipt for Notes and Investment Certificate

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MONTGOMERY COUNTY, TENNESSEE

\$4,500,000 GENERAL OBLIGATION  
CAPITAL OUTLAY NOTE, SERIES 2009

RECEIPT FOR NOTE AND  
INVESTMENT CERTIFICATE

The undersigned, U. S. Bank, N.A., Cincinnati, Ohio (the "Purchaser"), hereby acknowledges receipt from Montgomery County, Tennessee (the "Issuer"), of its \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Note") dated the date hereof, maturing on April 1, 2012 and subject to mandatory principal redemption, as set forth on Schedule A attached hereto. The Notes shall bear interest on each April 1 and October 1, commencing October 1, 2009, at the rate set forth on Schedule A, attached hereto. The Note is subject to optional redemption by the Issuer on April 1, 2010 and thereafter, at any time, as a whole or in part, at the redemption price of par plus accrued interest to the redemption date.

In connection with the purchase and receipt of the Note, the undersigned further acknowledges, represents and certifies that:

- (i) the Purchaser is sufficiently familiar with the financial affairs of the Issuer to enable the Purchaser to evaluate the merits and risks of its investment in the Note;
- (ii) the Purchaser is financially able to bear the risks of its investment in the Note; and
- (iii) the Purchaser is purchasing the Note primarily for its own investment as evidence of a loan and not, at the present time, with a view to any distribution thereof and has not offered to sell the Note and has no immediate plans to do so; provided however, the Purchaser reserves the right to sell participation interests in or otherwise sell, transfer, assign or dispose of the Note or any portion thereof as it chooses.

The Purchaser realizes that if and when the Purchaser wishes to resell part or all of the Note that there may not be available current financial information with respect to the Issuer. Accordingly, the Purchaser understands that it may need to bear the risks of this investment for an indefinite time, since any sale prior to the maturity of the Notes may not be possible or may be at a price below that the Purchaser is paying for the Note.

The Purchaser has conducted its own investigation to the extent it deemed necessary. The Purchaser has been offered an opportunity to have made available to it any and all such information it might request from the Issuer. On this basis, it is agreed by execution of this Receipt that the Purchaser is not relying on any party or person other than the Issuer to undertake the furnishing or verification of information relating to this transaction.

*(signature page follows)*

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed by its duly authorized officer on this 6<sup>th</sup> day of March, 2009.

U. S. BANK, N.A.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

SCHEDULE A

\$4,500,000 GENERAL OBLIGATION CAPITAL OUTLAY NOTE, SERIES 2009

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
April 1, 2012	\$4,500,000	2.65%

Mandatory Principal Redemption

The Issuer shall redeem principal of the Notes in the amounts and on the dates as follows:

<u>Redemption Date</u>	<u>Principal Amount Notes to be Redeemed</u>
April 1 2010	\$ 500,000
April 1, 2011	500,000
April 1, 2012*	3,500,000

\*final maturity

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TAB 5

Copy of Bids

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Due 10:30 p.m., C.S.T. Wednesday, February 18, 2009  
Closing projected Friday, March 6, 2009 (use for bid calculations)

**OFFICIAL NOTE BID FORM**

**MONTGOMERY COUNTY, TENNESSEE**

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009**  
**(Bank Qualified) (ULT)**

**SALE DATE AND TIME: WEDNESDAY, FEBRUARY 18, 2009 AT 10:30 AM CST**

Honorable Carolyn Bowers  
 One Millennium Plaza, Suite 205  
 Montgomery County Historic Courthouse  
 Clarksville, TN 37040

February 18, 2009

For your legally issued, properly executed Montgomery County, Tennessee (the "County") \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Notes"), we will pay you a sum of \$4,500,000 as prescribed below.

The Notes will be dated as of the date of issuance, will mature on April 1 as shown below, and shall bear interest at the following rates:

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009**

Maturity (April 1)	General Obligation Capital Outlay Notes	Interest Rate*		Single Term
			%	
2010	\$500,000	2.65	%	
2011	500,000	↓	%	
2012	3,500,000	↓	%	

\*An interest rate must be prescribed for each maturity not to exceed 5.00%. See Prospective Bidders Notice. Principal of and interest on the Notes will be payable at the Montgomery County Trustee's office.

Letters from the State of Tennessee, Division of Local Finance approving the Note issuance will be provided by the County at closing.

This bid is made with the understanding that the County will furnish without cost to the successful bidder the unqualified approving opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee, and the executed Notes.

Firm Name	U.S. Bank, NA
-----------	---------------

We agree to sign an Investment Certificate at delivery and closing certifying that the Notes are being purchased with no present intent to resell the securities.

It is understood that bids will be calculated using March 6, 2009 as dated date and delivery date.

Accepted this \_\_\_ day of February, 2009

Respectfully submitted.

\_\_\_\_\_  
County Mayor

U.S. Bank, NA  
Firm Name

\_\_\_\_\_  
Attested by: County Clerk

C. M. P. L.  
Signature

(SEAL)

VP  
Title

(513) 632-3283  
Telephone Number of Person to Submit Bid

The following is for information purposes only.

Total Interest Cost	
True Interest Rate (TIC)	

(The above calculations of Net Interest Costs and True Interest Rate are for information purposes only and do not constitute a part of this bid.)

BIDS MAY BE PHONED TO (931) 648-5787 FOR PRE-SIGNED BID FORMS OR FAXED TO (931) 553-5177 BY THE DATE AND TIME PRESCRIBED.

Due 10:30 p.m., C.S.T. Wednesday, February 18, 2009  
Closing projected Friday, March 6, 2009 (use for bid calculations)

**OFFICIAL NOTE BID FORM**

**MONTGOMERY COUNTY, TENNESSEE**

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009  
(Bank Qualified) (ULT)**

**SALE DATE AND TIME: WEDNESDAY, FEBRUARY 18, 2009 AT 10:30 AM CST**

Honorable Carolyn Bowers  
One Millennium Plaza, Suite 205  
Montgomery County Historic Courthouse  
Clarksville, TN 37040

February 17, 2009

For your legally issued, properly executed Montgomery County, Tennessee (the "County") \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Notes"), we will pay you a sum of \$4,500,000 as prescribed below.

The Notes will be dated as of the date of issuance, will mature on April 1 as shown below, and shall bear interest at the following rates:

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009**

General Obligation		
Maturity (April 1)	Capital Outlay Notes	Interest Rate*
2010	\$500,000	2.50 %
2011	500,000	2.95 %
2012	3,500,000	3.10 %

\*An interest rate must be prescribed for each maturity not to exceed 5.00%. See Prospective Bidders Notice. Principal of and interest on the Notes will be payable at the Montgomery County Trustee's office.

Letters from the State of Tennessee, Division of Local Finance approving the Note issuance will be provided by the County at closing.

This bid is made with the understanding that the County will furnish without cost to the successful bidder the unqualified approving opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee, and the executed Notes.

Firm Name	Planters Bank, Inc
-----------	--------------------

We agree to sign an Investment Certificate at delivery and closing certifying that the Notes are being purchased with no present intent to resell the securities.

It is understood that bids will be calculated using March 6, 2009 as dated date and delivery date.

Accepted this \_\_\_ day of February, 2009

Respectfully submitted,

\_\_\_\_\_  
County Mayor

Planters Bank, Inc - Kyle Luther

Firm Stamp

\_\_\_\_\_  
Attested by: County Clerk

  
Signature

(SEAL.)

Vice President

Title

(931) 648-7145

Telephone Number of Person to Submit Bid

The following is for information purposes only.

Total Interest Cost	
True Interest Rate (TIC)	

(The above calculations of Net Interest Costs and True Interest Rate are for information purposes only and do not constitute a part of this bid.)

BIDS MAY BE PHONED TO (931) 648-5787 FOR PRE-SIGNED BID FORMS OR FAXED TO (931) 553-5177 BY THE DATE AND TIME PRESCRIBED.

Due 10:30 p.m., C.S.T. Wednesday, February 18, 2009  
Closing projected Friday, March 6, 2009 (use for bid calculations)

OFFICIAL NOTE BID FORM

MONTGOMERY COUNTY, TENNESSEE

\$4,500,000 General Obligation Capital Outlay Notes, Series 2009  
 (Bank Qualified) (ULT)

SALE DATE AND TIME: WEDNESDAY, FEBRUARY 18, 2009 AT 10:30 AM CST

Honorable Carolyn Bowers  
 One Millennium Plaza, Suite 205  
 Montgomery County Historic Courthouse  
 Clarksville, TN 37040

February 18, 2009

For your legally issued, properly executed Montgomery County, Tennessee (the "County") \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Notes"), we will pay you a sum of \$4,500,000 as prescribed below.

The Notes will be dated as of the date of issuance, will mature on April 1 as shown below, and shall bear interest at the following rates:

\$4,500,000 General Obligation Capital Outlay Notes, Series 2009

Maturity (April 1)	General Obligation Capital Outlay Notes	Interest Rate*
2010	\$500,000	<u>3.34</u> %
2011	500,000	<u>3.34</u> %
2012	3,500,000	<u>3.34</u> %

\*An interest rate must be prescribed for each maturity not to exceed 5.00%. See Prospective Bidders Notice.  
 Principal of and interest on the Notes will be payable at the Montgomery County Trustee's office.

Letters from the State of Tennessee, Division of Local Finance approving the Note issuance will be provided by the County at closing.

This bid is made with the understanding that the County will furnish without cost to the successful bidder the unqualified approving opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee, and the executed Notes.

Firm Name	Swift Trust Equipment Finance & Leasing Corp.
-----------	--

We agree to sign an Investment Certificate at delivery and closing certifying that the Notes are being purchased with no present intent to resell the securities.

It is understood that bids will be calculated using March 6, 2009 as dated date and delivery date.

Accepted this \_\_\_ day of February, 2009

\_\_\_\_\_  
County Mayor

\_\_\_\_\_  
Attested by: County Clerk

(SEAL)

Respectfully submitted,

SunTrust Equipment Finance & Leasing Corp.

Firm Name

A. G. Stat

Signature

Vice President

Title

404.658.4807

Telephone Number of Person to Submit Bid

The following is for information purposes only.

Total Interest Cost	
True Interest Rate (TIC)	

(The above calculations of Net Interest Costs and True Interest Rate are for information purposes only and do not constitute a part of this bid.)

BIDS MAY BE PHONED TO (931) 648-5787 FOR PRE-SIGNED BID FORMS OR FAXED TO (931) 561-5177 BY THE DATE AND TIME PRESCRIBED.

Due 10:30 p.m., C.S.T. Wednesday, February 18, 2009  
Closing projected Friday, March 6, 2009 (use for bid calculations)

**OFFICIAL NOTE BID FORM**

**MONTGOMERY COUNTY, TENNESSEE**

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009**  
**(Bank Qualified) (ULT)**

**SALE DATE AND TIME: WEDNESDAY, FEBRUARY 18, 2009 AT 10:30 AM CST**

Honorable Carolyn Bowers  
 One Millennium Plaza, Suite 205  
 Montgomery County Historic Courthouse  
 Clarksville, TN 37040

February \_\_\_\_\_, 2009

For your legally issued, properly executed Montgomery County, Tennessee (the "County") \$4,500,000 General Obligation Capital Outlay Notes, Series 2009 (the "Notes"), we will pay you a sum of \$4,500,000 as prescribed below.

The Notes will be dated as of the date of issuance, will mature on April 1 as shown below, and shall bear interest at the following rates:

**\$4,500,000 General Obligation Capital Outlay Notes, Series 2009**

General Obligation		
Maturity (April 1)	Capital Outlay Notes	Interest Rate*
2010	\$500,000	4.19 %
2011	500,000	4.19 %
2012	3,500,000	4.19 %

\*An interest rate must be prescribed for each maturity not to exceed 5.00%. See Prospective Bidders Notice. Principal of and interest on the Notes will be payable at the Montgomery County Trustee's office.

Letters from the State of Tennessee, Division of Local Finance approving the Note issuance will be provided by the County at closing.

This bid is made with the understanding that the County will furnish without cost to the successful bidder the unqualified approving opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee, and the executed Notes.

Firm Name	Continental First Federal
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We agree to sign an Investment Certificate at delivery and closing certifying that the Notes are being purchased with no present intent to resell the securities.

It is understood that bids will be calculated using **March 6, 2009** as dated date and delivery date.

