NEW ISSUE

Ratings: Moody's - "Aaa"
Fitch - "AAA"
(See "Ratings" herein)

In the opinion of Bond Counsel, based on statutes, regulations, and court decisions in existence on the date of delivery of the Bonds, and assuming continuing compliance by the County with the provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds is excludable from gross income of the owners thereof 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 the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. See "TAX EXEMPTION" herein. Under existing laws of the State of Tennessee, the Bonds and the interest therefrom are exempt from all state, county, and municipal taxation except inheritance, transfer, and estate taxes and, except to the extent that such interest on the Bonds is included within the measure of certain corporate privilege and excise taxes imposed under Tennessee law.

$11,880,000
MONTGOMERY COUNTY, TENNESSEE
GENERAL OBLIGATION REFUNDING BONDS, SERIES 1996

Dated: August 15, 1996 Due: January 1 (as indicated)

The General Obligation Refunding Bonds, Series 1996 (the "Bonds"), to be issued by Montgomery County, Tennessee (the "County"), will be issued as fully registered bonds in authorized denominations of $5,000 and integral multiples thereof. The Bonds will be dated August 15, 1996, and will bear interest payable semi-annually on January 1 and July 1, commencing January 1, 1997. Interest will be payable by SouthTrust Bank of Alabama, N.A., Nashville, Tennessee, as registration and paying agent (the "Registration Agent"), and mailed to the registered owner's address as it appears on the registration records maintained by the Registration Agent. Principal will be payable at the principal corporate trust office of the Registration Agent. The Bonds are subject to redemption prior to maturity as described herein.

Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Bonds. AMBAC.

MATURITIES, AMOUNTS, INTEREST RATES AND YIELDS

Year	Amounts	Rates	Yields	Year	Amounts	Rates	Yields
1997	$ 125,000	3.80%	3.80%	2003	$590,000	4.65%	4.75%
1998	80,000	4.00	4.00	2004	610,000	4.75	4.85
1999	80,000	4.30	4.30	2005	645,000	4.85	4.95
2000	2,755,000	4.45	4.45	2006	685,000	4.95	5.05
2001	2,870,000	5.50	4.55	2007	715,000	5.05	5.15
2002	2,725,000	5.50	4.65				

The Bonds are being issued under the provisions of Title 9, Chapter 21, Tennessee Code Annotated, as amended. The Bonds including the principal thereof, the premium, if any, and the interest thereon, shall be payable from ad valorem taxes to be levied for such purpose on all taxable property within the corporate limits of the County, without limitation as to time, rate, or amount. For the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the County is irrevocably pledged.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to make an informed investment decision.

The Bonds are offered when, as, and if issued by the County, subject to the approval of the legality thereof by Stokes & Bartholomew, P.A., Nashville, Tennessee, Bond Counsel, whose opinion will be printed on the Bonds. Other legal matters will be passed upon for the County by Roger Maness, Esq., Clarksville, Tennessee. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company, New York, New York on or about September 5, 1996.

MORGAN KEEGAN & COMPANY, INC.

August 15, 1996

No dealer, broker, salesperson or other person has been authorized by the County or the Underwriter to give any information or to make any representation in connection with the Bonds or the matters described herein, other than those contained in this OFFICIAL STATEMENT, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This OFFICIAL STATEMENT does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This OFFICIAL STATEMENT is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements made in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information contained herein is subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County, or its agencies and authorities, since the date hereof.

MONTGOMERY COUNTY, TENNESSEE

County Officials

Robert E. Thompson
County Executive

Wilma K. Drye
County Clerk

David H. Dabbs
County Trustee

Roger Maness, Esq.
County Attorney

Board of County Commissioners

Barry Bellamy
Sidney R. Brown
Lonnie H. Bumpus
Joe L. Creek
Sinclair Daniel, Jr.
Larry W. Foster, Sr.
Ray Grimes
Nancy C. Johnson
Moses Kahihikolo
Lettie M. Kendall
Reber P. Kennedy, Jr.
Milan S. Lewis
John O. Morris, Jr.
Robert S. Powers
Mabel B. Steeley
Sammy Stuard
Richard A. Swift
Suzanne A. Uffelman
Pat Vaden
Houston Wade
Norman Young

REGISTRATION, PAYING AGENT, AND ESCROW AGENT

SouthTrust Bank of Alabama, N.A.
Nashville, Tennessee

BOND COUNSEL

STOKES & BARTHOLOMEW, P.A.
Nashville, Tennessee

UNDERWRITER

MORGAN KEEGAN & COMPANY, INC.
Nashville, Tennessee

TABLE OF CONTENTS

SUMMARY

The information set forth below is qualified in its entirety by the information and financial statements appearing elsewhere in this OFFICIAL STATEMENT.

The Issuer: Montgomery County, Tennessee (the "County"). See the section entitled "SUPPLEMENTAL INFORMATION STATEMENT" for additional information.

Securities Offered: $11,880,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 1996 (the "Bonds"), dated August 15, 1996; maturing January 1 of each of the years 1997 through 2007, inclusive, as outlined herein. See the section entitled "SECURITIES OFFERED" herein for additional information.

Security: The Bonds will be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the County, without limitation as to time, rate, or amount. For the prompt payment of principal of, premium, if any, and interest on, the Bonds, the full faith and credit of the County is irrevocably pledged.

Municipal Bond Insurance: Payment of the principal of and interest on the Bonds when due will be insured by a municipal bond insurance policy to be issued by AMBAC Indemnity Corporation simultaneously with the delivery of the Bonds.

Purpose: The Bonds are being issued to refund in advance of their maturity certain maturities of the "Series 1992 Refunding Bonds" and the "Series 1992 School Bonds," as defined herein, and to pay all legal, fiscal, and administrative expenses incident thereto and costs incident to the issuance and sale of the Bonds. See the section entitled "SECURITIES OFFERED-Authority and Purpose and Refunding Plan" contained herein.

Optional Redemption: The Bonds maturing on and after January 1, 2003, will be subject to redemption prior to maturity on January 1, 2002 and thereafter at the option of the County, as more fully described herein. See the section entitled "SECURITIES OFFERED-Redemption of Bonds Prior to Maturity".

Tax Matters: In the opinion of Bond Counsel, based on statutes, regulations, and court decisions in existence on the date of delivery of the Bonds, and assuming continuing compliance by the County with the provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds is excludable from gross income of the owners thereof 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 the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. See "TAX EXEMPTION" herein. Under existing laws of the State of Tennessee, the Bonds and the interest therefrom are exempt from all state, county, and municipal taxation except inheritance, transfer, and estate taxes and, except to the extent that such interest on the Bonds is included within the measure of certain corporate privilege and excise taxes imposed under Tennessee law.

Ratings: Moody's Investors Service, Inc. and Fitch's Investors Service, Inc. have assigned the ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds a policy insuring payment when due of principal of and interest on the Bonds will be issued by the Bond Insurer. See the Section entitled "RATINGS" for more information.

Registration, Paying Agent and Escrow Agent: SouthTrust Bank of Alabama, N.A., Nashville, Tennessee (the "Registration Agent").

Bond Counsel: Stokes & Bartholomew, P.A., Nashville, Tennessee.

Underwriter: Morgan Keegan & Company, Inc. Nashville, Tennessee. See the Section entitled "MISCELLANEOUS - Underwriting" for additional information.

General: The Bonds are being issued pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated, as amended. See the section entitled "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers through the facilities of Depository Trust Company, New York, New York.

Disclosure: In accordance with Rule 15c2-12 of the Securities and Exchange Commission, the County will provide the nationally recognized municipal information repositories and the state information depository, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled "MISCELLANEOUS - Continuing Disclosure" herein.

Other Information: The information in this OFFICIAL STATEMENT is deemed "final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission as of the date which appears on the cover hereof. For more information concerning the County or the OFFICIAL STATEMENT, contact Robert Thompson, County Executive, or Rachel Reddick, Director of Accounts and Budgets, P.O. Box 368, Clarksville, Tennessee 37040, Telephone: 615-648-5787, or the Underwriter, Morgan Keegan & Company, Inc., 150 4th Avenue North, Suite 1850, Nashville, Tennessee, Telephone: 800-764-1002.

$11,880,000

MONTGOMERY COUNTY, TENNESSEE

GENERAL OBLIGATION REFUNDING BONDS, SERIES 1996

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the cover page hereof and appendices hereto, is furnished in connection with the offering by Montgomery County, Tennessee (the "County") of its $11,880,000 General Obligation Refunding Bonds, Series 1996 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Tennessee Code Annotated, as amended (the "Act"), and other applicable provisions of law and pursuant to a resolution (the "Bond Resolution"), duly adopted by the Board of Commissioners of the County on March 11, 1996.

The Bonds are issued for the purpose of (a) refunding on October 1, 1996, the principal portion of those certain General Improvement Refunding Bonds, Series 1992, dated April 1, 1992, issued in the original principal amount of $18,105,000 (the "Series 1992 Refunding Bonds"), maturing April 1, 2000 through April 1, 2002, inclusive; (b) refunding on January 1, 1998, the principal portion of those certain General Obligation School Bonds, Series 1992, dated January 1, 1992, issued in the original principal amount of $7,560,000 (the "Series 1992 School Bonds"), maturing January 1, 2000 through January 1, 2007, inclusive; (c) paying the redemption premium on the Series 1992 Refunding Bonds and the Series 1992 School Bonds; and, (d) paying costs incident to the issuance and sale of the Bonds.