Accepted this \_\_\_ day of February, 2009

Respectfully submitted,

\_\_\_\_\_  
County Mayor

\_\_\_\_\_  
Firm Name

\_\_\_\_\_  
Attested by: County Clerk

\_\_\_\_\_  
Signature

(SEAL)

\_\_\_\_\_  
Title

\_\_\_\_\_  
Telephone Number of Person to Submit Bid

**The following is for information purposes only.**

Total Interest Cost	
True Interest Rate (TIC)	

**(The above calculations of Net Interest Costs and True Interest Rate are for information purposes only and do not constitute a part of this bid.)**

**BIDS MAY BE PHONED TO (931) 648-5787 FOR PRE-SIGNED BID FORMS OR FAXED TO (931) 553-5177 BY THE DATE AND TIME PRESCRIBED.**

TAB 6

Amortization Schedule

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FINAL

**MONTGOMERY COUNTY, TENNESSEE**

\$4,500,000 GO Capital Outlay Notes, Series 2009, Dated: March 6, 2009

Pur'd by US Bank, at TIC Rate of 2.65%, Paying Agent: Montgomery Co Trustee

**Pricing Summary**

<b>Maturity</b>	<b>Type of Bond</b>	<b>Coupon</b>	<b>Yield</b>	<b>Maturity Value</b>	<b>Price</b>	<b>Dollar Price</b>
04/01/2010	Serial Coupon	2.650%	2.650%	500,000.00	100.000%	500,000.00
04/01/2011	Serial Coupon	2.650%	2.650%	500,000.00	100.000%	500,000.00
04/01/2012	Serial Coupon	2.650%	2.650%	3,500,000.00	100.000%	3,500,000.00
<b>Total</b>	-	-	-	<b>\$4,500,000.00</b>	-	<b>\$4,500,000.00</b>

**Bid Information**

Par Amount of Bonds	\$4,500,000.00
Gross Production	\$4,500,000.00
Bid (100.000%)	4,500,000.00
Total Purchase Price	\$4,500,000.00
Bond Year Dollars	\$12,312.50
Average Life	2.736 Years
Average Coupon	2.6500000%
Net Interest Cost (NIC)	2.6500000%
True Interest Cost (TIC)	2.6494794%

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**TAB 7**

**General Purpose Financial Statements  
Excerpted from the Annual Financial Report**

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**ANNUAL FINANCIAL REPORT**  
**MONTGOMERY COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*JAMES R. ARNETTE*  
*Director*

*JEFF BAILEY, CPA, CGFM, CFE*  
*Audit Manager*

*EUGENE HAMPTON II, CPA, CGFM*  
*Auditor 4*

*KATIE ARMSTRONG, CPA, CFE*  
*JOSEPH ENSMINGER, CFE*  
*FERMAN PRIDE, CGFM*  
*STEPHANIE MACEINA*  
*WENDY HEATH, CFE*  
*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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## FINANCIAL SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

March 10, 2008

Montgomery County Mayor and  
Board of County Commissioners  
Montgomery County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise Montgomery County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Emergency Communications District of Montgomery County, which represent .4 percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units; the discretely presented Clarksville-Montgomery County Industrial Development Board, which represent 6.9 percent and 2.2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; and the discretely presented Clarksville-Montgomery County Public Library which represent 1.5 percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Emergency Communications District of Montgomery County, the Clarksville-Montgomery County Industrial Development Board, and the Clarksville-Montgomery County Public Library is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The financial statements of the Bi-County Solid Waste Management System, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units referred to above do not include the financial statements of the Bi-County Solid Waste Management System, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the basic financial statements are not reasonably determinable.

In our opinion, based on our audit and the reports of other auditors and except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Montgomery County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008, on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

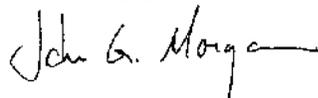
The management of Montgomery County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison and pension information on pages 93 through 98 are not required parts of the basic financial statements but they do provide supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Montgomery County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Montgomery County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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## BASIC FINANCIAL STATEMENTS

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Exhibit A

Montgomery County, Tennessee  
 Statement of Net Assets  
 June 30, 2007

	Component Units					
	Primary Governmental Activities	Montgomery County School Department	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Emergency Communications District	
Cash	\$ 42,690	\$ 579,748	\$ 2,066,917	\$ 3,092,673	\$	496,560
Equity in Pooled Cash and Investments	103,962,006	17,726,212	0	0	0	0
Inventories	44,000	554,204	16,912,656	0	0	0
Accounts Receivable	5,008,742	892,443	986,552	93,174	162,548	0
Allowance for Uncollectibles	(1,244,588)	0	0	(48,450)	0	0
Due from Other Governments	1,468,055	14,476,702	0	0	150,000	0
Due from Primary Government	0	65,872	0	0	0	0
Due from Component Units	48,137	0	0	0	0	0
Property Taxes Receivable	48,354,026	25,326,379	0	0	0	0
Allowance for Uncollectible Property Taxes	(3,326,359)	(1,749,785)	0	0	0	0
Prepaid Items	0	50,000	0	10,228	277,431	0
Accrued Interest Receivable	14,874	0	0	0	0	0
Deferred Charges - Debt Issuance Costs	1,416,210	0	0	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	23,550,679	9,744,219	0	0	0	0
Construction in Progress	509,345	17,094,669	0	0	0	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	83,875,113	170,348,107	0	1,297,959	183,525	0
Other Capital Assets	6,176,362	8,075,049	56,591	0	0	0
Infrastructure	20,506,909	0	0	0	0	0
Total Assets	\$ 290,406,201	\$ 263,183,819	\$ 19,972,496	\$ 4,445,584	\$	1,270,064

(Continued)

Exhibit A

Montgomery County, Tennessee  
Statement of Net Assets (Cont.)

	Component Units					
	Primary Governmental Activities	Montgomery County School Department	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Emergency Communications District	
Accounts Payable	\$ 2,104,808	\$ 1,965,186	\$ 475,159	\$ 21,542	\$ 20,505	
Accrued Payroll	8,578	0	0	226	0	
Payroll Deductions Payable	266,801	1,899,232	0	0	15,402	
Cash Overdraft	45,801	116,110	0	0	0	
Contracts Payable	73,543	2,653,497	0	0	0	
Retainage Payable	3,720	125,384	0	0	0	
Accrued Interest Payable	2,639,162	0	0	0	0	
Due to Primary Government	0	48,137	0	0	0	
Due to Component Units	65,872	0	0	0	0	
Due to Litigants, Heirs, and Others	5,413	0	0	0	0	
Other Current Liabilities	0	0	1,712,416	36,341	0	
Customer Deposits Payable	0	152,697	0	0	0	
Deferred Revenue - Current Taxes	44,824,261	23,467,312	0	0	0	
Noncurrent Liabilities:						
Due Within One Year	17,305,906	657,531	31,015	0	30,275	
Due in More Than One Year (net of unamortized premiums and deferred amount on refunding)	274,198,038	1,429,533	172,982	0	0	
Total Liabilities	\$ 341,541,903	\$ 32,514,669	\$ 2,391,572	\$ 58,109	\$ 66,182	

(Continued)

Exhibit A

Montgomery County, Tennessee  
Statement of Net Assets (Cont.)

	Component Units					
	Primary Governmental Activities	Montgomery County School Department	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Emergency Communications District	
	\$ 65,867,864	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
	0	205,262,044	56,591	1,297,959	0	183,525
Invested in Capital Assets,						
Net of Related Debt	2,999,490	0	0	0	0	0
Invested in Capital Assets	41,384,415	2,860,452	0	0	0	0
Restricted for:	0	269,082	0	0	0	0
Capital Projects	26,894,982	0	0	0	0	0
School Capital Projects	1,694,713	0	0	0	0	0
School Federal Projects	0	3,050,949	0	0	0	0
Debt Service	0	352,711	0	0	0	0
Highway	0	682,275	0	2,876,972	0	0
Central Cafeteria	0	18,191,637	17,524,333	212,544	1,020,357	0
School Transportation	409,630					
Other Purposes	(190,386,796)					
Unrestricted						
Total Net Assets	\$ (51,135,702)	\$ 230,669,150	\$ 17,580,924	\$ 4,887,475	\$ 0	\$ 1,203,882

The notes to the financial statements are an integral part of this statement.

Exhibit B

Montgomery County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2007

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Montgomery County School Department	Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 7,564,032	\$ 2,801,180	\$ 23,645	\$ 452,751	\$ (4,286,456)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	4,255,184	4,089,446	36,242	0	(129,496)	0	0	0	0	0
Administration of Justice	5,416,621	4,090,325	932,437	0	(393,859)	0	0	0	0	0
Public Safety	20,373,689	2,779,947	784,169	786,013	(16,023,540)	0	0	0	0	0
Public Health and Welfare	9,779,956	5,331,258	1,382,810	0	(3,065,888)	0	0	0	0	0
Social, Cultural, and Recreational Services	1,278,964	2,413	200	0	(1,276,351)	0	0	0	0	0
Agriculture and Natural Resources	367,356	0	0	0	(367,356)	0	0	0	0	0
Other Operations	3,383,935	0	0	0	(3,383,935)	0	0	0	0	0
Highways/Public Works	7,752,147	12,798	2,877,810	1,972,400	(3,889,139)	0	0	0	0	0
Education	37,858,240	18,842,424	0	0	(19,015,816)	0	0	0	0	0
Interest on Long-term Debt	11,907,413	0	0	0	(11,907,413)	0	0	0	0	0
Other Debt Service	535,789	0	391,328	0	(144,461)	0	0	0	0	0
<b>Total Primary Government</b>	<b>\$ 110,473,306</b>	<b>\$ 37,949,791</b>	<b>\$ 6,422,641</b>	<b>\$ 3,211,164</b>	<b>\$ (62,883,710)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:										
School Department	\$ 191,833,889	\$ 5,192,178	\$ 17,330,096	\$ 22,993,105	\$ 0	\$ (146,318,510)	\$ 0	\$ 0	\$ 0	\$ 0
Industrial Development Board	2,918,387	75,178	0	0	0	0	(2,843,209)	0	0	0
Public Library	1,885,368	146,251	1,588,994	0	0	0	0	(150,123)	0	0
Emergency Communications District	2,088,760	1,565,697	234,923	0	0	0	0	0	(288,140)	0
<b>Total Component Units</b>	<b>\$ 198,726,404</b>	<b>\$ 6,979,304</b>	<b>\$ 19,154,013</b>	<b>\$ 22,993,105</b>	<b>\$ 0</b>	<b>\$ (146,318,510)</b>	<b>\$ (2,843,209)</b>	<b>\$ (150,123)</b>	<b>\$ (288,140)</b>	<b>\$ 0</b>

(Continued)

Exhibit B

Montgomery County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues					Component Units				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Montgomery County School Department	Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Emergency Communications District		
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes				\$ 26,338,599	\$ 24,711,331	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service				20,286,444	0	0	0	0	0	0
Local Option Sales Taxes				2,982,753	32,142,602	0	0	0	0	0
Other Local Taxes				5,093,771	4,038,330	0	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs				1,888,789	102,111,245	4,318,385	381,723	533,790	22,246	
Interest Income				7,021,099	58,415	53,099	143,417			
Unrealized Gain on Investments				0	0	0	71,326	0	0	0
Gain on Sale of Investments				0	0	0	38,326	0	0	0
Gain On Disposal of Capital Assets				0	0	573,615	0	0	0	0
Miscellaneous				572,712	797,533	0	7,534	0	0	20
Total General Revenues				\$ 64,184,167	\$ 163,859,356	\$ 4,945,099	\$ 642,326	\$ 556,056		
Special Item - Sale of Nursing Home				\$ 3,829,910	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Change in Net Assets				\$ 5,130,367	\$ 17,540,846	\$ 2,101,890	\$ 492,203	\$ 267,916		
Net Assets, July 1, 2006				(56,266,069)	212,066,832	15,479,034	3,895,272	935,966		
Prior-Period Adjustment				0	1,061,472	0	0	0		
Net Assets, June 30, 2007				\$ (51,135,702)	\$ 230,669,150	\$ 17,580,924	\$ 4,387,475	\$ 1,203,882		

The notes to the financial statements are an integral part of this statement.

Montgomery County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2007

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Debt Service	Other Capital Projects #4	Other Capital Projects #5	Other Governmental Funds	
Cash	\$ 32,310	\$ 0	\$ 0	\$ 0	\$ 10,380	\$ 42,690
Equity in Pooled Cash and Investments	14,661,876	23,569,556	4,756,425	39,819,843	12,457,703	95,265,403
Inventories	44,000	0	0	0	0	44,000
Accounts Receivable	4918,085	70,797	0	0	17,018	5,005,900
Allowance for Uncollectibles	(1,244,588)	0	0	0	0	(1,244,588)
Due from Other Governments	262,599	507,049	0	0	698,407	1,468,055
Due from Other Funds	24,109	0	0	0	22,960	47,069
Property Taxes Receivable	22,578,158	21,464,999	0	0	4,810,869	48,854,026
Allowance for Uncollectible Property Taxes	(1,560,789)	(1,468,463)	0	0	(297,107)	(3,326,359)
Accrued Interest Receivable	14,874	0	0	0	0	14,874
<b>Total Assets</b>	<b>\$ 39,730,634</b>	<b>\$ 44,143,938</b>	<b>\$ 4,756,425</b>	<b>\$ 39,819,843</b>	<b>\$ 17,230,230</b>	<b>\$ 145,671,070</b>

ASSETS

LIABILITIES AND FUND BALANCES

<b>Liabilities</b>	<b>\$ 210,929</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 97,982</b>	<b>\$ 308,911</b>
Accounts Payable	7,609	0	0	0	969	8,578
Accrued Payroll	222,956	0	0	0	35,473	258,429
Payroll Deductions Payable	0	0	0	0	45,801	45,801
Cash Overdraft	40,067	0	0	0	33,476	73,543
Contracts Payable	0	0	0	0	3,720	3,720
Retainage Payable	0	47,069	0	0	0	47,069
Due to Other Funds	3,463	26,581	0	0	0	30,044
Due to Component Units	0	0	0	0	5,413	5,413
Due to Litigants, Heirs, and Others	20,920,774	19,908,906	0	0	3,994,581	44,824,261
Deferred Revenue - Current Property Taxes	2,179,919	259,990	0	0	371,157	2,811,066
Other Deferred Revenues	\$ 23,585,717	\$ 20,242,546	\$ 0	\$ 0	\$ 4,588,572	\$ 48,416,835
<b>Total Liabilities</b>	<b>\$ 23,585,717</b>	<b>\$ 20,242,546</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,588,572</b>	<b>\$ 48,416,835</b>
<b>Fund Balances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,087,505</b>	<b>\$ 1,087,505</b>
Reserved for Encumbrances	97,157	0	0	0	0	97,157
Reserved for Alcohol and Drug Treatment	0	798,237	0	0	0	798,237
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0