REFUNDING PLAN

The Series 1992 Refunding Bonds maturing April 1, 2000 through April 1, 2002, in the aggregate principal amount of $6,670,000, are subject to redemption on October 1, 1996, at the price of par plus a premium of 2%, plus accrued interest to the date of redemption.

The Series 1992 School Bonds maturing January 1, 2000 through January 1, 2007, in the aggregate principal amount of $4,885,000, are subject to redemption on January 1, 1998, at the price of par plus a premium of 2%, plus accrued interest to the date of redemption.

The proceeds of the sale of the Bonds will be (i) used to refund on October 1, 1996, the outstanding principal of the 2000 through 2002 maturities of the Series 1992 Refunding Bonds, and (ii) used to purchase certain direct United States government obligations which will be deposited with and held by an escrow agent pursuant to the provisions of an escrow agreement between the County and such escrow agent. The maturing principal of such government obligations will be used to refund the 2000 through 2007 maturities of the Series 1992 School Bonds on January 1, 1998.

Since interest rates on the Series 1992 Refunding Bonds and the Series 1992 School Bonds are in excess of rates in today's capital markets, the County intends to issue the Bonds to refund the Series 1992 Refunding Bonds and the Series 1992 School Bonds.

As required by the Act, a plan of refunding (the "Plan") for the Series 1992 School Bonds and the Series 1992 Refunding Bonds was submitted to the State Director of Local Finance for review and a report on the Plan was submitted to the County.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from August 15, 1996 at the rates specified on the cover page. Interest on the Bonds will be payable semi-annually on January 1 and July 1 of each year, commencing January 1, 1997.

The Bonds will be issued only as fully registered bonds, without coupons, in the principal amount of $5,000 or any integral multiple thereof. Payment of the principal on the Bonds will be made upon presentation and surrender of the Bonds at the principal corporate trust office of SouthTrust Bank of Alabama, N.A., Nashville, Tennessee (the "Registration Agent"). Interest payments on the Bonds will be made by check or other form of draft of the Registration Agent mailed to the persons in whose names the Bonds are registered as of the fifteenth day of the month preceding each interest payment date, at their addresses as they appear on the bond register maintained by the Registration Agent.

The Bonds shall be signed by facsimile signature of the County Executive, shall be attested by the facsimile signature of the County Clerk and a facsimile of the County Seal shall be printed thereon. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds, including the principal of, premium, if any, and interest thereon will be payable from any and all funds of the County legally available therefor, including, but not necessarily limited to, ad valorem taxes to be levied for such purpose on all taxable property within the corporate limits of the County without limitation as to time, rate, or amount. Said Bonds will be a direct general obligation of the County, for which the punctual payment of, the principal of, premium, if any, and interest on, the Bonds, the full faith and credit of the County is irrevocably pledged.

MUNICIPAL BOND INSURANCE

Payment Pursuant to Municipal Bond Insurance Policy

AMBAC Indemnity Corporation ("AMBAC Indemnity") has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Municipal Bond Insurance Policy, AMBAC Indemnity will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the County (as such terms are defined in the Municipal Bond Insurance Policy). AMBAC Indemnity will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one Business Day following the date on which AMBAC Indemnity shall have received notice of Nonpayment from the Registration Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by AMBAC Indemnity.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, AMBAC Indemnity will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Registration Agent has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the County has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC Indemnity to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment, or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of the Registration Agent.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of AMBAC Indemnity to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to AMBAC Indemnity.

Upon payment of the insurance benefits, AMBAC Indenmity will become the owner of the Bond appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

The Bond Insurer

AMBAC Indemnity Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $2,505,000,000 (unaudited) and statutory capital of approximately $1,384,000,000 (unaudited) as of June 30, 1996. Statutory capital consists of AMBAC Indemnity's policyholders' surplus and statutory contingency reserve. AMBAC Indemnity is a wholly owned subsidiary of AMBAC Inc., a 100% publicly-held company. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service and Fitch Investors Service, L.P. have each assigned a triple-A claims-paying ability rating to AMBAC Indemnity.

AMBAC Indemnity has entered into pro rata reinsurance agreements under which a percentage of the insurance underwritten pursuant to certain municipal bond insurance programs of AMBAC Indemnity has been and will be assumed by a number of foreign and domestic unaffiliated reinsurers.

AMBAC Indemnity has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by AMBAC Indemnity will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by AMBAC Indemnity under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Bonds.

AMBAC Indemnity makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by AMBAC Indemnity and presented under the heading "MUNICIPAL BOND INSURANCE" herein.

Available Information

The parent company of AMBAC Indemnity, AMBAC Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of AMBAC Indemnity's financial statements prepared in accordance with statutory accounting standards are available from AMBAC Indemnity. The address of AMBAC Indemnity's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

(1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 and filed on April 1, 1996;

(2) The Company's Current Report on Form 8-K dated January 31, 1996 and filed on February 28, 1996;

(3) The Company's Current Report on Form 8-K dated March 13, 1996 and filed on March 14, 1996;

(4) The Company's Current Report on Form 8-K/A, First Amendment to Current Report on Form 8-K dated March 13, 1996 and filed on March 15, 1996;

(5) The Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1996 and filed on May 15, 1996; and

(6) The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 1996 and filed on August 14, 1996.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

REDEMPTION PRIOR TO MATURITY

Bonds maturing January 1, 1997 through January 1, 2002, inclusive, are not subject to redemption prior to maturity. Bonds maturing on and after January 1, 2003 are subject to redemption prior to maturity at the option of the County on or after January 1, 2002 as a whole or in part at any time at the redemption prices (expressed as percentages of principal amount) in accordance with the following schedule, plus accrued interest to the date of redemption.

Redemption Date (dates inclusive)	Redemption Price
January 1, 2002 through December 31, 2002	101%
January 1, 2003 and thereafter	100%

Notice of intended redemption shall be given by the Registration Agent on behalf of the County to the registered owners of the Bonds to be redeemed by first class mail, postage prepaid, at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) calendar days, nor more than sixty (60) calendar days prior to the date fixed for redemption. Each such notice of redemption shall state: (1) the redemption date; (2) the redemption price; (3) if less than all Outstanding Bonds are to be redeemed, the registration number and the CUSIP number printed on the Bonds (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (4) that on the redemption date, the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date provided sufficient funds are available on such redemption date to fully pay the redemption price of and the interest on the Bonds called for redemption; and (5) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registration Agent. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which notice was correctly given.

REGISTRATION AGENT

The County has appointed the Registration Agent (as named herein) as registration and paying agent with respect to the Bonds and authorized and directed the Registration Agent to maintain registration records with respect to the Bonds, to authenticate and deliver the Bonds, either at original issuance, upon transfer, or as otherwise directed by the County, to effect transfers of the Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Bonds, to cancel and destroy Bonds 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 Bonds canceled and destroyed, and to furnish the County at least annually an audit confirmation of Bonds paid, Bonds outstanding, and payments made with respect to interest on the Bonds.

Interest on the Bonds shall be payable by check or other form of draft of the Registration Agent, deposited by the Registration Agent in the United States mail, first class postage prepaid, in sealed envelopes addressed to the registered owners of such Bonds, as of the applicable interest payment date at their respective addresses as shown on the registration books of the County maintained by the Registration Agent as of the close of business on the fifteenth calendar day of the month next preceding the applicable interest payment date (the "Regular Record Date"). The payment of all Bonds shall be payable upon presentation and surrender of such Bonds at the principal corporate trust office of the Registration Agent. All payments of the principal of, premium, if any, and interest on, the Bonds shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

Any interest on any Bond which 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 Bonds 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 Bond 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 to such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the person entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) calendar 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) calendar 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) calendar 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 Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds 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 Bonds when due.

The Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Bond(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 Bond(s). Upon receipt of the Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Bond or Bonds 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 Bond during the fifteen (15) calendar days next preceding an interest payment date or the first mailing of any notice of redemption or with respect to any Bond after such Bond has been called for redemption. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner there of 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 Bonds shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Bonds of the same maturity in any authorized denomination or denominations.

The Registration Agent has been authorized to authenticate and deliver the Bonds to the original purchaser thereof or as it may designate upon receipt by the County of the proceeds of the sale thereof and to authenticate and deliver Bonds in exchange for Bonds of the same principal amount delivered for transfer upon receipt of the Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer or authorized representative thereof on the certificate set forth herein on the Bond form.

In the event any Bond is mutilated, lost, stolen, or destroyed, the County may execute, and upon the request of the County, the Registration Agent shall deliver, a new Bond of like maturity, interest rate, and principal amount, and bearing the same number (but with appropriate designation indicating that such new Bond is a replacement Bond) as the mutilated, destroyed, lost, or stolen Bond, in exchange for the mutilated Bond or in substitution for the Bond so destroyed, lost, or stolen. In every case of exchange or substitution, the registered owner of the Bond shall furnish to the County and the Registration Agent: (1) such security or indemnity as may be required by the County to save the County and the Registration Agent harmless from all risks, however remote; and, (2) evidence to their satisfaction of the mutilation, destruction, loss, or theft of the subject Bond and the ownership thereof. Upon the issuance of any Bond upon such exchange or substitution, the County and the Registration Agent may require the registered owner of such Bond to pay a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including printing costs and counsel fees, of the County and the Registration Agent. In the event any Bond which has matured or is about to mature shall become mutilated or be destroyed, lost, or stolen, the County may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the Owner thereof shall pay all costs and expenses, including attorneys fees, incurred by the County and the Registration Agent in connection therewith, as well as a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and shall furnish to the County and the Registration Agent such security or indemnity as the County and the Registration Agent may require to save the County and the Registration Agent harmless and evidence to the satisfaction of the County and the Registration Agent, of the mutilation, destruction, loss, or theft of such Bond and of the ownership thereof.

SOURCES AND USES OF FUNDS

SOURCES:	
Par Amount of the Bonds	$11,880,000.00
Cash Contribution	234,000.00
Accrued Interest	33,301.11
Original Issue Premium on Bonds	191,336.25
TOTAL SOURCES:	$12,338,637.36
USES:	
Estimated Escrow Requirement	$12,104,900.39
AMBAC Indemnity Corporation (Bond Insurance Premium)	17,875.86
Underwriter's Discount	142,560.00
Costs of Issuance	40,000.00
Accrued Interest	33,301.11
TOTAL USES:	$12,338,637.36

LEGAL MATTERS

LITIGATION

There are pending law suits in which the County was involved as of August 15, 1996, however, it appears that they will not materially affect the financial statements of the County. For additional information, please see the section entitled "Litigation" included in the Notes to the Financial Statements in Appendix C.

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds. See the subsection entitled "CLOSING CERTIFICATES" for additional information.

TAX EXEMPTION

In the opinion of Bond Counsel, under statutes, regulations, and court decisions in existence on the date of delivery of the Bonds, and assuming continuing compliance by the County with the regulations of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excludable from gross income of the owners thereof 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 the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings. In addition, ownership of the Bonds may result in certain collateral federal income tax consequences herein described.

The County has covenanted to comply with all necessary restrictions of the Code to preserve the tax-exempt status of the Bonds, unless such compliance is not necessary in the opinion of Bond Counsel. Failure to comply with such restrictions may cause interest on the Bonds to become subject to inclusion in the gross income of the holders thereof from the date of issuance.

Bond Counsel will express no opinion regarding federal tax consequences arising with respect to the Bonds except as stated above. However, it should be noted that interest on any Bonds must be included in the calculation of the environmental tax imposed, on corporations under the Code and in the calculation of earnings and profits for purposes of computing the branch profits tax imposed on foreign corporations under the Code. In addition, the ownership of tax-exempt obligations, such as the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may have been considered to have incurred, or to have continued, indebtedness to purchase or carry tax-exempt obligations. In addition, certain S corporations may have a tax imposed on passive income, which includes interest on tax-exempt obligations, such as the Bonds.

Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

Under the existing laws of the State of Tennessee, the Bonds and the interest thereon are exempt from all State, county, and municipal taxation except for inheritance, transfer, and estate taxes and except to the extent interest on the Bonds is included within the measure of certain corporate privilege and excise taxes imposed under Tennessee law.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to bond counsel, certain closing certificates including the following: (i) A certificate as to the OFFICIAL STATEMENT, in final form (as defined herein), signed by the County Executive and/or County Clerk acting in their official capacities to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the OFFICIAL STATEMENT, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the OFFICIAL STATEMENT, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the OFFICIAL STATEMENT, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage Bonds; (iii) certificates as to the delivery and payment, signed by the County Clerk acting in his official capacity, evidencing delivery of and payment for the Bonds; (iv) a signature identification and incumbency certificate, signed by the County Executive and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and (v) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled "MISCELLANEOUS - Additional Information and Continuing Disclosure".

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Stokes & Bartholomew, P.A. of Nashville, Tennessee, Bond Counsel. Bond Counsel has not prepared the PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the PRELIMINARY OFFICIAL STATEMENT or OFFICIAL STATEMENT, in final form, except for the information under the caption TAX MATTERS. The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be printed on the Bonds and is included in APPENDIX A, hereto.

MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Fitch's Investors Service, Inc. ("Fitch") have assigned the ratings of "Aaa" and "AAA", respectively, to the Bonds with the understanding that upon delivery of the Bonds a policy insuring payment when due of principal of and interest on the Bonds will be issued by the Bond Insurer. Such ratings reflect only the view of such organizations, and an explanation of the significance of such ratings may be obtained only from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Moody's or Fitch, if circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

Any explanation of the significance of the rating may be obtained only from Moody's and/or Fitch.

UNDERWRITING

Pursuant to a Bond Purchase Agreement, dated August 15, 1996 (the "Bond Purchase Agreement"), between the County and Morgan Keegan & Company, Inc. (the "Underwriter"), as manager for and on behalf of itself and such other securities dealers as it may designate, the Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $11,928,776.25 (consisting of the par amount of the Bonds, less an underwriter's discount of $142,560.00, plus original issue premium of $191,336.25 and accrued interest to the date of delivery). The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

The Underwriter offered the Bonds to the public initially at the offering prices set forth on the cover page hereof, which price my subsequently be changed without prior notice. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. For additional information, see the section entitled LEGAL MATTERS - Closing Certificates contained herein.

DEBT RECORD

There is no record of default on principal or interest payments of the County. Additionally, no agreements or legal proceedings of the County relating to securities have been declared invalid or unenforceable.

ADDITIONAL INFORMATION

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof. The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, are not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in the PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The County has deemed this OFFICIAL STATEMENT as "final" as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC").

CONTINUING DISCLOSURE

General.

The County will at the time the Bonds are issued execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than six months after the end of the fiscal year commencing with the fiscal year ending June 30, 1996 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if deemed by the County to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and any State Information Depository which may be established in Tennessee. If the County is unable to provide the Annual Report to the Repositories by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories on or before such date. The notices of material events will be filed by the County with the Municipal Securities Rulemaking Board and any State Repository. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b) (the "Rule"). The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide Annual Reports or notices of Material Events.

Definitions.

In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of the Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B to the Disclosure Certificate.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than six months after the end of the County's fiscal year, commencing with the fiscal year ending June 30, 1996, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c) of the Disclosure Certificate.

(b) Not later than fifteen (15) Business Days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the County shall send a notice to each Repository and the State Repository, if any in substantially the form attached as Exhibit A to the Disclosure Certificate.

(c) The County shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) (if the Dissemination Agent is other than the County), file a report with the County certifying that the Annual Report has been provided pursuant to the Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Content of Annual Reports.

The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the County for the fiscal year, prepared in accordance with generally accepted accounting principles, provided; however, if the County's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include the following information in a format similar to that included in APPENDIX B entitled SUPPLEMENTAL INFORMATION STATEMENT:

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-4;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-5 and B-6;

3. Information about the debt service requirements as of the end of such fiscal year as shown on pages B-7;

4. Information about other financial commitments as shown on page B-8;

5. The fund balances and retained earnings for the fiscal year as shown on page B-10;

6. Summary of revenues, expenses and changes in fund balances - general fund for the fiscal year as shown on page B-11;

7. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-13;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-13; and,

9. The ten largest taxpayers as shown on page B-14.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final OFFICIAL STATEMENT, in final form, it will be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies.

2. non-payment related defaults.

3. modifications to rights of Bondholders.

4. optional, contingent or unscheduled bond calls.

5. defeasances.

6. rating changes.

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds.

8. unscheduled draws on the debt service reserves reflecting financial difficulties.

9. unscheduled draws on the credit enhancements reflecting financial difficulties.

10. substitution of the credit or liquidity providers or their failure to perform.

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(4) and (5) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

Termination of Reporting Obligation

The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c) of the Disclosure Certificate.

Amendment; Waiver

Notwithstanding any other provision of the Disclosure Certificate, the County may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and,

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c) of the Disclosure Certificate, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default

In the event of a failure of the County to comply with any provision of the Disclosure Certificate any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

Beneficiaries

The Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

CERTIFICATION OF ISSUER

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct.

/s/ Robert E. Thompson
County Executive

ATTEST:

/s/ Wilma K. Drye
County Clerk

APPENDIX A

LEGAL OPINION

[FORM OF OPINION OF BOND COUNSEL]

STOKES & BARTHOLOMEW, P.A.
Nashville, Tennessee

____________________, 1996

Board of Commissioners
Montgomery County, Tennessee

Re: $11,880,000 General Obligation Refunding Bonds, Series 1996, dated August 15, 1996

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Commissioners (the "Board"), of Montgomery County, Tennessee (the "County"), and other proofs to us submitted relating to the authorization, issuance, and sale by the County of its $11,880,000 General Obligation Refunding Bonds, Series 1996, dated August 15, 1996 (the "Bonds"). The Bonds are issued under and pursuant to that certain "Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed $19,000,000 General Obligation Refunding Bonds, Series 1996, of Montgomery County, Tennessee, and Providing the Details Thereof" (the "Resolution"), adopted by the Board on March 11, 1996.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature on the first day of January in the years 1997 through 2007, inclusive. The Bonds shall bear interest payable semi-annually on January 1 and July 1 of each year, commencing January 1, 1997.

The Bonds are subject to redemption prior to maturity in the manner and upon the terms provided in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, and in reliance upon the matters herein referred to, we are of the opinion that:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the County, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the County payable from ad valorem taxes to be levied for such purpose on all taxable property within the corporate limits of the County, without limitation as to time, rate, or amount and for which the punctual payment of the principal of, and interest on, the Bonds the full faith and credit of the County are irrevocably pledged.