(Continued)

Montgomery County, Tennessee  
Balance Sheet  
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Debt Service	Other Capital Projects #4	Other Capital Projects #5	Other	Governmental Funds	
<b>\$</b>	15,014	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,014
Reserved for Drug Court	1,432	0	0	0	0	0	1,432
Reserved for Sexual Offender Registration	2,214	0	0	0	0	0	2,214
Reserved for Courtroom Security	78,677	0	0	0	0	0	78,677
Reserved for Computer System - Register	10,187	0	0	0	0	0	10,187
Reserved for Automation Purposes - Circuit Court	31,929	0	0	0	0	0	31,929
Reserved for Automation Purposes - General Sessions Court	20,171	0	0	0	0	0	20,171
Reserved for Automation Purposes - Sheriff	34,371	0	0	0	0	0	34,371
Reserved for Fraud and Crimes Prosecution Act	3,262	0	0	0	0	0	3,262
Reserved for Other General Purposes							
Unreserved, Reported In:							
General Fund	15,850,503	0	0	0	0	0	15,850,503
Special Revenue Funds	0	0	0	0	1,912,642	0	1,912,642
Debt Service Funds	0	23,103,155	0	0	0	0	23,103,155
Capital Projects Funds	0	0	4,756,425	39,819,843	9,631,511	0	54,207,779
<b>Total Fund Balances</b>	<b>\$ 16,144,917</b>	<b>\$ 23,901,392</b>	<b>\$ 4,756,425</b>	<b>\$ 39,819,843</b>	<b>\$ 12,631,658</b>	<b>\$ 0</b>	<b>\$ 97,254,235</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 39,730,634</b>	<b>\$ 44,143,938</b>	<b>\$ 4,756,425</b>	<b>\$ 39,819,843</b>	<b>\$ 17,220,230</b>	<b>\$ 0</b>	<b>\$ 145,671,070</b>

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Montgomery County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2007

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 97,254,235
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 23,550,679	
Add: construction in progress	509,345	
Add: infrastructure net of accumulated depreciation	20,506,909	
Add: buildings and improvements net of accumulated depreciation	83,875,113	
Add: other capital assets net of accumulated depreciation	6,176,362	
Less: capital assets of internal service funds that are also included in item (3) below	<u>(24,198)</u>	134,594,210
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		2,811,066
(3) Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		2,212,684
(4) Debt issuance costs are expensed when paid in the governmental funds. The unamortized portion of these charges are reflected on the statement of net assets.		
Add: deferred amount on refunding	\$ 5,632,752	
Add: deferred charges - debt issuance costs	1,416,210	
Less: other deferred revenue - premium on debt	<u>(7,126,546)</u>	(77,584)
(5) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.		(2,639,162)
(6) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (274,685,000)	
Less: notes payable	(5,016,726)	
Less: other loans payable	(4,080,546)	
Less: compensated absences	<u>(1,508,879)</u>	(285,291,151)
Net assets of governmental activities (Exhibit A)		<u>\$ (51,135,702)</u>

The notes to the financial statements are an integral part of this statement.

Montgomery County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2007

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	General Debt Service	Other Capital Projects #4	Other Capital Projects #5	Other Governmental Funds			
<b>Revenues</b>								
Local Taxes	\$ 26,339,561	\$ 25,305,733	\$ 0	\$ 0	\$ 0	\$ 4,733,957	\$ 56,379,251	
Licenses and Permits	670,726	0	0	0	0	0	670,726	
Fines, Forfeitures, and Penalties	1,253,145	0	0	0	0	43,393	1,296,538	
Charges for Current Services	4,233,829	0	0	0	0	18,304	4,252,133	
Other Local Revenues	4,875,847	3,147,888	0	0	0	454,332	8,478,067	
Fees Received from County Officials	8,184,825	0	0	0	0	0	8,184,825	
State of Tennessee	4,739,369	0	0	0	0	3,140,190	7,879,559	
Federal Government	1,471,940	0	0	0	0	142,751	1,614,691	
Other Governments and Citizens Groups	1,368,866	391,328	0	0	0	170,955	1,931,149	
<b>Total Revenues</b>	<b>\$ 53,143,108</b>	<b>\$ 28,844,949</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 8,703,882</b>	<b>\$ 90,691,939</b>	
<b>Expenditures</b>								
Current:								
General Government	\$ 5,319,253	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,305	\$ 5,352,558	
Finance	3,405,943	0	0	0	0	284,481	3,690,424	
Administration of Justice	3,950,100	0	0	0	0	18,128	3,968,228	
Public Safety	16,107,207	0	0	0	0	923,389	17,030,596	
Public Health and Welfare	6,737,332	0	0	0	0	438,954	7,176,286	
Social, Cultural, and Recreational Services	1,347,389	0	0	0	0	53,624	1,401,013	
Agriculture and Natural Resources	295,467	0	0	0	0	0	295,467	
Other Operations	9,814,404	0	0	0	0	159,943	9,974,347	
Highways	1,06,873	0	0	0	0	6,723,770	6,830,643	
Debt Service:								
Principal on Debt	0	11,947,861	0	0	0	24,595,000	36,542,861	
Interest on Debt	0	12,432,968	0	0	0	329,654	12,772,115	
Other Debt Service	0	524,765	0	0	0	463,887	993,652	
Capital Projects	0	0	15,141,400	495,000	0	4,566,463	20,202,863	
<b>Total Expenditures</b>	<b>\$ 47,083,968</b>	<b>\$ 24,905,594</b>	<b>\$ 15,141,400</b>	<b>\$ 25,888,541</b>	<b>\$ 0</b>	<b>\$ 13,211,550</b>	<b>\$ 126,231,053</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 6,059,140</b>	<b>\$ 3,939,355</b>	<b>\$ (15,141,400)</b>	<b>\$ (25,888,541)</b>	<b>\$ (4,507,668)</b>	<b>\$ (35,539,114)</b>		
<b>Other Financing Sources (Uses)</b>								
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 40,450,000	\$ 0	\$ 0	\$ 40,450,000	
Refunding Debt Issued	0	0	0	23,495,000	0	0	23,495,000	

(Continued)

Montgomery County, Tennessee  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	General Debt Service	Other Capital Projects #4	Other Capital Projects #5	Other Governmental Funds		
<u>Other Financing Sources (Uses) (Cont.)</u>							
Premiums on Debt Issued	\$ 0	\$ 0	\$ 0	\$ 1,763,384	\$ 0	\$ 0	\$ 1,763,384
Other Loans Issued	0	0	0	0	2,751,820	0	2,751,820
Insurance Recovery	30,388	0	0	0	3,895	0	34,283
Transfers In	290,828	777,695	0	0	4,293,202	0	5,361,725
Sale of Montgomery County Nursing Home	0	3,829,910	0	0	0	0	3,829,910
Transfers Out	0	(2,446,340)	(2,867,055)	0	(48,330)	0	(5,361,725)
Total Other Financing Sources (Uses)	\$ 321,216	\$ 2,161,265	\$ (2,867,055)	\$ 65,708,384	\$ 7,000,587	\$ 72,324,397	
Net Change in Fund Balances	\$ 6,380,356	\$ 6,100,620	\$ (18,008,455)	\$ 39,819,843	\$ 2,492,919	\$ 36,785,283	
Fund Balance, July 1, 2006	9,764,561	17,800,772	22,764,880	0	10,138,739	60,468,952	
Fund Balance, June 30, 2007	\$ 16,144,917	\$ 23,901,392	\$ 4,756,425	\$ 39,819,843	\$ 12,631,658	\$ 97,254,235	

The notes to the financial statements are an integral part of this statement.

Exhibit C-4

Montgomery County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 36,785,283
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 2,526,456	
Less: current year depreciation expense	<u>(3,864,996)</u>	(1,338,540)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: capital assets donated	\$ 1,647,446	
Less: loss on disposal of capital assets	<u>(181,996)</u>	1,465,450
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2006	\$ (3,463,297)	
Add: deferred delinquent property taxes and other deferred June 30, 2007	<u>2,811,066</u>	(652,231)
(4) The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: bonds proceeds	\$ (63,945,000)	
Less: other loans proceeds	(2,751,820)	
Add: principal payments on notes	2,140,779	
Add: principal payments on bonds	9,371,000	
Add: principal payments on other loans	436,082	
Add: payment to refund other loans	24,595,000	
Add: change in deferred debt issuance costs	364,939	
Add: change in deferred amount on refunded debt	974,048	
Less: change in premium on debt issuance	<u>(1,239,764)</u>	(30,054,736)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (540,042)	
Change in claims and judgments payable	457,452	
Change in compensated absences	<u>(7,598)</u>	(90,188)
(6) Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		<u>(984,671)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 5,130,367</u>

The notes to the financial statements are an integral part of this statement.

Exhibit D-1

Montgomery County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	<u>Governmental Activities - Internal Service Funds</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 8,696,603
Accounts Receivable	2,842
Due from Other Funds	182,530
Due from Component Units	48,137
Buildings and Improvements	24,803
Accumulated Depreciation - Buildings and Improvements	(605)
Total Assets	<u>\$ 8,954,310</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 1,795,897
Payroll Deductions Payable	8,372
Claims and Judgments Payable	2,599,220
Due to Other Funds	182,530
Due to Component Units	35,828
Total Current Liabilities	<u>\$ 4,621,847</u>
Noncurrent Liabilities:	
Claims and Judgments Payable	<u>\$ 2,119,779</u>
Total Noncurrent Liabilities	<u>\$ 2,119,779</u>
Total Liabilities	<u>\$ 6,741,626</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 2,212,684</u>
Total Net Assets	<u>\$ 2,212,684</u>

The notes to the financial statements are an integral part of this statement.

Exhibit D-2

Montgomery County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Funds
	<u>                    </u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 24,647,305
Other Local Revenues	380,515
Total Operating Revenues	<u>\$ 25,027,820</u>
 <u>Operating Expenses</u>	
Risk Management	\$ 348,880
Other Charges	1,025,054
Employee Benefits	25,393,773
Total Operating Expenses	<u>\$ 26,767,707</u>
Operating Income (Loss)	<u>\$ (1,739,887)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 427,965
Miscellaneous Refunds	327,251
Total Nonoperating Revenues (Expenses)	<u>\$ 755,216</u>
 Changes in Net Assets	\$ (984,671)
Net Assets, July 1, 2006	<u>3,197,355</u>
 Nets Assets, June 30, 2007	<u><u>\$ 2,212,684</u></u>

The notes to the financial statements are an integral part of this statement.

Montgomery County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2007

	<u>Governmental Activities - Internal Service Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Interfund Services Provided	\$ 25,815,715
Other Self-Insured Claims	(27,307,163)
Other Receipts (Payments)	359,251
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,132,197)</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>	
Acquisition of Capital Assets	\$ (24,803)
Net Cash Provided By (Used In) Capital Financing Activities	<u>\$ (24,803)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Investment Income	\$ 427,965
Net Cash Provided By (Used In) Investing Activities	<u>\$ 427,965</u>
Net Increase (Decrease) in Cash	\$ (729,035)
Cash, July 1, 2006	<u>9,425,638</u>
Cash, June 30, 2007	<u><u>\$ 8,696,603</u></u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>	
Operating Income (Loss)	\$ (1,739,887)
Miscellaneous Refunds	327,251
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation Expense	605
(Increase) Decrease in Accounts Receivable	35,032
(Increase) Decrease in Due from Component Units	(48,137)
(Increase) Decrease in Prepaid Items	833,000
Increase (Decrease) in Accounts Payable	(1,281,974)
Increase (Decrease) in Payroll Deductions Payable	7,614
Increase (Decrease) in Due to Component Units	(7,237)
Increase (Decrease) in Claims and Judgments Payable	<u>741,536</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (1,132,197)</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit E

Montgomery County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 6,090,191
Equity in Pooled Cash and Investments	322,628
Accounts Receivable	3,137
Due from Other Governments	<u>1,912,743</u>
Total Assets	<u>\$ 8,328,699</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 563
Payroll Deductions Payable	2,556
Due to Other Taxing Units	1,912,743
Due to Litigants, Heirs, and Others	6,085,792
Due to Joint Ventures	<u>327,045</u>
Total Liabilities	<u>\$ 8,328,699</u>

The notes to the financial statements are an integral part of this statement.

MONTGOMERY COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Montgomery County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Montgomery County:

A. Reporting Entity

Montgomery County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Montgomery County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Blended Component Units** – There are no legally separate component units of Montgomery County that meet the criteria for being reported as part of the primary government by the blending method.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Montgomery County School Department operates the public school system in the county, and the voters of Montgomery County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Emergency Communications District of Montgomery County provides a simplified means of securing emergency services through a uniform emergency number for the residents of Montgomery County, and the Montgomery County Commission and the Clarksville City Council appoint its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Bi-County Solid Waste Management System provides landfill and collection services for Montgomery and Stewart counties, and Montgomery County operates the transfer station. The joint participants appoint the board members of the system; however, Montgomery County appoints a voting majority of the board members and contributes the majority of funding for the system. This system is treated as a discrete component unit of Montgomery County since the county may unilaterally control the operations of the system. The financial statements of the Bi-County Solid Waste Management System were not available from other auditors in time for inclusion in this report.