(3) Under statutes, regulations, and court decisions in existence on the date of delivery of the Bonds, interest on the Bonds is excludable from gross income of the owners thereof for purposes of federal income taxation and is not an item of tax preference for the purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth herein are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereof be, or continue to be, excluded from gross income for purposes of federal income taxation. The County has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for purposes of federal income taxation to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

(4) Under the laws of the State of Tennessee, the Bonds and the income therefrom are exempt from all present state, county, and municipal taxation in Tennessee, except inheritance, transfer, and estate taxes and except to the extent interest on the Bonds is included within the measure of certain corporate privilege and excise taxes imposed under Tennessee law.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney for the County, with respect to: (1) the due organization and existence of the County as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the County to their respective positions; and, (3) matters which might be disclosed by an examination of agreements or instruments to which the County is a party or by which it or any of its assets are bound.

Yours truly,

STOKES & BARTHOLOMEW, P.A.

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

MONTGOMERY COUNTY, TENNESSEE

INTRODUCTION

Montgomery County is located in the north central part of the State of Tennessee. It encompasses approximately 344,960 acres of rolling hills, fertile valleys, lakes and streams. Agriculturally, the county is one of the most productive in the state. The chief row crop is tobacco. Livestock and livestock products contribute materially to farm income. The 1990 Census population was 100,498.

The County has grown over the past ten years as reflected by several new industries and an estimated current population of 114,515 or 14% over the 1990 Census. The City of Clarksville, is the county seat and the single incorporated community within the county. Another factor accounting for the County's growth is Fort Campbell, a U.S. Army post. Approximately 24,000 military personnel are at the post where nearly 4,700 civilians also are employed.

MANUFACTURING AND COMMERCE

Montgomery County has one industrial park, Clarksville/Montgomery County Corporate Business Park which contains 700 acres with over 110 acres available for development. The top manufacturing employers in Montgomery County are:

Company	Product/Service	Employment
The Trane Company	Air Conditioning/Heating Units	1,800
Quebecor/Clarksville	Magazine Printing	800
Jostens, Print & Publish Div.	Yearbooks/Commercial Printing	770
TileCera, Inc.	Ceramic Tile	340
Allied Signal Braking System	Anti-Lock Brake System	320
Precision Printing & Packaging	Metalized Paper Labels	300
Bridgestone Metalpha USA	Steel Cord	280
Savage Zinc Co.	Slab Zinc/Sulfuric Acid	274
Vulcan Corporation	Heels, Soles & Auto Floor Mats	220
UCAR Carbon Corporation	Graphite Electrodes	181
Jay Garment Company	Men's Jeans	150
Letica Corporation	Plastic Cups	150
Leaf-Chronicle	Newspaper	130
Whitson Lumber Company	Lumber	120
Metal Forge-Clarksville	Bicycle Components	118
Averitt Lumber Company	Native Hardwood Lumber	100
JFB Manufacturing Inc.	Wire Harness	100
Smithfield Industries, Inc.	Tool & Die	82
Gemtron Corporation	Glass: Tempered, Edged Drill	70

Poser Business Forms	Continuous/Short Run Forms	63
Hudson Brothers Egg Company	Poultry Feeds, Eggs Products	60
Clarksville Product Co.	Wire/Sheet Metal Display Racks	50

Source: Department of Economic and Community Development

EMPLOYMENT INFORMATION

A recent analysis of the employment levels of Montgomery County indicate that the County has maintained itself versus both State and National statistics. As of May 1996, the unemployment rate for Montgomery County stood at 3.4%. The following chart depicts unemployment trends from 1992 through 1996:

Montgomery County Unemployment

	Monthly Average 1992	Monthly Average 1993	Monthly Average 1994	Monthly Average 1995	YTD Monthly Average 1996
National	7.4%	6.8%	6.1%	5.6%	5.8%
Tennessee	6.4%	5.7%	4.7%	4.7%	5.2%
Montgomery County	**8.2%**	**5.7%**	**4.9%**	**4.3%**	**3.4%**
Index vs. National	111	84	80	77	60
Index vs. State	130	101	105	91	66

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

ECONOMIC DATA

Selected Years - Per Capita Personal Income

	1989	1990	1991	1992	1993
Tennessee	$15,009	$15,868	$16,478	$17,674	$18,439
Montgomery Co.	**12,703**	**13,169**	**13,736**	**14,868**	**15,249**
Index vs. State	85	83	83	84	83

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

Retail sales for 1994 in the County were estimated to be $970,638,000 and effective buying income for the same year was estimated at $1,659,488,000.

Bank deposits in the County at June 30, 1995 totaled $656,498,000.

The following selected socioeconomic factors indicate the standard of living in the County as compared to other benchmark jurisdictions:

	Montgomery County	Tennessee
Median Value Owner Occupied Housing	$58,100	$58,400
% High School Graduates or Higher Persons 25 years old or older	77.9%	67.1%
% Families with Income Below Poverty Level	10.8%	12.4%
Median Family Income	$27,848	$29,546

Source: 1990 Census of Population.

DEBT STRUCTURE

The following section outlines various important factors related to the outstanding debt of the County.

SUMMARY OF BONDED INDEBTEDNESS

As of September 1, 1996

Amount Issued - (1)	Purpose	Due Date	Interest Rates	Debt Outstanding
$250,000	Waste Collection Bonds (FmHA)	Jan. 2006	4.012%	$136,000
847,000	Ind. Park Revenue and Tax Bonds, Series 1976 (FmHA)	Jan. 2006	6.00%	437,000
1,440,000	General Improvement Bonds, Series 1978	June 1999	5.00%	340,000
3,390,000	Refunding Bonds, Series 1990 C	Aug. 1998	6.45% - 6.50%	535,000
4,000,000	Refunding Bonds, Series 1990 B	Aug. 1997	6.45% - 6.50%	635,000
6,145,000	General Improvement Refunding Bonds, Series 1991	Sept. 2000	5.30% - 5.90%	3,135,000
7,540,000	General Obligation School Bonds, Series 1992	Jan. 2007	5.40% - 6.50%	6,175,000
18,105,000	General Improvement Refunding Bonds, Series 1992	April 2002	4.90% - 6.10%	12,695,000
34,435,000	General Obligation Bonds, Series 1993	May 2008	4.25% - 5.60%	28,560,000
12,700,000	General Obligation Refunding Bonds, Series 1994	Aug. 2005	3.50% - 4.60%	8,165,000
50,000,000	Adjustable Rate Loan - PBA of Montgomery Co.unty, TN	May 2015	(2)	50,000,000
$138,852,000	**Total Existing Debt**			$110,813,000
11,880,000	General Obligation Refunding Bonds, Series 1996		3.80% - 5.50%	11,880,000
$150,732,000	**Total Existing and Proposed Debt**			$122,693,000
(11,555,000)	Bonds Refunded - (4)			(11,555,000)
$139,177,000	**Net Direct Debt**			$111,138,000

(1) Does not include capital outlay notes or capitalized leases outstanding. See the Notes to the Financial Statements in Appendix D.

(2) For budget purposes, the County assumes a 5% rate. As of August 13, 1996, $35,534,798 of the total has been drawn down from this pool loan.

(3) Average interest rate - 5.077%.

(4) For additional information on Bonds Refunded, see the Section entitled SECURITIES OFFERED - Refunding Plan.

INDEBTEDNESS AND DEBT RATIOS

Introduction

The information set forth in the following table is based upon information derived in part from Tennessee Association of Business publications and from the GENERAL PURPOSE FINANCIAL STATEMENTS for the most recent audited period which are attached in the APPENDIX and this table should be read in conjunction with those statements. The table does not include future funding plans wheter disclosed or not in this OFFICIAL STATEMENT.

	For Fiscal Years Ended June 30					As of September 1
INDEBTEDNESS	1992	1993	1994	1995	1996	1996
TAX SUPPORTED - (1)						
General Obligation Bonds	$71,765,394	$83,428,847	$77,871,657	$70,338,003	$112,930,000	$111,138,000
TOTAL TAX SUPPORTED	$71,765,394	$83,428,847	$77,871,657	$70,338,003	$112,930,000	$111,138,000
Less: Debt Service Fund	(3,210,027)	(4,765,025)	(3,266,589)	(2,942,179)	(2,544,000) *	(2,544,000) *
NET DIRECT DEBT	$68,555,367	$78,663,822	$74,605,068	$67,395,824	$110,386,000	$108,594,000
OVERLAPPING DEBT - (2)	12,267,300	14,491,290	14,880,000	13,155,000	10,382,196 *	10,382,196 *
NET DIRECT & OVERLAPPING DEBT	$80,822,667	$93,155,112	$89,485,068	$80,550,824	$120,768,196	$118,976,196
PROPERTY TAX BASE						
Estimated Actual Value	$2,638,893,872	$2,711,053,686	$2,638,893,872	$3,253,729,763	$3,500,084,813	$3,500,084,813
Estimated Appraised Value	2,638,893,872	2,711,053,686	2,638,893,872	2,993,431,382	3,220,078,028	3,220,078,028
Estimated Assessed Value	755,993,073	773,993,073	811,568,635	850,596,520	916,477,714	916,477,714

Source: Estimates of the County and various reports compiled by the Tennessee Association of Business.

* Estimated based on best available information.

(1) Does not include capital outlay notes or capitalized leases. See the Notes in the General Purpose Financial Statements in Appendix D for more infomation.

(2) OVERLAPPING DEBT includes the County's estimated portion of the City of Clarksville's estimated debt.

(3) Reappraisal certified in 1991.

	For Fiscal Years Ended June 30					As Of September 1
DEBT RATIOS	1992	1993	1994	1995	1996	1996
TOTAL DEBT to Estimated Actual Value	2.72%	3.08%	2.95%	2.16%	3.23%	3.18%
TOTAL DEBT to Appraised Value	2.72%	3.08%	2.95%	2.35%	3.51%	3.45%
TOTAL DEBT to Assessed Value	9.49%	10.78%	9.60%	8.27%	12.32%	12.13%
NET DIRECT DEBT to Estimated Actual Value	2.60%	2.90%	2.83%	2.07%	3.15%	3.10%
NET DIRECT DEBT to Appraised Value	2.60%	2.90%	2.83%	2.25%	3.43%	3.37%
NET DIRECT DEBT to Assessed Value	9.07%	10.16%	9.19%	7.92%	12.04%	11.85%
OVERLAPPING DEBT to Estimated Actual Value	0.46%	0.53%	0.56%	0.40%	0.30%	0.30%
OVERLAPPING DEBT to Appraised value	0.46%	0.53%	0.56%	0.44%	0.32%	0.32%
OVERLAPPING DEBT to Assessed Value	1.62%	1.87%	1.83%	1.55%	1.13%	1.13%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	3.06%	3.44%	3.39%	2.48%	3.45%	3.40%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	3.06%	3.44%	3.39%	2.69%	3.75%	3.69%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	10.69%	12.04%	11.03%	9.47%	13.18%	12.98%
PER CAPITA RATIOS						
POPULATION (1)	100,498	100,498	100,498	100,498	100,498	100,498
PER CAPITA PERSONAL INCOME (2)	$13,169	$13,736	$14,868	$15,249	$15,249	$15,249
Estimated Actual Value to POPULATION	$26,258	$26,976	$26,258	$32,376	$34,827	$34,827
Assessed Value to POPULATION	$7,522	$7,702	$8,075	$8,464	$9,119	$9,119
TOTAL DEBT to POPULATION	$714	$830	$775	$700	$1,124	$1,106
NET DIRECT DEBT to POPULATION	$682	$783	$742	$671	$1,098	$1,081
OVERLAPPING DEBT to POPULATION	$122	$144	$148	$131	$103	$103
NET DIRECT & OVERLAPPING DEBT to POPULATION	$804	$927	$890	$802	$1,202	$1,184
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	5.42%	6.04%	5.21%	4.59%	7.37%	7.25%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	5.18%	5.70%	4.99%	4.40%	7.20%	7.09%
OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	0.93%	1.05%	1.00%	0.86%	0.68%	0.68%
NET DIRECT & OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	6.11%	6.75%	5.99%	5.26%	7.88%	7.76%

(1) Per Capita computations are based upon population data according to the 1990 U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon data available from the U.S. Department of Commerce.

DEBT SERVICE REQUIREMENTS - Tax Backed

Year Ending June 30	PRINCIPAL REQUIREMENTS Outstanding Debt - (1)	Current Issue	Bonds Refunded - (2)	Total Principal	Percent Total Debt Retired	INTEREST REQUIREMENTS Outstanding Debt	Current Issue - (3)	Interest Refunded	Total Interest	Total Debt Service Requirements
1997	$8,360,000	$125,000	$0	$8,485,000		$5,758,658	$226,448	($553,131)	$5,431,975	$13,916,975
1998	8,665,000	80,000	0	8,745,000		5,351,888	594,670	(706,108)	5,240,450	13,985,450
1999	9,791,000	80,000	0	9,871,000		4,955,807	591,470	(706,107)	4,841,170	14,712,170
2000	10,131,000	2,755,000	(2,685,000)	10,201,000		4,472,258	588,030	(706,108)	4,354,180	14,555,180
2001	9,791,000	2,870,000	(2,830,000)	9,831,000		3,971,022	465,432	(547,935)	3,888,519	13,719,519
2002	8,407,000	2,725,000	(2,705,000)	8,427,000	48.49%	3,492,688	307,583	(378,135)	3,422,136	11,849,136
2003	6,658,000	590,000	(585,000)	6,663,000		3,038,957	157,707	(213,130)	2,983,534	9,646,534
2004	6,328,000	610,000	(615,000)	6,323,000		2,691,490	130,273	(176,860)	2,644,903	8,967,903
2005	5,172,000	645,000	(660,000)	5,157,000		2,357,861	101,298	(138,115)	2,321,044	7,478,044
2006	5,431,000	685,000	(715,000)	5,401,000		2,084,523	70,015	(95,875)	2,058,663	7,459,663
2007	5,240,000	715,000	(760,000)	5,195,000	73.57%	1,806,920	36,107	(49,400)	1,793,627	6,988,627
2008	4,590,000	0	0	4,590,000		1,524,040	0	0	1,524,040	6,114,040
2009	3,200,000	0	0	3,200,000		1,285,000	0	0	1,285,000	4,485,000
2010	3,300,000	0	0	3,300,000		1,125,000	0	0	1,125,000	4,425,000
2011	3,500,000	0	0	3,500,000		960,000	0	0	960,000	4,460,000
2012	3,600,000	0	0	3,600,000	89.44%	785,000	0	0	785,000	4,385,000
2013	3,800,000	0	0	3,800,000		605,000	0	0	605,000	4,405,000
2014	4,000,000	0	0	4,000,000		415,000	0	0	415,000	4,415,000
2015	4,300,000	0	0	4,300,000	100.00%	215,000	0	0	215,000	4,515,000
	$114,264,000	$11,880,000	($11,555,000)	$114,589,000		$46,896,112	$3,269,033	($4,270,904)	$45,894,241	$160,483,241

(1) Does not include outstanding capital lease obligations or capital outlay notes outstanding. For more information, see the Notes to the Financial Statements in the General Purpose Financial Statements in Appendix D. Includes $50,000,000 in variable rate loans of which approximately $35,534,798 has been draw down as of August 13, 1996. For budget purposes, interest is projected at 5.00% although interest on funds not yet drawn down is paid from interest earnings on remaining balances.

(2) For more information on Outstanding Bonds to be refinanced, see the section entitled SECURITIES OFFERED - Refunding Plan.

(3) Average interest rate - 5.077%.

OTHER COMMITMENTS

Contingent Liabilities. The County is contingently liable for certain revenue bonds of the Montgomery County Nursing Home in the event of their default by the Nursing Home. As of June 30, 1995, the outstanding principal and interest requirements were $1,952,329 and $505,259, respectively.

FINANCIAL OPERATIONS

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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.

All Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued or vested, and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

BUDGETARY PROCESS

The County and the Montgomery County School Department are required by State statute to adopt annual operating budgets. The general fund, special revenue funds, and debt service funds are budgeted on a basis so that current available funds are sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed initial or revised appropriations authorized by the County Commission. Unencumbered appropriations at the end of each fiscal year lapse. The budgetary level of control is at the major category level. Management may make revisions within major categories except for certain line items such as salaries, but only the governing body may transfer appropriations between major categories.

The County's budgetary basis of accounting are consistent with generally accepted accounting principles (GAAP) except where encumbrances are treated as budgeted expenditures.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by State statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 105% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value.

FUND BALANCES AND RETAINED EARNINGS

The following table depicts fund balances and retained earnings for the five fiscal years beginning in 1991 and ending June 30, 1995.

	For the Fiscal Year Ended June 30,				
Fund Type	1991	1992	1993	1994	1995
Governmental					
General	$ 2,397,035	$ 3,141,611	$2,887,194	$ 2,702,353	$2,972,099
Special Revenue	4,963,885	6,318,154	9,287,476	530,971	410,520
Debt Service	1,859,566	3,210,327	4,765,025	4,201,137	2,942,178
Capital Projects	2,600,187	3,048,969	12,446,715	8,987,403	389,518
	$11,820,637	$15,719,061	$29,386,410	$16,421,864	$6,714,315
Component Unit					
Schools (1)	0	0	0	12,658,940	8,203,123
Total	$11,820,637	$15,719,061	$29,386,410	$29,080,804	$ 14,917,438

Source: Comprehensive Annual Financial Reports of the County of Montgomery, Tennessee.

(1) Prior to Fiscal Year 1994, School activities were reported as a Special Revenue Fund.