The Clarksville-Montgomery County Industrial Development Board primarily provides inducements to industry to locate or remain in Montgomery County, and the Montgomery County Commission appoints its governing body. City and county appropriations provide the majority of its funding.

The Clarksville-Montgomery County Public Library provides for the maintenance and operation of the public library for the benefit of residents of Montgomery County, and the Montgomery County Commission appoints its seven board members. County appropriations and donations provide the majority of its funding.

The Montgomery County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Montgomery County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Bi-County Solid Waste Managements System were not available in time for inclusion, as previously mentioned. Complete financial statements of the Emergency Communications District of Montgomery County, the Bi-County Solid Waste Management System, the Clarksville-Montgomery County Industrial Development Board, and the Clarksville-Montgomery County Public Library can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Emergency Communications District of Montgomery County  
P.O. Box 368  
Clarksville, TN 37040

Bi-County Solid Waste Management System  
P.O. Box 1112  
Clarksville, TN 37040

Clarksville-Montgomery County Industrial Development Board  
P.O. Box 883  
312 Madison Street  
Clarksville, TN 37040

Administrative Offices (Cont.):

Clarksville-Montgomery County Public Library  
350 Pageant Lane  
Clarksville, TN 37040

**Related Organization** – The Montgomery County Public Building Authority is a related organization of Montgomery County. County officials are responsible for appointing members to the board of the Montgomery County Public Building Authority; however, the county's accountability for this organization does not extend beyond making the appointments.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Montgomery County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Montgomery County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Montgomery County issues most debt for the discretely presented Montgomery County School Department. Net debt issues (\$22,795,174) were contributed by the county to the School Department during the year ended June 30, 2007.

Separate financial statements are provided for governmental funds, proprietary funds (internal service), and fiduciary funds. The internal service funds are reported with the governmental activities in the government-wide

financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Montgomery County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/ expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Montgomery County reports three proprietary funds (internal service funds). It has no enterprise funds to report.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service funds and the fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Montgomery County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary funds and fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Montgomery County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Other Capital Projects #4 Fund** – This fund is used to account for debt proceeds received from the \$40,000,000 General Obligation Public Improvement Bonds.

**Other Capital Projects #5 Fund** – This fund is used to account for debt proceeds received from the \$63,945,000 General Obligation Refunding Bonds.

Additionally, Montgomery County reports the following fund types:

**Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

**Internal Service Funds** – These funds, the Self-Insurance Fund, the Workers’ Compensation Fund, and the Unemployment Compensation Fund, are used to account for risk management activities for employees’ health insurance, workers’ compensation, on the job injury, and unemployment compensation provided to other departments on a cost-reimbursement basis.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Montgomery County, and revenues which are held in trust for the benefit of the judicial district drug task force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Montgomery County School Department reports the following major governmental funds:

**General Purpose School Fund** – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

**Education Capital Projects Fund** – This fund is used to account for the receipt of debt issued by Montgomery County and contributed to the School Department for construction and renovations.

Additionally, the Montgomery County School Department reports the following fund type:

**Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has three proprietary funds, internal service funds, used to account for the employees' health insurance, workers' compensation, on the job injury, and unemployment compensation programs. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's internal service funds are charges for services. Operating expenses for the internal service funds include administrative expenses and employee benefits.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds of Montgomery County, the Montgomery County School Department, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, and the Montgomery County Rail Service Authority (joint venture). Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Montgomery County and the Montgomery County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. The Montgomery County trustee had pooled investments consisting of funds in the State Treasurer's Investment Pool and government sponsored securities. The net change in fair value of the government sponsored securities is not considered material to the financial statements of this report, and therefore, has been reported at cost rather than fair value.

## 2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to four percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling \$5,919,925 are discussed in Note V.A. Risk Management.

3. Inventories and Prepaid Items

Inventories of governmental funds consist of expendable supplies held for consumption and are valued at cost, on the average cost method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding two years (one year for the School Department). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5-50
Other Capital Assets	4-20
Infrastructure:	
Roads	100
Bridges	50

5. **Compensated Absences**

It is the county's and the School Department's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Montgomery County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and claims and judgments, are recognized to the extent that the liabilities have matured (come due for payment) each period.

7. **Net Assets and Fund Equity**

In the government-wide financial statements and the proprietary funds in the fund financial statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2007, Montgomery County had \$206,441,146 in outstanding debt for capital purposes for the discretely presented Montgomery County School Department. This debt is a liability of Montgomery County, but the capital assets acquired are reported in the financial statements of the Montgomery County School Department. Therefore, Montgomery County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2007:

Fund/Purpose	Amount
General:	
Insurance	\$ 10,000
Mobile Data Terminals	7,399
Veterans' Services	9,221
Child Advocacy Center	45,623
Animal Shelter	3,822
Legacy 2000	2,546

<u>Fund/Purpose (Cont.)</u>	<u>Amount</u>
Highway/Public Works:	
Insurance	\$ 175,000
General Purpose School (School Department):	
Workers' Compensation	1,141,335

**8. Prior-period Adjustment**

Claims and judgments payable at the discretely presented Montgomery County School Department were restated from the prior year as a result of changes in workers' compensation policies.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

**Discretely Presented Montgomery County School Department**

Exhibit K-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

**Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

**Discretely Presented Montgomery County School Department**

Exhibit K-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

#### B. Net Assets Deficit

The Workers' Compensation Fund had a net assets deficit of \$824,151 at June 30, 2007. This net assets deficit resulted from the county not contributing self-insurance premiums to the fund during the fiscal year.

#### C. Cash Overdrafts

Cash overdrafts existed in the Community Development/Industrial Park Fund (\$45,801) and the discretely presented School Federal Projects Fund (\$116,110) at June 30, 2007. These cash overdrafts resulted from the issuance of checks that exceeded cash on deposit with the county trustee. These cash overdrafts were liquidated subsequent to June 30, 2007.

**D. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Category</u>	<u>Amount Overspent</u>
General:	
Board of Equalization	\$ 151
Beer Board	600
County Mayor/Executive	5,788
Personnel Office	27,955
County Attorney	17,410
Register of Deeds	46,800
Planning	23,963
County Buildings	50,551
Other General Administration	831,098
Reappraisal Program	35,064
Data Processing	9,007
Drug Court	18,592
Judicial Commissioners	7,825
Jail	108,491
County Coroner/Medical Examiner	82,805
Airport	1,024
Highway/Public Works:	
Administration	726
Highway and Bridge Maintenance	26,091
Extended School Program:	
Support Services - Office of the Principal	105

In addition, expenditures exceeded the total appropriations approved by the County Commission in the Drug Control Fund (\$306) and the General Debt Service Fund (\$152,797).

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balances.

**E. The County had Investments Subject to Credit Risk**

The county had investments in Federal National Mortgage Association (Fannie Mae, \$3,000,000), and Federal Home Loan Bank (\$3,986,535) securities at June 30, 2007. These investments are government sponsored enterprises that are independent organizations not backed by the full faith and credit of the federal government and therefore are subject to credit risk.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

Montgomery County, the Montgomery County School Department, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, and the Montgomery County Rail Service Authority participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected on the balance sheets or statements of net assets represent nonpooled amounts held separately by individual funds.

##### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

##### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments

in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2007, Montgomery County had the following investments carried at cost. Separate disclosures concerning pooled investments cannot be made for Montgomery County and the discretely presented Montgomery County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value or Cost
Federal Home Loan Bank	7-11-07	\$ 1,985,020
Federal Home Loan Bank	12-21-07	2,001,515
Total		\$ 3,986,535
Federal National Mortgage Association	2-22-08	\$ 1,000,000
Federal National Mortgage Association	4-3-08	2,000,000
Total		\$ 3,000,000
State Treasurer's Investment Pool	Daily	\$ 941,477
Total Investments		\$ 7,928,012

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Montgomery County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Montgomery County has no investment policy that would further limit its investment choices. As of June 30, 2007, Montgomery County's investment in the State Treasurer's Investment Pool was unrated. Montgomery County's investments with the Federal Home Loan Bank and the Federal National Mortgage Association are government sponsored enterprises that are independent organizations not backed by the full faith and credit of the federal government and, therefore the county could lose its investments if these enterprises were to fail. These investments were rated Aaa by Moody's Investor's Service and AAA by Standard and Poors.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Montgomery County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank (50%) and the Federal National Mortgage Association (38%).

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Montgomery County does not have a formal policy that limits custodial credit risk for investments. The county's investments of \$6,986,535 in the table on the preceding page have custodial credit risk exposure because the securities are uninsured, unregistered, and held by the county's financial agent, who is also the counterparty for these investments.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 23,438,586	\$ 112,663	\$ (570)	\$ 23,550,679
Construction in Progress	188,580	418,334	(97,569)	509,345
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 23,627,166</b>	<b>\$ 530,997</b>	<b>\$ (98,139)</b>	<b>\$ 24,060,024</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 96,388,746	\$ 210,664	\$ 0	\$ 96,599,410
Infrastructure	37,317,803	1,647,446	(18,138)	38,947,111
Other Capital Assets	14,557,476	1,809,598	(662,822)	15,704,252
<b>Total Capital Assets Depreciated</b>	<b>\$ 148,264,025</b>	<b>\$ 3,667,708</b>	<b>\$ (680,960)</b>	<b>\$ 151,250,773</b>

**Governmental Activities (Cont.):**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Less Accumulated Depreciation For: Buildings and Improvements	\$ 10,395,494	\$ 2,328,803	\$ 0	\$ 12,724,297
Infrastructure	18,127,447	319,690	(6,935)	18,440,202
Other Capital Assets	8,900,950	1,217,108	(590,168)	9,527,890
<b>Total Accumulated Depreciation</b>	<b>\$ 37,423,891</b>	<b>\$ 3,865,601</b>	<b>\$ (597,103)</b>	<b>\$ 40,692,389</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 110,840,134</b>	<b>\$ (197,893)</b>	<b>\$ (83,857)</b>	<b>\$ 110,558,384</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 134,467,300</b>	<b>\$ 333,104</b>	<b>\$ (181,996)</b>	<b>\$ 134,618,408</b>

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Government	\$ 571,587
Finance	130,459
Administration of Justice	557,320
Public Safety	1,483,661
Public Health and Welfare	382,019
Social, Cultural, and Recreational Services	123,979
Agriculture and Natural Resources	35,951
Other Charges	605
Highway/Public Works	<u>580,020</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ <u>3,865,601</u></b>

**Discretely Presented Montgomery County School Department****Governmental Activities:**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 9,744,219	\$ 0	\$ 0	\$ 9,744,219
Construction in Progress	13,925,113	14,611,485	(11,441,929)	17,094,669
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 23,669,332</b>	<b>\$ 14,611,485</b>	<b>\$ (11,441,929)</b>	<b>\$ 26,838,888</b>

**Governmental Activities (Cont.):**

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Depreciated:				
Buildings and Improvements	\$ 210,120,326	\$ 14,141,289	\$ 0	\$ 224,261,615
Other Capital Assets	19,818,944	652,471	(15,490)	20,455,925
<b>Total Capital Assets Depreciated</b>	<b>\$ 229,939,270</b>	<b>\$ 14,793,760</b>	<b>\$ (15,490)</b>	<b>\$ 244,717,540</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 49,324,458	\$ 4,589,050	\$ 0	\$ 53,913,508
Other Capital Assets	11,090,860	1,298,342	(8,326)	12,380,876
<b>Total Accumulated Depreciation</b>	<b>\$ 60,415,318</b>	<b>\$ 5,887,392</b>	<b>\$ (8,326)</b>	<b>\$ 66,294,384</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 169,523,952</b>	<b>\$ 8,906,368</b>	<b>\$ (7,164)</b>	<b>\$ 178,423,156</b>
Governmental Activities Capital Assets, Net	\$ 193,193,284	\$ 23,517,853	(11,449,093)	205,262,044

Depreciation expense was charged to functions of the discretely presented Montgomery County School Department as follows:

**Governmental Activities:**

Instruction	\$ 9,035
Support Services	5,843,193
Operation of Non-Instructional Services	<u>35,164</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 5,887,392</u></b>

**C. Construction Commitments**

At June 30, 2007, the General Capital Projects Fund had uncompleted construction contracts of approximately \$1,087,505, for various construction projects. Funding for these future expenditures has been received.

At June 30, 2007, the discretely presented School Department's Education Capital Projects Fund had uncompleted construction contracts of approximately \$46,421,244, for various construction projects. Funding for these future expenditures is expected to be received from contributions from the primary government.