Five Year Summary of Revenues, Expenditures and Changes In Fund Balances - General Fund

	For the Fiscal Year Ended June 30				
	1991	1992	1993	1994	1995
Revenues					
Taxes	$4,196,625	$5,102,248	$5,312,178	$6,122,369	$6,757,780
Licenses and Permits	51,464	83,856	100,285	122,742	261,322
Fines and Forfeits	331,136	334,929	346,009	411,264	578,854
Service Charges	488,954	840,402	968,269	1,165,231	1,320,545
Fees Received From Co. Officials	2,293,140	2,580,026	2,655,962	0	0
Intergovernmental	1,688,055	2,233,782	2,299,449	2,529,509	3,797,907
Other	64,707	182,899	245,823	299,145	646,809
Total Revenues	$9,114,081	$11,358,142	$11,927,975	$10,650,260	$13,363,217
Expenditures					
General Administration	$1,255,620	$1,474,416	$1,952,457	$1,196,782	$0
Public Safety	3,482,605	4,202,718	4,012,510	4,432,070	0
Finance	867,770	861,112	889,855	1,164,541	0
Administration of Justice	831,099	868,968	939,693	1,001,730	0
Public Health and Welfare	884,348	1,262,611	1,541,689	1,720,047	0
Social, Culture and Recreation	459,984	281,728	300,712	319,594	0
Agriculture and Natural Resources	68,895	68,457	72,942	91,892	0
Litter and Trash Collection	51,789	50,926	53,547	65,465	0
Other General Government	1,118,749	1,260,761	1,714,903	1,905,130	15,203,597
Highways	0	0	0	0	72,677
General Government Debt Service	71,885	39,079	0	0	0
Total Expenditures	$9,092,744	$10,370,776	$11,478,308	$11,897,251	$15,276,274
Excess of Revenues Over (Under) Expenditures	$21,337	$987,366	$449,667	($1,246,991)	($1,913,057)
Other Financing Sources (Uses)					
Transfers In	$0	$0	$0	$2,876,500	$2,960,881
Transfers Out - Primary Gov't	(961,611)	(733,753)	(1,006,841)	(1,012,439)	(285,773)
Transfers Out - Component	0	0	0	(801,911)	(602,165)
Bond / Note Cap. Lease Proceeds	298,907	455,550	302,757	0	109,860
Total	($662,704)	($278,203)	($704,084)	$1,062,150	$2,182,803
Excess of Revenues Over (Under) Expenditures & Other Uses	($641,367)	$709,163	($254,417)	($184,841)	$269,746
Fund Balance July 1	3,047,508	2,397,035	3,141,611	2,887,194	2,702,353
Residual Equity Transfers	(9,106)	35,413	0	0	0
Adjustments	0	0	0	0	0
Fund Balance June 30	$2,397,035	$3,141,611	$2,887,194	$2,702,353	$2,972,099

Source: Comprehensive Annual Financial Reports and Auditor's Report of Montgomery County, Tennessee.

PROPERTY TAX

Introduction. The County is authorized to levy a tax on all property within the County without limitation as to rate or amount. All real and personal property within the County is assessed in accordance with the State constitutional and statutory provisions by the County Property Tax Assessor except most utility property, which is assessed directly by the State Public Service Commission. All property taxes are due on October 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes are delinquent on March 1 of the subsequent calendar year. Delinquent taxes begin accumulating interest and penalties on that date. In order to collect delinquent taxes, lawsuits must be filed in Chancery Court within a ten year period of the delinquency date. Additional costs are incurred and attached to delinquent property after the Chancery Court is filed by the County.

Reappraisal Program. Title 67, Chapter 5, Part 16, *Tennessee Code Annotated*, as supplemented and amended, mandates that after June 1, 1989, all property in the State will be reappraised on a continuous six (6) year cycle composed of an on-sight review of each parcel of property over a five (5) year period followed by reevaluation of all such property in the year following the completion of the review. In the second and fourth years of the review, there shall be an updating of all real property values by application of an index or indexes established for the jurisdiction by the State Board of Equalization, so as to maintain real property values at full value as defined in Title 67, Chapter 5, Part 6, *Tennessee Code Annotated*. The State Board of Equalization is also required to consider a plan submitted by a local assessor which may be used in lieu of indexing which would have the effect of maintaining real property values at full value.

Title 67, Chapter 5, Part 17, *Tennessee Code Annotated*, provides that at such time as such reappraisal and reassessment processes are completed in a particular county, the respective governing bodies of the county and the municipalities located therein shall determine and certify a tax rate which will provide the same *ad valorem* tax revenue for the respective jurisdiction as was levied prior to reappraisal and reassessment. In computing the new tax rate, the estimated assessed value of all new construction and improvements placed on the tax rolls since the previous year, and the assessed value of all deletions from the previous tax roll are excluded. The new tax rate therefore, is derived from a comparison of tax revenues, tax rates and assessed values of property on the tax roll in both the year before and the year after the reappraisal. The effect of the reappraisal and reassessment statutes is to adjust the property tax rate downward to prevent a taxing unit from collecting additional property tax revenues as a result of reappraisal. Once a municipality or county complies with State law and certifies a tax rate which provides the same property tax revenue as was collected for reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue.

Assessed Valuations. According to the State of Tennessee Real Estate Appraisal Report for 1995, property in the County and the County reflected a ratio of appraised value to true market value of 92 percent resulting from a County-wide reappraisal, which was effective as of January 1, 1991, and the aforementioned annual updates. Public utility assessments have been equalized and certified by the Tennessee Public Service Commission after adjustment for the results of sales studies.

The estimated assessed value of property in the County for the fiscal year ending June 30, 1996 (tax year 1995) is $916,477,714 compared to $850,596,520 for the fiscal year ending June 30, 1995 (tax year 1994).

Class	Assessed Valuation	Rate	Appraised Value
Public Utilities -	$ 44,541,729	55%	
Commercial and Industrial	274,882,320	40%	
Personal Tangible	80,076,115	30%	
Residential and Farm	516,977,550	25%	
Total (1)	$ 916,477,714		$ 3,220,078,028

Source: Tennessee Association of Business publications.
(1) As of January 31, 1996

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 1991 through 1995 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS

				Fiscal Yr Collections		Aggregate Uncollected Balance as of June 30, 1995	
Tax Year (a)	Assessed Valuation	Tax Rates	Taxes Levied	Amount	Pct		Pct of Taxes Levied
1991	$755,993,073	$2.73	$20,638,611	$19,575,990	95%	$1,062,621	.02
1992	773,950,282	2.73	21,128,843	20,197,945	96%	930,898	.02
1993	811,568,635	2.73	22,155,824	21,251,391	96%	904,433	.03
1994	850,596,520	2.73	23,221,285	22,209,061	96%	1,012,224	.04
1995	916,477,714	3.40	31,160,242	PENDING			

(a) The tax year coincides with the calendar year, so tax year 1995, for example is actually fiscal year 1994.

Ten Largest Taxpayers. For the fiscal year ending June 30, 1996 (tax year 1995), the ten largest taxpayers in the County are as follows:

	Taxpayer	Product/Service	Assessment	Taxes Due and/or Paid
1.	South Central Bell	Telecommunications	$22,302,324	$758,279
2.	Cumberland Elec. Membership Corp.	Electricity	14,346,359	487,776
3.	Governor's Square Mall	Retailer	11,456,200	389,511
4.	Savage Zinc, Inc.	Zinc	9,176,810	312,012
5.	UCAR Co. Inc.	Graphic Electrodes	7,574,910	257,547
6.	Trane Co.	Heating & Cooling	6,964,600	236,796
7.	Wal-Mart Stores, Inc.	Retailer	4,702,640	159,898
8.	New Plan Realty Trust	Rental-Apartments	4,522,520	153,766
9.	Hampton II LP	Retailer	2,423,680	82,405
10.	Averitt Lumber Co.	Hardwood Lumber	2,279,040	77,487

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Act"), the County levies a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent ($2^{3/4}$%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent ($2^{3/4}$%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

Normally, the Act requires revenues collected from the Sales Tax to be distributed in accordance with the Act which specifies that fifty percent (50%) of all such revenues raised be directed to educational purposes for all school systems in the county based upon the average daily attendance of each school system. The remaining balance of such tax collections then are required to be divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection unless other agreements allowed by the Act are entered into between the county and its respective jurisdictions. The current tax rate for Montgomery County is two and one-half percent (2.50%).

County receipts from the two and one-half percent (2.50%) local option sales tax are as follows for the four most recent audited fiscal years:

	1991	1992	1993	1994	1995
Debt Service	$ 1,435,932	$1,645,580	$1,755,784	$1,918,923	$1,784,888
Schools	10,009,177	11,469,171	12,168,767	13,296,133	14,815,256
	$11,445,109	$13,114,751	$13,924,551	$15,215,056	$16,600,144

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The security provisions for the Bonds do not include a pledge of available local option sales tax revenues as additional security.

PENSION PLANS

Certain employees of the County and its component units are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the State.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the State as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for State employees, teachers and employees of participating political subdivisions. The 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 10 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 performance of duty. Members joining the system on or after July 1, 1979 were vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by State statute.

For additional information on the funding status, trend information and actuarial status of the County's retirement programs, please refer to the Notes to the Financial Statements located in the General Purpose Financial Statements of the County attached as APPENDIX D.

APPENDIX C

MUNICIPAL BOND INSURANCE POLICY AND SPECIMEN

AMBAC Municipal Bond Insurance Policy

AMBAC Indemnity Corporation
c/o CT Corporation Systems
44 East Mifflin St., Madison, Wisconsin 53703
Administrative Office:
One State Street Plaza, New York, NY 10004
Telephone: (212) 668-0340

Issuer:

Policy Number:

Bonds:

Premium:

AMBAC Indemnity Corporation (AMBAC) A Wisconsin Stock Insurance Company

in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to the United States Trust Company of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of Bondholders, that portion of the principal of and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

AMBAC will make such payments to the Insurance Trustee within one (1) business day following notification to AMBAC of Nonpayment. Upon a Bondholder's presentation and surrender to the Insurance Trustee of such unpaid Bonds or appurtenant coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, AMBAC shall become the owner of the surrendered Bonds and coupons and shall be fully subrogated to all of the Bondholder's rights to payment.

In cases where the Bonds are issuable only in a form whereby principal is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse principal to a Bondholder as aforesaid only upon presentation and surrender to the Insurance Trustee of the unpaid Bond, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the Bondholder or such Bondholder's duly authorized representative, so as to permit ownership of such Bond to be registered in the name of AMBAC or its nominee. In cases where the Bonds are issuable only in a form whereby interest is payable to registered Bondholders or their assigns, the Insurance Trustee shall disburse interest to a Bondholder as aforesaid only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Bond and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to the Insurance Trustee, duly executed by the claimant Bondholder or such Bondholder's duly authorized representative, transferring to AMBAC all rights under such Bond to receive the interest in respect of which the insurance disbursement was made. AMBAC shall be subrogated to all the Bondholders' rights to payment on registered Bonds to the extent of the insurance disbursements so made.

In the event the trustee or paying agent for the Bonds has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer of the Bonds has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Bondholder" means any person other than the Issuer who, at the time of Nonpayment, is the owner of a Bond or of a coupon appertaining to a Bond. As used herein, "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal of and interest on the Bonds which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Bonds prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of AMBAC, nor against any risk other than Nonpayment.

In witness whereof, AMBAC has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon AMBAC by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

UNITED STATES TRUST COMPANY OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer

Form # 566-0003 (8/92)

APPENDIX D

GENERAL PURPOSE FINANCIAL STATEMENTS

COUNTY OF MONTGOMERY

FOR THE FISCAL YEAR ENDED

JUNE 30, 1995

The General Purpose Financial Statements are extracted from the Comprehensive Annual Financial Report of the County for the fiscal year ended June 30, 1995 which is available upon request from the County.

INTRODUCTORY SECTION

Rachel J. Reddick
Director

Montgomery County Government

Accounts and Budgets

P.O. Box 368 • Clarksville, TN 37041-0368

Telephone
(615) 648-5705
Fax
(615) 553-5150

April 22, 1996

Honorable Robert E. Thompson
County Executive and the
Board of County Commissioners
Montgomery County, Tennessee

It is a pleasure to transmit to you, herewith, the Comprehensive Annual Financial Report of the Government of Montgomery County, Tennessee, for the fiscal year ended June 30, 1995.

The financial statements and schedules included within the audit report are presented in the following sections: Financial Section, Statistical Section and Single Audit Section.

It is interesting to note that the public debt for general obligation bonds outstanding at June 30, 1995, exclusive of future interest costs, was $72,332,000, the equivalent of $719.74 per capita. These figures are based upon 1990 census figures for Montgomery County of 100,498 population.

Respectfully submitted,

Rachel J. Reddick

Rachel J. Reddick
Director of Accounts and Budgets

RJR/rah

GENERAL INFORMATION

Montgomery County is located in the north central part of the State of Tennessee. It encompasses approximately 344,960 acres of rolling hills, fertile valleys, lakes and streams. Agriculturally, the county is one of the most productive in the state. The chief row crop is tobacco. Livestock and livestock products contribute materially to farm income. The 1995 census population was 114,515.

The county has dramatically prospered and progressed during the past ten years. An important contribution to the progress is the cordial, cooperative relationship between the county and the City of Clarksville, which is the county seat and the single incorporated community within the county.

The following lists reflect a sample of the quality of life and growth potential for the county:

EMPLOYMENT

Firm Name	Product	Number of Employees
Bosch Signal Brake Systems, Inc.	Anti-lock Brake Systems	188
Associated Chemicals	Janitorial-Industrial Detergents	6
Averitt Lumber Company, Inc.	Lumber	160
Bridgestone Metalpha	Metal Cord	100
Clarksville Division Metal Forge, Inc.	Cold Forging	130
Clarksville Foundry & Machine Work	Municipal Castings	38
Clarksville Products Company	Wire & Sheet Metal Display Racks	48
Conwood Company, L.P.	Snuff	46
Cougar Packaging	Corrugated Products	24
Cumberland Milling Co.	Livestock & Poultry Feed/Eggs	5
Gemtron Corporation	Glass Tempered	67
JFB Manufacturing Company	Wire Harness Assemblies	63
Jay Garment Company	Work Clothing	116
Jostens Printing & Publishing, Inc.	Yearbooks	572
Kaiser Estech	Fertilizer	7
Kena Industries	Conduit Accessories	14
The Leaf Chronicle	Newspapers	122
Letica Corporation	Paper Cups	200
New Era, Inc.	Stainless Steel Cookware	30
North American Oxide, Inc.	Zinc Oxide	46

EMPLOYMENT (Cont.)

Firm Name	Product	Number of Employees
North Tennesssee Tool & Die	Tool & Die	19
Orgain Building Supply/ Component Div.	Wooden Trusses	115
Poser Printing Company	Custom Business Forms	76
Precisions Printing & Packaging Co.	Metalized Paper Labels	380
Providence Cabinet Shoppe, Inc.	Kitchen Cabinets	27
Quebecor/Clarksville	Magazine Printing	980
Red River Block	Concrete Blocks & Tile	24
Savage Zinc Company	Slab Zinc/Sulfuric Acid	242
Smithfield Industries	Precision Machine	38
Tennessee Iron Works	Ornamental Iron	9
The Trane Company	Air Conditioning & Heating Units	1,736
Tilecera, Inc.	Ceramic Tile	399
UCAR Carbon Corporation	Graphite Electrodes	252
Vulcan Corporation	Heels, Soles & Auto Floor Mats	80
Wells Woodword Company	Kitchen Cabinets	19
Whitson Lumber Company	Lumber	70
Ft. Cambell, Kentucky	Military	23,378
(U.S. Army Post)	Civilian	4,361

Ten Largest Taxpayers

	Assessments
South Central Bell	$22,302,324
Cumberland Electric Membership Corporation	14,346,359
Governor's Square	11,456,200
Savage Zinc, Inc.	9,176,810
UCAR Company, Inc.	7,574,910
Trane Company	6,964,600
Wal-Mart Stores, Inc.	4,702,640
New Plan Realty Trust	4,522,520
Hampton II LP	2,423,680
Averitt Lumber Company, Inc.	2,279,040

Public Schools
City/County Consolidated - (K through 12)

Date	1994-95	1993-94	1992-93	1991-92	1990-91
Average Enrollment	20760	19426	18753	17576	17396

GENERAL INFORMATION (Cont.)

Public Schools
City/County Consolidated - (K through 12)

Date	1994-95	1993-94	1992-93	1991-92	1990-91
No. Classroom Teachers	1225	1137	1015	928	947
School Plants	23	23	23	23	23
School Capacity	19401	18591	18855	19100	18695

Montgomery County, Tennessee
Roster of County Officials
June 30, 1995

Title	Name
County Executive	Robert E. Thompson
Highway Supervisor	Doug Black
Director of Schools	David E. Baker
Trustee	David Dabbs
Assessor of Property	Ronnie D. Boyd
County Clerk	Wilma K. Drye
Circuit, General Sessions and Juvenile Courts Clerk	Cheryl Castle
Clerk and Master	Dorothy T. Hall
Register	Joyce Norfleet
Sheriff	Billy R. Smith
Director of Accounts and Budgets	Rachel Reddick
Purchasing Agent	Jane E. Davis

Members of the Montgomery County Board of Commissioners

Robert E. Thompson, Chairman
Ray Grimes
Robert M. Bellamy
Bobby Powers
Lonnie H. Bumpus
Reber P. Kennedy, Jr.
Sinclair Daniel, Jr.
Norman C. Young
Richard H. Swift
Pat Vaden
Lettie M. Kendall
Mabel Steeley
Sammy Stuard
Milan Lewis
Sidney R. Brown
Nancy C. Johnson
John O. Morris, Jr.
Joe L. Creek
Moses Kahihikolo
Larry W. Foster
Houston Wade
Truman Hester

Board of Education

Ronald E. Whitford, Chairman
Kent Griffy
Horace Murphy, Jr.
Jerry Moats
Nita Groves-Hill
Eula Gardner Dowdy
James T. Mann

Highway Commission

Doug Black
Conroy Head
Ruth Milliken

FINANCIAL SECTION

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) 741-3841

INDEPENDENT AUDITOR'S REPORT

April 17, 1996

To the County Executive and
Board of County Commissioners
Montgomery County, Tennessee

1. We have audited the accompanying general purpose financial statements and the combining, individual fund and account group financial statements of Montgomery County, Tennessee, as of and for the year ended June 30, 1995, as listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Montgomery County Emergency Communications District, the Montgomery County Nursing Home, the Montgomery County Rail Service Authority, and the Industrial Development Board of Montgomery County as of June 30, 1995, and for the year then ended. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the discretely presented Montgomery County Emergency Communications District, the Montgomery County Nursing Home, the Montgomery County Rail Service Authority, and the Industrial Development Board of Montgomery County, is based solely on the reports of the other auditors.

2. We conducted our audit in accordance with generally accepted government auditing standards. 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 provides a reasonable basis for our opinion.

3. County records do not provide for a self-balancing group of accounts for general fixed assets of the discretely presented Montgomery County School Department, and accordingly, the financial statements referred to above do not include financial statements of the General Fixed Assets Account Group of the Montgomery County School Department, which should be included to conform with generally accepted accounting principles. The effects on the financial statements are not reasonably determinable.

4. The financial statements of the Bi-County Solid Waste Authority, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the general purpose financial statements referred to above do not include financial statements of the Bi-County Solid Waste Authority which should be included to conform with generally accepted accounting principles. The effects on the financial statements are not reasonably determinable.

5. In our opinion, based on our audit and the reports of other auditors, and except for the effects of the matters discussed in paragraphs 3 and 4 above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County, Tennessee, at June 30, 1995, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, except for the effects of the matters discussed in paragraphs 3 and 4 above, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Montgomery County, Tennessee, at June 30, 1995, and the results of operations of such funds and cash flows of the individual Proprietary Funds for the year then ended, in conformity with generally accepted accounting principles.