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	General Debt Service	\$ 24,109
Nonmajor governmental	General Debt Service	22,960
Internal Service	Internal Service	182,530
School Department Component Unit:		
General Purpose School	Education Capital Projects	942
General Purpose School	Nonmajor governmental	585,284
Education Capital Projects	General Purpose School	56,272
Nonmajor governmental	General Purpose School	345,262

These balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**Due to/from Primary Government and Component Units:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government:		
Self-Insurance (Internal Service)	Component unit: School Department: General Purpose School	\$ 47,773
Self-Insurance (Internal Service)	School Federal Projects	364
Component unit:		
School Department:		
General Purpose School	Primary government: General	3,463
General Purpose School	Self-Insurance (Internal Service)	35,828
Education Capital Projects	General Debt Service	26,581

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In		
	General Fund	General Debt Service Fund	Nonmajor Governmental Funds
General Debt Service Fund	\$ 242,498	\$ 0	\$ 2,203,842
Other Capital Projects #4 Fund	0	777,695	2,089,360
Nonmajor governmental funds	48,330	0	0
<b>Total</b>	<b>\$ 290,828</b>	<b>\$ 777,695</b>	<b>\$ 4,293,202</b>

**Discretely Presented Montgomery County School Department**

Transfers Out	Transfers In		
	General Purpose School Fund	Education Capital Projects Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 478,398	\$ 345,003
Nonmajor governmental funds	544,282	0	0
<b>Total</b>	<b>\$ 544,282</b>	<b>\$ 478,398</b>	<b>\$ 345,003</b>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-term Debt**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to 12 years for notes,

and up to ten years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital outlay notes outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	2 to 5%	\$ 87,000,000	\$ 86,100,000
General Obligation Bonds - Refunding	2 to 5.25	272,414,029	188,585,000
Capital Outlay Notes	3.4937 to 5.21	7,712,585	5,016,726
Other Loans	variable	5,222,551	4,080,546

In previous years, Montgomery County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority borrowed \$2,470,731 Qualified Zone Academy Bonds, Series 2001 (QZAB) and loaned the proceeds to Montgomery County for various renovation and construction projects. The loan is repayable at zero percent interest with an annual administrative fee of \$847.

During 2006-2007, Montgomery County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority borrowed \$2,751,820 QZAB, Series 2005, and loaned the proceeds to Montgomery County for various renovation and construction projects. The loan is repayable at zero percent interest with an annual administrative fee of \$1,246.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 11,195,000	\$ 12,690,383	\$ 1,566,726	\$ 232,430
2009	10,800,000	12,216,744	1,100,000	172,500
2010	11,400,000	11,784,945	1,150,000	117,500
2011	12,165,000	11,290,194	1,200,000	60,000
2012	13,950,000	10,749,332	0	0

Year Ending June 30 (Cont.)	Bonds		Notes	
	Principal	Interest	Principal	Interest
2013-2017	\$ 86,180,000	\$ 42,886,778	\$ 0	\$ 0
2018-2022	90,475,000	21,016,730	0	0
2023-2026	38,520,000	4,144,026	0	0
<b>Total</b>	<b>\$ 274,685,000</b>	<b>\$ 126,779,132</b>	<b>\$ 5,016,726</b>	<b>\$ 582,430</b>

Year Ending June 30	Other QZAB Loan (\$2,470,731)		
	Principal	Other Fees	Total
2008	\$ 176,481	\$ 847	\$ 177,328
2009	176,481	847	177,328
2010	176,481	847	177,328
2011	176,481	847	177,328
2012	176,481	847	177,328
2013-2016	705,921	3,388	709,309
<b>Total</b>	<b>\$ 1,588,326</b>	<b>\$ 7,623</b>	<b>\$ 1,595,949</b>

Year Ending June 30	Other QZAB Loan (\$2,751,820)		
	Principal	Other Fees	Total
2008	\$ 259,600	\$ 1,246	\$ 260,846
2009	259,600	1,246	260,846
2010	259,600	1,246	260,846
2011	259,600	1,246	260,846
2012	259,600	1,246	260,846
2013-2017	1,194,220	6,230	1,200,450
<b>Total</b>	<b>\$ 2,492,220</b>	<b>\$ 12,460</b>	<b>\$ 2,504,680</b>

There is \$23,103,155 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$2,038, based on the 2000 federal census. Debt per capita, including bonds, notes and other loans, totaled \$2,106, based on the 2000 federal census.

Changes in Long-term liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

**Primary Government**

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2006	\$ 220,111,000	\$ 7,157,505
Additions	63,945,000	0
Deductions	<u>(9,371,000)</u>	<u>(2,140,779)</u>
Balance, June 30, 2007	<u>\$ 274,685,000</u>	<u>\$ 5,016,726</u>
Balance Due Within One Year	<u>\$ 11,195,000</u>	<u>\$ 1,566,726</u>

	<u>Compensated Absences</u>	<u>Other Loans</u>	<u>Claims and Judgments</u>
Balance, July 1, 2006	\$ 1,501,281	\$ 26,359,808	\$ 4,295,915
Additions	53,386	2,751,820	22,729,475
Deductions	<u>(45,788)</u>	<u>(25,031,082)</u>	<u>(22,306,391)</u>
Balance, June 30, 2007	<u>\$ 1,508,879</u>	<u>\$ 4,080,546</u>	<u>\$ 4,718,999</u>
Balance Due Within One Year	<u>\$ 1,508,879</u>	<u>\$ 436,081</u>	<u>\$ 2,599,220</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 290,010,150
Less: Due Within One Year	(17,305,906)
Add: Unamortized Premium on Debt	7,126,546
Less: Deferred Amount on Refunding	<u>(5,632,752)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 274,198,038</u>

The internal service funds primarily serve the governmental funds. Accordingly, long-term liabilities for the internal service funds are included as part of the above totals for governmental activities. Compensated absences will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Current Refunding

On August 11, 2006, Montgomery County refunded a loan with a separate general obligation bond. The county issued \$63,945,000 of general obligation bonds, of which \$24,595,000 was used to provide resources to

currently refund an existing loan. As a result, the loan has been removed from the county's long-term debt.

Defeasance of Prior Debt

In prior years, Montgomery County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2007, the following outstanding bonds are considered defeased:

1993 General Obligation Series	\$ 1,590,000
2001 General Obligation Series	42,345,000

Discretely Presented Montgomery County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Montgomery County School Department for the year ended June 30, 2007, was as follows:

Governmental Activities:

	<u>Notes</u>
Balance, July 1, 2006	\$ 11,082
Deductions	<u>(11,082)</u>
Balance, June 30, 2007	<u>\$ 0</u>

	<u>Compensated Absences</u>	<u>Claims and Judgments</u>
Balance, July 1, 2006	\$ 852,707	\$ 3,538,816
Additions	915,873	50,544
Deductions	<u>(882,392)</u>	<u>(2,388,434)</u>
Balance, June 30, 2007	<u>\$ 886,188</u>	<u>\$ 1,200,926</u>
Balance Due Within One Year	<u>\$ 44,309</u>	<u>\$ 613,272</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 2,087,114
Less: Due Within One Year	<u>(657,581)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,429,533</u>

Claims and judgments for the School Department's workers' compensation program will be retired from the General Purpose School Fund. Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

**F. Internal Financing**

In-lieu-of issuing debt with financial institutions, Montgomery County often chooses to internally finance various projects with idle county funds. These debt issues that will be repaid from the same fund in which the loan was obtained are reflected as operating transfers (not notes receivable) in the financial statements of this report. Internally reported notes receivable from idle funds loaned from the General Debt Service Fund, which will subsequently be paid by the General Debt Service Fund, are reflected below:

Internally Reported Interfund Notes Receivable/Payable  
through the General Debt Service Fund

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Industrial Park	\$ 206,537	2 %	8-21-03	8-21-06
Industrial Park	165,441	2	12-31-03	12-31-06
			Paid and/or Matured	
			Outstanding 7-1-06	During Period 6-30-07
Industrial Park	\$ 160,639	\$ 160,639	\$ 160,639	\$ 0
Industrial Park	128,677	128,677	128,677	0
Total	<u>\$ 289,316</u>	<u>\$ 289,316</u>	<u>\$ 289,316</u>	<u>0</u>

**G. Short-term Debt**

Montgomery County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the Highway/Public Works Fund. These notes were necessary because funds were not available to meet current obligations before current tax collections. Short-term debt activity for the year ended June 30, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 400,000	\$ (400,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

Montgomery County and the Montgomery County School Department, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County component units have chosen to establish the Self-Insurance Fund for risks associated with the employees' health insurance plan. The Self-Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$175,000 per specific loss. The county obtained a stop/loss commercial insurance policy to cover claims beyond this liability. The county carries no aggregate reinsurance coverage.

All full-time and part-time employees of the primary government and the above-noted discretely presented component units are eligible to participate. A premium charge is allocated to each fund that accounts for all eligible participating employees. This charge is based on actuarial estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Self-Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	\$ 2,979,924	\$ 20,725,596	\$ (20,588,057)	\$ 3,117,463
2006-07	3,117,463	22,250,035	(21,759,199)	3,608,299

Montgomery County has decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the Workers' Compensation Fund, and the plan is administered by Brentwood Services. The county retains the risk of loss to a limit of \$350,000 per specific loss. Montgomery County has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All employees of Montgomery County, the Bi-County Solid Waste Management System, and the Emergency Communications District of Montgomery County participate. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	\$ 1,353,470	0	\$ (632,470)	\$ 721,000
2006-07	721,000	0	(89,740)	631,260

On December 1, 2004, Montgomery County decided to establish an on-the-job injury program for risks associated with workplace injury. The on-the-job injury program is accounted for in the Workers' Compensation Fund (internal service fund) where assets are set aside for claims settlements. All employees of the primary government, the Emergency Communications District of Montgomery County, and the Bi-County Solid Waste Management System are eligible to participate. Qualified individuals shall receive a portion of their salary, not to exceed six months of benefits, provided there is medical documentation from a county-designated physician. Benefits shall not extend beyond one calendar year from the date of injury or illness. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the current fiscal year are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	\$ 83,027	\$ 448,959	\$(392,986)	\$ 139,000
2006-07	139,000	1,191,798	(851,358)	479,440

Montgomery County, the Montgomery County School Department, the Emergency Communications District of Montgomery County, and the Bi-County Solid Waste Management System decided to maintain a self-insurance plan for risks associated with unemployment compensation claims. The county and the above-noted component units participate in the unemployment compensation program administered by the State of Tennessee. The fund is financed from interest earnings, and each fund is assessed for excess claims filed.

Montgomery County and the discretely presented Montgomery County School Department are exposed to various risks related to general liability, property, and casualty losses. Officials decided it was more economically feasible to join a public entity risk pool for general liability, property, and casualty insurance coverage. Montgomery County and the School Department joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. Montgomery County and the School Department pay annual premiums to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies.

The School Department decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the General Purpose School Fund, and the plan is administered by Brentwood Services. The School Department retains the risk of loss to a limit of \$275,000 per specific loss. The School Department has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All employees of the School Department participate. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	\$ 2,655,941	\$ 1,067,745	\$ (427,418)	\$ 3,296,268
2006-07	3,296,268	0	(2,120,959)	1,175,309

On January 1, 2006, the School Department decided to establish an on-the-job injury program for risks associated with workplace injury. The on-the-job injury program is accounted for in the General Purpose School Fund where assets are set aside for claims settlements. All employees of the school department are eligible to participate. Qualified individuals shall receive a portion of their salary, not to exceed three months of benefits, provided there is medical documentation from a county-designated physician. Benefits shall not extend beyond one calendar year from the date of injury or illness. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the current fiscal year are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	\$ 0	\$ 86,156	\$ (61,462)	\$ 24,694
2006-07	24,694	50,544	(49,621)	25,617

**B. Subsequent Event**

On August 30, 2007, Montgomery County issued general obligation bonds totaling \$18,000,000 for various school construction projects.

**C. Contingent Liabilities**

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**D. Changes in Administration**

On July 1, 2006, Sandra Husk left the Office of Director of Schools and was succeeded by interim director Bruce Jobe. On August 1, 2006, Michael Harris became the director of schools.

On August 31, 2006, Doug Weiland left the Office of County Mayor and was succeeded by Carolyn Bowers, Bob Boydston left the Office of Director of Accounts and Budgets and was succeeded by Betty Burchett, Carolyn Bowers

left the Office of Trustee and was succeeded by Brenda Radford, Wilma Drye left the Office of County Clerk and was succeeded by Kellie Jackson, and Joyce Sawyer left the Office of Register and was succeeded by Connie Bell.

**E. Sale of Montgomery County Nursing Home**

On July 31, 2006, the Montgomery County Nursing Home, a discretely presented component unit, was sold to Home Quality Management. The proceeds from the sale (\$3,829,910) are reflected in the financial statements of this report.

**F. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Bi-County Solid Waste Management System, a component unit, will report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

**G. Joint Ventures**

The Montgomery County Rail Service Authority provides a continuation of rail service within the area of Montgomery County, and its governing body comprises four members. The county mayor serves as a member of the authority and appoints another member subject to the County Commission's approval. The mayor of the City of Clarksville serves as a member and appoints another member subject to the Clarksville City Council's approval. State grants provide the majority of funding for the rail authority.

Montgomery County and the City of Clarksville jointly created the Clarksville Montgomery County Airport and the Clarksville Montgomery County Regional Planning Commission. These joint ventures are operated by county/city-appointed boards/commissions for the benefit of all citizens of the two entities. Montgomery County has control over budgeting and financing the joint ventures only to the extent of representation by the board members appointed. Each entity is responsible for funding 50 percent of any deficits from operations if not covered by prior earnings. Montgomery County contributed \$56,472 to the operations of the airport during the year ended June 30, 2007.

The Economic and Community Development Board is a joint venture between Montgomery County and the City of Clarksville. The board comprises the county mayor, city mayor, and several additional members. The purpose of the board is to foster communications relative to economic and community development between and among governmental entities, industry, and private citizens. The county and city will provide the majority of funding for

the board based on the percentage of their population compared to the total census of the county when financial activity begins. Montgomery County did not appropriate any funds to the Economic and Community Development Board during the 2006-07 year.

The Clarksville-Montgomery County Sports Authority promotes and develops sports and recreational opportunities in Montgomery County. The county and the City of Clarksville jointly appoint the eleven-member board. Montgomery County has control over budgeting and financing the joint ventures only to the extent of representation by the board members appointed.

The Nineteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Nineteenth Judicial District and Montgomery County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general and the Montgomery County Sheriff. Montgomery County did not appropriate any funds to the DTF during the 2006-07 year.

Montgomery County does not have an equity interest in any of the above-noted joint ventures. Complete financial statements for the joint ventures can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Montgomery County Rail Service Authority  
Montgomery County Mayor  
P.O. Box 368  
Clarksville, TN 37040

Clarksville Montgomery County Airport  
200 Airport Road  
Clarksville, TN 37042

Clarksville Montgomery County Regional  
Planning Commission  
329 Main Street  
Clarksville, TN 37040

Economic and Community Development Board  
329 Main Street  
Clarksville, TN 37040

Administrative Offices (Cont.):

Economic and Community Development Board  
329 Main Street  
Clarksville, TN 37040

Montgomery County Sports Authority  
c/o Economic Development Council  
312 Madison Street  
Clarksville, TN 37040

Office of District Attorney General  
Nineteenth Judicial District Drug Task Force  
P.O. Box 3203  
Clarksville, TN 37043

**H. Jointly Governed Organizations**

The county and the City of Clarksville jointly appoint the 13-member board of the Clarksville-Montgomery County Community Health Foundation, Inc. The foundation is designed to facilitate activities that promote the general health of the community. The county and city do not have any ongoing financial interest or responsibility for the foundation.

The county, in conjunction with the City of Clarksville, has created the Clarksville-Montgomery County Tourism Commission. The nine-member Tourism Commission is selected by and with the joint approval of the city mayor and county mayor. Major funding for this organization is from the hotel/motel tax; however, the county and city do not have any ongoing financial interest or responsibility for this entity.

**I. Retirement Commitments**

**Employees**

**Plan Description**

Employees of Montgomery County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident

or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 14.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2007, Montgomery County's annual pension cost of \$7,116,217 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Montgomery County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$7,116,217	100%	\$0
6-30-06	6,433,780	100	0
6-30-05	5,911,199	100	0

### School Teachers

#### **Plan Description**

The Montgomery County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$5,301,689, \$4,457,727, and \$4,202,984, respectively, equal to the required contributions for each year.

### **J. Other Post-employment Benefits**

In addition to the retirement commitments described above, Montgomery County provides post-employment health care benefits to full-time employees with 20 years of service who were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. The retirees may remain on the plan until they become eligible for Medicare. Currently, there are 17 employees receiving this benefit.

Also, in addition to the retirement commitments described above, the discretely presented Montgomery County School Department offers post-employment health care benefits. Eligible employees are those who will have 30 years of verified Tennessee Consolidated Retirement System service, or reached 55 years of age and a minimum of 20 years of service. The school system will provide an employee and spouse with the same health insurance coverage provided for a regular full-time employees if the eligible employee has been covered with the same before their retirement. A portion of the cost of the insurance premium will be paid by the Montgomery County School Department. The insurance coverage will remain in effect until the retiree attains the age of 65 or ten years, whichever comes first. Currently, there are 146 employees receiving this benefit.

The discretely presented Montgomery County School Department provides post-employment life insurance benefits to certified employees with 20 years of service. The School Department pays 100 percent of life insurance premiums (\$7,000 policy) until death.

### **K. Office of Central Accounting, Budgeting, and Purchasing**

Montgomery County operates under the provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering funds administered by the county mayor and highway supervisor. These funds are maintained in the Offices of Central Accounting and Budgeting and Central Purchasing under the supervision of the director of accounts and budgets and the purchasing agent.

**L. Purchasing Laws**

Office of Central Purchasing

Purchasing for the County Mayor's Office and the Highway Department are governed by Section 5-14-101 et seq., Tennessee Code Annotated (TCA). Purchases for the Highway Department are also governed by the Uniform Road Law, Section 54-7-113, TCA. Section 5-14-101 et seq., TCA, provides for a purchasing agent, appointed by the county mayor and approved by the Montgomery County Commission, to make all purchases. This statute also provides for a County Purchasing Commission to assist the purchasing agent in the determination of overall purchasing policies. These statutes require that sealed bids be solicited on purchases exceeding \$5,000 for the Office of County Mayor and \$10,000 for the Highway Department.

Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also provides for the School Department, which has a purchasing division, to use a comprehensive vendor list to solicit competitive bids on all purchases exceeding \$10,000; provided, that the vendors on such list are given notice to bid; and provided further, that such purchasing division shall periodically advertise in a county newspaper of general circulation for vendors and shall update the list of vendors following such advertisement.

**VI. OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT OF MONTGOMERY COUNTY**

**A. Summary of Significant Accounting Policies**

The accounting and reporting policies of the E-911 Emergency Communications District of Montgomery County relating to the accounts included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

Reporting Entity

The district, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement, and other emergency departments within the county. As a component unit, the district cannot issue bond debt without approval of the county. The governing board of the district is appointed equally by the city and county and a substantial

portion of operating revenues are provided by allocations from Montgomery County. The district's financial statements include only the assets and operations of the district and do not include any other fund, organization, agency, or department of the city or county.

#### Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

District operations are accounted for on a cost of service measurement focus using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are customer service charges and operating subsidies, as discussed below:

- (1) Subscriber Fees – A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the district after deduction of a one percent administrative fee.
- (2) Operating Subsidies – The district received an operating subsidy from Montgomery County.

#### Budgets and Budgetary Accounting

The district board of directors formally approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted, and the budgeted cost of capital assets purchased is included as an expenditure. The district is required by Section 7-86-120, Tennessee Code Annotated, to adopt and operate under an annual budget. In addition, the Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts established the legal level of control, which is defined to be at the line item.

Budgeted amounts lapse at the end of the fiscal year and no unexpended balances are carried to the subsequent year.

#### Leave Policies

Annual leave is accrued on a monthly basis from the effective date of an employee's appointment. Annual leave may be accrued up to a maximum of 160 hours for less than five years of employment, 192 hours for five to ten years of employment, and 200 hours for more than ten years employment. At

the end of each month, accrued hours for each employee in excess of the maximum are transferred to sick leave. On termination of employment, the district pays an accrued vacation leave in a lump cash payment to such employee. All accrued compensated absences are shown on the balance sheet as long-term liabilities since a reasonable estimation of the current portion cannot be made.

Sick leave is accumulated on a monthly basis from the effective date of an employee's appointment. Employees may accrue an unlimited number of hours. On termination of employment of any employee, for any reason except retirement, all sick leave is forfeited. On retirement of an employee, accrued sick leave is credited toward extending the computation of longevity. Accrued sick leave is not included as a liability in the balance sheet.

#### Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the district.

#### Capital Assets and Depreciation

Capital assets are recorded at cost. Capital expenditures of \$5,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than \$5,000 is an expense of the period when placed in service. Computer software is not considered capital equipment. Depreciation and accumulated depreciation are recorded on capitalized equipment. Assets are depreciated using the straight-line basis over a five to 15 year expected useful life.

#### Occupancy

An interlocal agreement has been signed by Montgomery County, City of Clarksville, and E-911 Emergency Communication District whereby the City of Clarksville has furnished the land and a newly constructed building to house the operations of E-911. The city owns the property and has issued bond indebtedness for construction of the building. E-911 reimburses the city for each bond and interest payment, and the city promises to transfer title to the property to the district at a date no later than retirement of the indebtedness. The payments by the district to the city are reported as occupancy expense each year when paid. The district occupied the building on November 4, 2003. Prior to occupancy, the district paid a bond and interest payment for the year ended June 30, 2003. This payment of \$346,787 is reported as prepaid rent to be amortized over the 20-year term.

#### Cash and Cash Equivalents

Cash and cash equivalents as shown in the Statement of Cash Flows include all cash in bank accounts and on hand that is allocated for use by the district.

### Election in Accordance with GASB 20

The district has elected to follow only GASB guidance issued after November 30, 1989, and not to follow any FASB guidance issued after that date.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Cash Funds

Cash funds of the district are combined with other county funds and managed by the county trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of \$22,246 was allocated to the district during the current year.

### Other Significant Accounting Principles

Other significant accounting policies are described throughout the notes section of this audit report or disclosed in the statement format.

## **B. Cash Deposits**

Cash deposits are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet at \$496,560. At June 30, 2007, the deposits of the district were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of the Montgomery County Trustee that exceed Federal Deposit Insurance Corporation insurance limits are further insured by securities set aside as collateral and pledged to the state treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

## **C. Accounts Receivable**

Accounts receivable consists primarily of amounts due for monthly service charges collected for the district:

Service Charges:	
AT&T	\$ 81,390
Other Service Providers	29,913
State Wireless Charges	49,828
Total Service Charges	<u>\$ 161,131</u>
Interest and Miscellaneous	1,417
Total	<u><u>\$ 162,548</u></u>

**D. Change in Property and Equipment**

	Balance 7-1-06	Additions	Balance 6-30-07
Capital Assets Depreciated:			
Furniture and Fixtures	\$ 72,525	\$ 0	\$ 72,525
Office Equipment	198,455	0	198,455
Communication Equipment	253,895	5,658	259,553
Total Capital Assets Depreciated	<u>\$ 524,875</u>	<u>\$ 5,658</u>	<u>\$ 530,533</u>
Less: Accumulated Depreciation For:			
Furniture and Fixtures	27,831	4,621	32,452
Office Equipment	127,578	26,625	154,203
Communication Equipment	130,813	29,540	160,353
Total Accumulated Depreciation	<u>\$ 286,222</u>	<u>\$ 60,786</u>	<u>\$ 347,008</u>
Total Capital Assets Depreciated, Net	<u><u>\$ 238,653</u></u>	<u><u>\$ (55,128)</u></u>	<u><u>\$ 183,525</u></u>

The City of Clarksville has constructed a building to be used by, and eventually transferred to, the district. The district is responsible for payment of debt service to the city. The district has reported \$407,194 for use of the building for the year ended June 30, 2007.

**E. Service Arrangement Contract**

On March 11, 1988, the district negotiated a service agreement with BellSouth for the installation and service of an Enhanced 911 Emergency Service System. BellSouth furnishes equipment and service sufficient to operate the system for an initial installation fee and a monthly fee based upon the number of telephone stations and access lines served by the system. At June 30, 2007, the monthly fee was \$8,010. BellSouth merged with AT&T on December 29, 2006, but there has been no change in the service agreement.

**F. Operating Lease**

The district entered into a lease effective July 1, 2005, with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. The future minimum lease payment for the remaining year is \$72,588. In addition, the lessee has agreed to pay a

portion of utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made annually and shall be in an amount based on the prior year's cost. For the year ended June 30, 2007, the amount paid was \$32,711.

## **G. Retirement Commitments**

### **Plan Description**

Employees of the district are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service, or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the district participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### **Funding Policy**

The district has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 11.61 percent of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

## Annual Pension Cost

For the year June 30, 2007, the district's annual pension cost of \$111,596 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was sixteen years. An actuarial valuation was performed July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$ 111,596	100%	\$ 0
6-30-06	91,290	100	0
6-30-05	94,019	100	0

### H. Contingencies

There are no material contingencies that should be disclosed in these financial statements.

### I. Related Party Transactions

There were no related party transactions that should be disclosed in these financial statements.

### J. Subsequent Events

There were no material subsequent events that should be disclosed in these financial statements.

**K. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. Insurance for the district is included in the policies written for Montgomery County and the City of Clarksville.

**L. Prepaid Expenses**

Prepaid expenses at June 30, 2007, consisted of the following:

	<u>Current</u>	<u>Non-Current</u>	<u>Total</u>
Pre-occupancy building costs of \$346,787 amortized over 20 years	\$ 17,339	\$ 260,092	\$ 277,431

**VII. OTHER NOTES – DISCRETELY PRESENTED CLARKSVILLE-MONTGOMERY COUNTY INDUSTRIAL DEVELOPMENT BOARD**

**A. Summary of Significant Accounting Policies**

**1. Financial Reporting Entity**

The Clarksville-Montgomery County Industrial Development Board is a nonprofit corporate agency and instrumentality of Montgomery County, Tennessee, organized under Title 7, Chapter 53 of the Tennessee Code Annotated. The board has as its main purpose maintaining and increasing employment opportunities and furthering the use of Montgomery County's agricultural products and natural resources by promoting industry, trade, commerce, and construction by inducing manufacturing, industrial, governmental, educational, financial, service, commercial, and recreational enterprises to locate in or remain in this area.

The board is a component unit of Montgomery County, Tennessee, which is the principal reporting entity and primary government. The county is responsible for appointing the majority of the board of directors and provides its primary funding support.

The board applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements or opinions conflict with or contradict GASB pronouncements. The board is treated as a

discrete component unit of Montgomery County since Montgomery County may unilaterally control the operations of the board. The financial reporting entity of the board only includes the assets and operations of the board and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

In fiscal year 1995, the Clarksville-Montgomery County Tourism Commission (Tourism), the Clarksville Area Chamber of Commerce (Chamber), and the board organized the Clarksville-Montgomery County Economic Development Council (EDC) to develop, coordinate, and implement a comprehensive marketing plan relating to economic development in Montgomery County and to advance the general welfare and economic prosperity of Clarksville-Montgomery County and the surrounding area.

The board is responsible for one-third of the EDC staff's salary, payroll taxes, benefits, and certain other operating costs and expenses related to general administration of the EDC. The Chamber and Tourism each are also responsible for one-third of the expenses related to the EDC staff and general administration expenses. All other expenses of the EDC are shared based on usage allocations.

The EDC issues a publicly available financial report. That report may be obtained by contacting Shannon Green at 25 Jefferson Street, Suite 300, Clarksville, TN 37040.

## 2. Basis of Presentation

The governmental financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The board considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred.

In preparing the statement of net assets and statement of activities, the board uses the accrual basis of accounting. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Allocations of costs, such as depreciation, are recorded. All assets and liabilities (whether current or noncurrent) associated with the board's activities are reported.

3. Funding

The board receives operating subsidies from Montgomery County. A major reduction of funds by this supporting organization could have a significant effect on the future operations of the board.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and the variances could be material to the financial statements.

5. Concentrations of Credit Risk/Custodial Credit Risk

Financial instruments that potentially subject the board to significant concentrations of credit risk consist principally of cash and accounts receivable. The board places its cash with federally insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral.

At June 30, 2007, cash in banks reported in the financial statements as \$1,547,079 were represented by bank balances of \$1,556,072, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

6. Restricted Assets

When an expense is incurred for which both restricted and unrestricted resources are available, the board first applies restricted resources to these expenses.

7. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The board does not have a material amount of donated assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

8. Property Held for Sale or Lease

Property held for sale or lease is recorded at cost. The cost of property sold is charged to expense using the specific identification method.

9. Accrued Compensated Absences

Employees are required to take earned vacation days within the fiscal year. Employees are not paid for sick days upon separation from service. Therefore, there are no accrued compensated absences at the financial statement date.

10. Uncollectible Accounts

Accounts receivable are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles.

**B. Investments and Other Deposits**

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government. Investments and other deposits are stated at cost or amortized cost, which approximates fair value at June 30, 2007. The following is a summary of the board's certificates of deposit at June 30, 2007, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

	<u>Carrying Amount</u>	<u>Market Value</u>
Certificates of Deposit	\$ 519,838	\$ 519,838

**C. Capital Assets**

A summary of changes in capital assets and accumulated depreciation follows:

<u>Property and Equipment</u>	<u>Balance 7-1-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6-30-07</u>
Equipment	\$ 45,380	\$ 0	\$ 100	\$ 45,280
Vehicles	28,282	0	0	28,282
Leasehold Improvements	0	48,793	0	48,793
<b>Total</b>	<b>\$ 73,662</b>	<b>\$ 48,793</b>	<b>\$ 100</b>	<b>\$ 122,355</b>

Accumulated Depreciation

Equipment	\$ 39,739	\$ 2,043	\$ 0	\$ 41,782
Vehicles	16,970	5,657	0	22,627
Leasehold Improvements	0	1,355	0	1,355
<b>Total</b>	<b>\$ 56,709</b>	<b>\$ 9,055</b>	<b>\$ 0</b>	<b>\$ 65,764</b>

D. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Assets

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the board, net of related accumulated depreciation. The statement of net assets also includes the debt related to the capital assets among the liabilities of the board.

Cost of capital assets	\$	122,355
Less: accumulated depreciation		<u>(65,764)</u>
Net capital assets	\$	<u>56,591</u>
Current portion of note payable	\$	31,015
Long-term portion of note payable		<u>172,982</u>
Total debt related to capital assets	\$	<u>203,997</u>

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from the sale of capital assets are excluded from the statement of activities since the proceeds are not a gain or loss associated with the sale. Governmental funds record the principal portion of debt repayment as an expense, while the statement of activities records only the interest portion as an expense.

Capital outlays	\$	(48,793)
Depreciation expense		9,055
Proceeds from sale of asset		99
Debt service principal		<u>(29,366)</u>
Total	\$	<u>(69,005)</u>

**E. Property Held for Sale or Lease**

			<u>At Cost</u>
Land-Park Expansion	814.133	acres available	\$ 10,862,770
Goodpasture Property	34.014	"	238,420
Bell Property	63.11	"	232,253
Hamill Property	7.75	"	44,602
Darnell Property	28.84	"	35,949
Hayes Property	55.29	"	478,093
Homemax Property	2	"	13,965
Connell/Mattingly Property	97.095	"	1,959,651
Tylertown Road Property	333	"	<u>3,046,953</u>
Total			<u>\$ 16,912,656</u>

Note: Access property is included in the acres available shown above. All acres are approximate.

**F. Land Sales Options**

The board had two land sales options from prospective buyers outstanding at June 30, 2007. The first option, granted in fiscal year 2004, allows the holder to purchase a 20-acre tract of land at \$16,000 per acre. The option was given for \$6,500 consideration. This option expires in 2010. The second option, granted in fiscal year 2006, allows the holder to purchase 12 acres of land at \$240,000. The option was given for the initial consideration of \$5,000 and additional consideration of \$1,000 payable annually for the next five years.

**G. Land Purchase Options**

The board had two land purchase options with prospective sellers outstanding at June 30, 2007. The first option, granted in fiscal year 2004, allows the board to purchase a 988-acre tract of land at \$16,740 per acre for which \$9,610 was given as consideration for the option. The option expires September 21, 2008. The second option, purchased in fiscal year 2005, allows the board to purchase 338 acres at \$17,600 per acre. This option was purchased for the initial consideration of \$8,000 and additional consideration of \$8,000 payable annually for four years. This option expires March 10, 2010.

**H. Long-term Debt**

Long-term debt includes one note payable bearing interest at a fixed rate of 5.5 percent secured by approximately 55.29 acres of land. Principal and interest are payable in quarterly installments, maturing March 25, 2013.

Changes in long-term debt and other noncurrent liabilities (including current portions) for the year ended June 30, 2007, were as follows:

	<u>Notes Payable</u>
Balance, July 1, 2006	\$ 233,363
Deductions	<u>(29,366)</u>
Balance, June 30, 2007	<u>\$ 203,997</u>
Estimated amount due within one year	<u>\$ 31,015</u>

Future payments on notes payable are as follows:

Year Ending June 30	Total Principal	Total Interest
2008	\$ 31,015	\$ 10,579
2009	32,756	8,838
2010	34,595	6,999
2011	36,537	5,056
2012	38,589	3,005
2013	<u>30,505</u>	<u>839</u>
Total	<u>\$ 203,997</u>	<u>\$ 35,316</u>

#### I. Operating Leases

In December 2006, the board began subleasing office space in the Green Bank building from EDC under a five-year agreement. Rental expense under the operating lease was \$2,006.

Future payments on lease obligations are as follows:

2008	\$ 16,478
2009	18,700
2010	18,700
2011	18,700
2012	<u>6,233</u>
Total	<u>\$ 78,811</u>

**J. Retirement Plan**

The EDC maintains a defined contribution 401(k) plan administered by American Chamber of Commerce Executives (ACCE) under which employees of the board can participate. Substantially all employees who have completed one year of service, reached age 21, and work 1,000 hours or more per year are eligible to participate. For each plan year that an employee participates, the board will contribute an amount equal to four percent of the participant's total annual earnings as the employer's basic contribution. Employees can make pre-tax contributions from one to 100 percent of total annual earnings in which they are immediately vested. The board will match 100 percent of pre-tax contributions up to a maximum of four percent as the employer's matching contribution. With regard to contributions of the board, vesting occurs immediately.

The expense to the board for the year ended June 30, 2007, was \$13,026. Employee contributions to the plan were \$11,230.

**K. Conduit Debt Obligations**

The board has participated in several issues of industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The board is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The principal balance outstanding as of June 30, 2007, totaled \$133,623,127.

**L. Related Party Transactions**

The board's total payments to the EDC for expenses and group purchases were \$263,415 for the year ended June 30, 2007.

In addition to the transactions with the EDC, the board paid \$7,280 to the Chamber of Commerce for office rent for the year ended June 30, 2007, and had transactions with other member agencies of the EDC for group purchases.

**M. Project Expenses**

For the fiscal year ending June 30, 2007, project expenses were \$2,348,510, of which \$2,313,532 was for the repair of existing rail lines and construction of new rail lines required by a contractual obligation related to the sale of property during the fiscal year. Expenses related to rail line maintenance and construction totaling \$750,000 was reimbursed by a FastTrack Infrastructure Development Program grant. The remaining \$34,978 of project expenses were costs incurred to determine suitability for specific buyers.

**N. Commitments and Contingencies**

Under terms of an interlocal agreement among Montgomery County, Tennessee, the City of Clarksville, Tennessee, and the board, the sales price of property held for sale or lease will be split 90 percent to the city and ten percent to the board. Any revenue in excess of the first \$10,000 per acre (per transaction) will be split 45 percent to the city, 45 percent to the county, and ten percent to the board. The splitting of the proceeds will remain in effect until such time as either the city annexes the land being purchased for expansion or the city has recovered its investment, which shall include interest paid. After such time as the city has either annexed the land being purchased or recovered its investment, the sale of the land shall be divided equally between the city and county after ten percent is deducted for the board. At June 30, 2007, there were no commitments or contracts for the sale of property. No amount is accrued for this commitment in these financial statements because the amount to be paid to the city or county, if any, is not currently determinable.

Effective December 14, 2006, the board was awarded a grant from the State of Tennessee FastTrack Infrastructure Development Program totaling \$648,978 for costs associated with the rail spur connection. The grant requires the grantee to provide matching funds of \$483,616. At June 30, 2007, the board had accrued a liability of \$384,940 for the rail spur connection to the Florim Corporation.

The board's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

**O. Subsequent Event**

On June 25, 2007, the board entered into an agreement to sell approximately eight acres of land to Flanigan Real Estate Resources, Inc. (FRE) for \$233,300. On July 19, 2007, FRE, through its subsidiary Three C Group, LLC, executed a promissory note and subordinate deed of trust to the board.

**VIII. OTHER NOTES - DISCRETELY PRESENTED CLARKSVILLE-MONTGOMERY COUNTY PUBLIC LIBRARY**

**A. Significant Accounting Policies**

**1. The Reporting Entity**

The Clarksville-Montgomery County Public Library (the library) for financial purposes, includes all of the funds for which the library is considered to be financially accountable. The library is a special purpose single-program government with only governmental activities. The library is a discretely presented component unit of Montgomery County, Tennessee, the primary government.

**2. Government-wide Financial Statements**

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental activities for the library.

Government-wide statements are prepared using an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the library's assets and liabilities are included in the accompanying statement of net assets.

The government-wide statement of activities presents the direct expenses and program revenues for the library's activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the patrons of the library for fines and fees for services offered and grants and contributions that have been obtained to meet the operational or capital requirements of the library. The comparison of direct expenses with program revenues identifies the extent to which the library is self-financed.

**3. Basis of Presentation and Measurement Focus**

The library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The library has only governmental type funds.

**4. Property, Plant, and Equipment**

All property, plant, and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated items are valued at their estimated fair value on the date donated. No interest was capitalized during the audit period.

Depreciation is computed on capital assets using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5-10
Building improvements	10
Books	5

Property with an expected life of five years or greater and that is susceptible to misappropriation is capitalized. There is no dollar threshold.

5. **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The library is subject to the accounting directives issued by the Governmental Accounting Standards Board (GASB) and, therefore, has adopted, in all material respects, the provisions of all applicable GASB pronouncements and all applicable pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, which do not conflict with GASB pronouncements.

The library utilizes the modified accrual basis of accounting as required for governmental fund types. Revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The library considers revenues to be available if they are collected within 60 days of the end of the fiscal year. All major revenues are susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

6. **Donated Services**

Donated services are not valued as contributions and are not recorded as expenditures.

7. **Donated Supplies and Equipment**

Donated supplies and equipment are recorded as gifts at fair market value on date donated. Supplies are recorded as expenditures at the same value, and donated equipment is capitalized.

8. **Accrued Compensated Absences**

The library accrues unused annual leave as compensated absences. Unused sick leave is not valued since it is paid only when actually used.

9. **Major Funding**

The library is primarily funded by transfers of funds from Montgomery County. Cessation of funding by Montgomery County would have a major economic impact on the library and might adversely affect the library's ability to continue operations.

**10. Grant Accounting**

Grants are accounted for separately, and separate bank accounts are utilized for large grants. The library received \$26,689 in grants during the audit period.

**11. Insurance Paid**

Insurance is expensed when recognized. Prepaid insurance is included on the balance sheet at June 30, 2007, for \$10,228.

**12. Restricted/Unrestricted Resources Usage**

The library's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**13. Other Significant Accounting Policies**

Other significant accounting policies are described throughout the notes section of this audit report or are disclosed in the statement formats.

**B. Bank Deposit Information**

At year-end, the carrying amount of the library's cash deposits was \$215,351, and the bank balances were \$244,500. The cash deposits at year-end were held by a bank that is a member of the Tennessee Bank Collateral Pool.

**C. Gracey Bequest Fund**

The library was named as a beneficiary of a portion of the estate of Mrs. Donald Gracey. The principal of the bequest is held in trust for a period of 30 years from the settlement of the estate. Twenty-eight and one-half percent of the income from this trust is to be paid to the library on at least a quarterly basis. Upon expiration of 30 years, 28.5 percent of the trust corpus will be delivered to the library. The estate was settled in 1992. During the current year, income of \$90,584 was donated to the library. The bequest is to be used for general library purposes as directed by its board. These unrestricted funds are accounted for as a separate, special revenue fund solely for information purposes.

**D. Memorial Fund**

The Memorial Fund is used to receive and expense memorial and other special donations to the library. The funds are generally unrestricted and are accounted for as a separate, special revenue fund solely for informational purposes.

**E. Component Unit**

The Clarksville-Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the library. The foundation's primary purpose is to provide assistance to the library through fund raising activities and through the management, investment, and administration of the funds under the foundation's control. The funds raised by the foundation are not to be used for the funding of day-to-day operations of the library but for special programs, activities, and capital projects. The three-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal, and professional experience. Although the library doesn't control the timing or amount of receipts from the foundation, the majority of the resources that the foundation holds are restricted to library purposes. Because these resources can only be used by or for the benefit of the library, the foundation is considered a component unit of the library. The foundation is required to disburse between 25 percent and 75 percent of the annual interest or dividends earned on foundation investments during the previous year ending December 31. During the year ended June 30, 2007, the foundation distributed \$70,000 to the library for capital purposes.

The foundation's year-end, December 31, differs from the library's year-end. The December 31, 2006, audited financial statements are included in the library's June 30, 2007, basic financial statements. The foundation's bylaws, adopted April 1, 2005, require the foundation's accounts to be audited annually.

Complete financial statements for the foundation can be obtained from the Secretary/Treasurer, Clarksville-Montgomery County Public Library Foundation, 350 Pageant Lane, Suite 501, Clarksville, Tennessee 37040.

**F. Capital Assets**

Changes in the capital assets for the year were as follows:

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
<u>Depreciable Assets</u>				
Furniture, Fixtures, Equipment and Software	\$ 1,241,704	\$ 192,088	\$ 0	\$ 1,433,792
Building Improvements	47,441	0	0	47,441
Library Resources	3,629,628	314,668	98,912	3,850,384
Total	\$ 4,918,773	\$ 506,756	\$ 98,912	\$ 5,331,617

	Balance			Balance		
	7-1-06	Additions	Deletions	6-30-07		
<u>Accumulated Depreciation</u>						
Furniture, Fixtures, Equipment and Software	\$ 1,111,409	\$ 44,831	\$ 0	\$ 1,156,240		
Building Improvements	36,305	2,522	0	38,827		
Library Resources	2,584,779	347,724	98,912	2,838,591		
Total	\$ 3,732,493	\$ 395,077	\$ 98,912	\$ 4,033,658		
Capital Assets, Net of Accumulated Depreciation	\$ 1,186,280	\$ 111,679	\$ 0	\$ 1,297,959		

The building and related facilities are furnished to the library by Montgomery County and the City of Clarksville.

**G. Debt Held by County/City**

A note payable to Montgomery County on behalf of the library at June 30, 2007, was as follows:

Note Payable	\$68,750
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The proceeds of the note payable were used to finance the renovation of the buildings and related facilities utilized by the library.

In January 1998, Montgomery County and the City of Clarksville each passed resolutions to make yearly repayments of the principal of this note. The total principal to be repaid each year is \$68,750. Beginning July 1, 2004, the county verbally agreed to take over the payments entirely. The library is responsible for paying the interest on this note. During the fiscal year ended June 30, 2007, the library paid \$11,900 in interest on this note.

The debt service requirement for this note by the county and the library are summarized below:

Year Ending June 30	Principal (Paid by County)	Interest (Paid by Library)	Combined Total
2008	\$ 68,750	\$ 3,582	\$ 72,332
Total	\$ 68,750	\$ 3,582	\$ 72,332

Since it is the intent of Montgomery County to service this debt from county funds rather than operations of the library, the debt is included in the financial statements of the county as a payable.

## H. Pension Information

### 1. Plan Description

Employees of the library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, became vested after five years of service and members joining the system prior to July 1, 1979, were vest after four years of service. Benefit provisions are established in state statute found in title 8, Chapters 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

### 2. Funding Policy

The library has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll.

The library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007, was 14.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the library is established and may be amended by the TCRS Board of Trustees.

**3. Annual Pension Cost**

For the year ending June 30, 2007, the library's annual pension cost of \$89,726 to TCRS was equal to the library's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6-30-07	\$ 89,726	100%	\$ 0
6-30-06	77,167	100	0
6-30-05	74,373	100	0

**I. Material Related Party Transactions**

There were no material related party transactions that should be disclosed in these financial statements.

**J. Significant Subsequent Events**

There were no significant subsequent events that should be disclosed in these financial statements.

**K. Significant Contingent Liabilities**

There were no significant contingent liabilities that should be disclosed in these financial statements.

**L. Risk Management**

The library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The library has elected to obtain various insurance policies to transfer risks to a commercial insurance company either directly or through the Tennessee Municipal League Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

**M. Customer Receivables**

There were customer receivables of \$93,174 and uncollectible amounts of \$48,450, which include waived or returned items. Gross customer receivables include not only fines and fees receivable, but also an amount due the library for lost books. When a book is returned, the amount due the library is reduced by the cost of the book, but the library receives no cash in this situation. The estimate of uncollectible, waived, and returned items is based on statistical information tracked by the library of amounts due and amounts collected by month.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Montgomery County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 General Fund  
 For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 26,339,561	\$ 25,671,337	\$ 25,671,336	\$ 668,175
Licenses and Permits	670,726	682,500	682,500	(11,774)
Fines, Forfeitures, and Penalties	1,253,145	1,206,700	1,206,700	46,445
Charges for Current Services	4,238,829	4,599,180	4,599,180	(360,351)
Other Local Revenues	4,875,847	2,618,525	2,618,525	2,257,322
Fees Received from County Officials	8,184,825	7,262,500	7,262,500	922,325
State of Tennessee	4,739,369	4,918,986	4,462,021	277,348
Federal Government	1,471,940	894,432	1,793,111	(321,171)
Other Governments and Citizens Groups	1,363,866	172,985	172,985	1,195,881
<b>Total Revenues</b>	<b>\$ 53,143,108</b>	<b>\$ 48,027,195</b>	<b>\$ 48,468,908</b>	<b>\$ 4,674,200</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 162,551	\$ 182,789	\$ 182,789	\$ 20,238
Board of Equalization	3,551	3,400	3,400	(151)
Beer Board	2,200	1,000	1,600	(600)
Other Boards and Committees	1,800	1,800	1,800	0
County Mayor/Executive	281,001	275,213	275,213	(5,788)
Personnel Office	152,066	124,111	124,111	(27,955)
County Attorney	41,410	24,000	24,000	(17,410)
Election Commission	335,231	384,874	384,874	49,643
Register of Deeds	355,766	308,966	308,966	(46,800)
Planning	258,939	234,976	234,976	(23,963)
Building	0	1,769	1,769	1,769
Codes Compliance	321,343	345,037	345,037	23,694
Geographical Information Systems	66,333	80,000	80,000	13,667
County Buildings	759,766	1,016,618	709,215	(50,551)
Other Facilities	1,239,072	964,950	1,272,353	33,281
Other General Administration	1,263,566	400,290	432,468	(831,098)
Preservation of Records	74,658	84,513	84,513	9,855
<u>Finance</u>				
Accounting and Budgeting	286,754	359,123	359,123	72,369
Purchasing	163,966	173,509	173,509	9,543
Property Assessor's Office	512,758	577,303	577,303	64,545
Reappraisal Program	144,635	109,571	109,571	(35,064)
County Trustee's Office	315,492	305,379	358,663	43,171
County Clerk's Office	905,232	906,118	948,707	43,475
Data Processing	1,019,948	1,010,941	1,010,941	(9,007)
Other Finance	57,158	93,839	93,839	36,681
<u>Administration of Justice</u>				
Circuit Court	1,110,841	1,187,802	1,195,050	84,209
General Sessions Court	1,212,757	1,346,848	1,346,848	134,091
Drug Court	18,592	0	0	(18,592)

(Continued)

Exhibit F-1

Montgomery County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Administration of Justice (Cont.)</u>				
Chancery Court	\$ 292,441	\$ 314,561	\$ 314,561	\$ 22,120
District Attorney General	58,014	84,200	84,200	26,186
Judicial Commissioners	188,844	130,519	130,519	(7,825)
Other Administration of Justice	587,620	631,244	631,244	43,624
Probation Services	531,491	602,268	602,268	70,777
<u>Public Safety</u>				
Sheriffs Department	4,152,632	4,293,402	4,324,755	172,123
Special Patrols	1,344,371	1,381,474	1,366,296	21,925
Traffic Control	89	5,000	5,000	4,911
Administration of the Sexual Offender Registry	8,823	9,113	9,113	290
Jail	7,688,335	7,579,844	7,579,844	(108,491)
Workhouse	1,021,214	1,086,821	1,086,821	65,607
Correctional Incentive Program Improvements	364,700	388,192	388,192	23,492
Juvenile Services	208,689	225,474	225,474	16,785
Fire Prevention and Control	102,698	96,919	111,728	9,030
Civil Defense	249,906	245,833	252,284	2,378
Other Emergency Management	782,945	853,073	1,287,635	504,690
County Coroner/Medical Examiner	182,805	100,000	100,000	(82,805)
<u>Public Health and Welfare</u>				
Local Health Center	247,297	255,481	255,481	8,184
Rabies and Animal Control	238,099	249,772	249,772	11,673
Ambulance/Emergency Medical Services	4,554,382	4,711,233	4,711,233	156,901
Other Local Health Services	1,454,352	1,601,169	1,601,169	146,817
Regional Mental Health Center	0	10,000	10,000	10,000
Appropriation to State	152,852	152,852	152,852	0
General Welfare Assistance	6,850	0	7,075	225
Aid to Dependent Children	10,000	0	10,000	0
Other Local Welfare Services	50,000	67,075	50,000	0
Other Public Health and Welfare	23,500	23,750	23,750	250
<u>Social, Cultural, and Recreational Services</u>				
Libraries	1,246,808	1,496,170	1,496,170	249,362
Parks and Fair Boards	93,717	36,955	93,955	238
Other Social, Cultural, and Recreational	6,864	7,186	7,186	322
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	258,739	300,682	300,682	41,943
Forest Service	2,000	2,000	2,000	0
Soil Conservation	34,728	34,779	34,779	51
<u>Other Operations</u>				
Tourism	929,092	932,000	932,000	2,908
Industrial Development	445,701	445,701	445,701	0
Airport	56,472	55,448	55,448	(1,024)
Veterans' Services	257,107	275,474	275,474	18,367

(Continued)

Exhibit F-1

Montgomery County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Other Operations (Cont.)</u>				
Other Charges	\$ 1,042,416	\$ 1,393,610	\$ 1,393,610	\$ 351,194
Contributions to Other Agencies	58,496	79,034	79,034	20,538
Employee Benefits	7,012,819	7,610,420	7,613,980	601,161
Miscellaneous	12,301	20,000	20,000	7,699
<u>Highways</u>				
Litter and Trash Collection	106,873	137,202	137,202	30,329
Total Expenditures	<u>\$ 47,083,968</u>	<u>\$ 48,430,719</u>	<u>\$ 49,099,175</u>	<u>\$ 2,015,207</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,059,140</u>	<u>\$ (403,524)</u>	<u>\$ (630,267)</u>	<u>\$ 6,689,407</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 30,388	\$ 0	\$ 0	\$ 30,388
Transfers In	290,828	81,869	81,869	208,959
Total Other Financing Sources (Uses)	<u>\$ 321,216</u>	<u>\$ 81,869</u>	<u>\$ 81,869</u>	<u>\$ 239,347</u>
Net Change in Fund Balance	<u>\$ 6,380,356</u>	<u>\$ (321,655)</u>	<u>\$ (548,398)</u>	<u>\$ 6,928,754</u>
Fund Balance, July 1, 2006	<u>9,764,561</u>	<u>6,584,937</u>	<u>6,584,937</u>	<u>3,179,624</u>
Fund Balance, June 30, 2007	<u>\$ 16,144,917</u>	<u>\$ 6,263,282</u>	<u>\$ 6,036,539</u>	<u>\$ 10,108,378</u>

Exhibit F-2

Montgomery County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 88,669	\$ 97,636	8,967	90.82 %	\$ 45,108	19.88 %
6-30-03	75,336	85,440	10,104	88.17	38,964	25.93
6-30-01	64,298	75,200	10,902	85.50	35,718	30.52

**MONTGOMERY COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Montgomery County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, etc.). Management may make revisions within major categories, but only the Montgomery County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Board of Equalization	\$ 151
Beer Board	600
County Mayor/Executive	5,788
Personnel Office	27,955
County Attorney	17,410
Register of Deeds	46,800
Planning	23,963
County Buildings	50,551
Other General Administration	831,098
Reappraisal Program	35,064

<u>Major Appropriation Category (Cont.)</u>	<u>Amount Overspent</u>
Data Processing	\$ 9,007
Drug Court	18,592
Judicial Commissioners	7,825
Jail	108,491
County Coroner/Medical Examiner	82,805
Airport	1,024

Such overexpenditures are a violation of state statute. These overexpenditures were funded from available fund balance.