6. As discussed in Note 1 to the financial statements, Montgomery County adopted the provisions of Governmental Accounting Standards Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Issues", and changed the fund structure for accounting for its employee health insurance plan from an Expendable Trust Fund to an Internal Service Fund.

7. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as

schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Montgomery County, Tennessee. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose, combining and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.

8. We did not audit the statistical data listed in the Statistical Section in the accompanying table of contents and, therefore, express no opinion thereon.

9. In accordance with "Government Auditing Standards", we have also issued a report dated April 17, 1996, on our consideration of Montgomery County's internal control structure and a report dated April 17, 1996, on its compliance with laws and regulations.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/rah

General Purpose Financial Statements

Montgomery County, Tennessee
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units
June 30, 1995

Exhibit A

	Primary Government								Component Units				
	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups						
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	Montgomery County Emergency Communications District	Montgomery County Nursing Home	Montgomery County Rail Service Authority	The Industrial Development Board of Montgomery Co.
ASSETS													
Equity in Pooled Cash and Investments	$ 2,434,841	$ 200,404	$ 3,107,405	$ 249,679	$ 3,732,210	$ 1,571,349	$ 0	$ 0	$ 6,124,122	$ 60,134	$ 1,277,254	$ 0	$ 0
Cash	27,885	68,732	91,519	0	0	7,377,139	0	0	748,541	25	100	6,656	607,703
Investments	0	0	0	148,312	0	2,573,301	0	0	0	0	0	0	2,090,950
Accounts Receivable	563,131	2,938	369	10,264	0	9,241	0	0	54,893	42,497	168,139	0	0
Allowance for Uncollectibles	(103,952)	0	0	0	0	0	0	0	0	0	(8,897)	0	0
Due from Other Governments	638,381	345,000	188,932	0	0	405,974	0	0	2,127,654	0	0	0	0
Due from Other Funds	75,042	163	0	375	0	0	0	0	56,623	0	0	0	0
Due from Primary Government	0	0	0	0	0	0	0	0	5,751	0	0	0	0
Due from Component Units	6,347	16	0	0	0	0	0	0	0	0	0	0	0
Taxes Receivable	201,717	62,602	354,742	0	0	0	0	0	330,397	0	0	0	0
Allowance for Uncollectible Taxes	(24,865)	(7,717)	(43,728)	0	0	0	0	0	(40,727)	0	0	0	0
Prepaid Expenses	0	0	0	0	450,000	0	0	0	0	10,626	9,386	0	6,000
Inventories	39,988	0	0	0	0	0	0	0	621,781	0	9,788	0	0
Restricted Assets:													
Customer Deposits	0	0	0	0	0	0	0	0	0	0	20,916	0	0
Land	0	0	0	0	0	0	999,492	0	0	0	0	0	0
Buildings and Improvements	0	0	0	0	0	0	15,015,603	0	0	0	0	0	0
Furniture and Fixtures	0	0	0	0	0	0	45,789	0	0	0	0	0	0
Machinery and Equipment	0	0	0	0	0	0	3,139,993	0	0	0	0	0	45,918
Accumulated Depreciation - Machinery and Equipment	0	0	0	0	0	0	0	0	0	0	0	0	(25,239)
Construction in Progress	0	0	0	0	0	0	35,906	0	0	0	0	0	0
Other Fixed Assets	0	0	0	0	0	0	3,152,921	0	0	230,111	3,537,931	0	0
Accumulated Depreciation	0	0	0	0	0	0	0	0	0	(128,804)	(970,292)	0	0
Amount Available in Debt Service Funds	0	0	0	0	0	0	0	2,942,178	0	0	0	0	0
Amount to be Provided for Retirement of General Long-term Debt	0	0	0	0	0	0	0	69,832,618	7,234,820	0	0	0	0
Total Assets	$ 3,858,515	$ 672,138	$ 3,699,239	$ 408,630	$ 4,182,210	$11,937,004	$ 22,389,704	$ 72,774,796	$17,263,855	$ 214,589	$ 4,044,325	$ 6,656	$ 2,725,332

Exhibit A

Montgomery County, Tennessee
Combined Balance Sheet - All Fund Types,
Account Groups and Discretely Presented
Component Units (Cont.)

	Primary Government								Component Units				
	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups						
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	Montgomery County Emergency Communications District	Montgomery County Nursing Home	Montgomery County Rail Service Authority	The Industrial Development Board of Montgomery Co.
LIABILITIES, EQUITY AND OTHER CREDITS													
Liabilities													
Accounts Payable	$ 330,557	$ 27,226	$ 354,528	$ 0	$ 0	$ 485	$ 0	$ 0	$ 124,829	$ 783	$ 14,201	$ 3,138	$ 4,663
Accrued Payroll	550	0	0	0	0	0	0	0	744,257	0	52,517	0	0
Payroll Deductions Payable	29,905	3,870	0	0	0	35	0	0	142,216	0	2,601	0	0
Contracts Payable	0	0	0	19,112	0	0	0	0	4,533	0	0	0	0
Retainage Payable	0	0	0	0	0	0	0	0	492,430	0	0	0	0
Claims and Judgements Payable	0	0	0	0	1,261,589	0	0	0	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0	0	0	0	0	0	0	0	13,071
Deferred Compensation Payable	0	0	0	0	0	2,573,301	0	0	0	0	0	0	13,066
Due to Other Funds	538	69,997	0	0	0	4,776	0	0	27,977	0	0	0	0
Due to Primary Government	0	0	0	0	0	0	0	0	0	207	1,175	0	2,758
Due to Other Taxing Units	0	0	0	0	0	395,299	0	0	0	0	0	0	0
Due to Litigants, Heirs and Others	0	0	0	0	0	7,368,958	0	0	0	0	0	0	0
Due to Joint Venture	0	0	0	0	0	254,973	0	0	0	0	0	0	0
Matured Bonds Payable	0	0	90,000	0	0	0	0	0	0	0	188,216	0	0
Matured Interest on Bonds	0	0	1,519	0	0	0	0	0	0	0	0	0	0
Other Notes Payable	0	0	0	0	0	0	0	0	0	0	0	0	215,000
Current Liabilities	0	0	0	0	0	0	0	0	0	0	0	3,512	19,658
Customer Deposits Payable	0	0	0	0	0	0	0	0	0	0	20,916	0	0
Deferred Revenue - Taxes	176,852	54,885	311,014	0	0	0	0	0	289,670	0	0	0	0
Other Deferred Revenues	348,014	105,640	0	0	976,491	0	0	0	0	0	0	0	0
General Obligation Bonds Payable - Long-term	0	0	0	0	0	0	0	70,338,003	0	0	0	0	0
Revenue Bonds Payable - Long-term	0	0	0	0	0	0	0	0	0	0	1,668,463	0	0
Capital Outlay Notes Payable - Long-term	0	0	0	0	0	0	0	1,668,427	6,552,342	0	0	0	0

Montgomery County, Tennessee
Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units (Cont.)

Exhibit A

	Primary Government: Governmental Fund Types: General	Special Revenue	Debt Service	Capital Projects	Proprietary Fund Type: Internal Service	Fiduciary Fund Type: Trust and Agency	Account Groups: General Fixed Assets	General Long-term Debt	Component Units: Montgomery County School Department	Montgomery County Emergency Communications District	Montgomery County Nursing Home	Montgomery County Rail Service Authority	The Industrial Development Board of Montgomery Co.
LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)													
Liabilities (Cont.)													
Capitalized Lease Obligations - Non-current	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 93,381	$ 386,640	$ 0	$ 0	$ 0	$ 0
Accrued Leave	0	0	0	0	0	0	0	674,985	295,838	27,547	0	0	0
Total Liabilities	$ 886,416	$ 261,618	$ 757,061	$ 19,112	$ 2,238,080	$10,597,827	$ 0	$ 72,774,796	$ 9,060,732	$ 28,537	$ 1,948,089	$ 6,650	$ 268,216
Equity And Other Credits													
Contributed Capital:													
Intragovernmental	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 971,644	$ 0	$ 238,129
Customers	0	0	0	0	0	0	0	0	0	0	36,954	0	0
Retained Earnings:													
Reserved for Other Purposes	0	0	0	0	0	0	0	0	0	0	2,567	0	0
Retained Earnings - Unreserved	0	0	0	0	1,944,130	0	0	0	0	186,052	1,085,071	0	2,218,987
Investment in General Fixed Assets	0	0	0	0	0	0	22,389,704	0	0	0	0	0	0
Fund Balances:													
Reserved for Encumbrances	275,291	40,554	0	134,627	0	1,025	0	0	10,337,930	0	0	0	0
Reserved for Drug Control	6,869	0	0	0	0	0	0	0	0	0	0	0	0
Reserved for Alcohol and Drug Treatment	8,538	0	0	0	0	0	0	0	0	0	0	0	0
Reserved for Food Service	0	0	0	0	0	0	0	0	1,564,109	0	0	0	0
Reserved for Fraud and Crimes Prosecution Act	26,575	0	0	0	0	0	0	0	0	0	0	0	0

Montgomery County, Tennessee
Combined Balance Sheet - All Fund Types,
Account Groups and Discretely Presented
Component Units (Cont.)

Exhibit A

	Primary Government								Component Units				
	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups						
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	Montgomery County Emergency Communications District	Montgomery County Nursing Home	Montgomery County Rail Service Authority	The Industrial Development Board of Montgomery Co.
LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)													
Equity And Other Credits (Cont.)													
Fund Balances: (Cont.)													
Reserved for Career Ladder	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 357,773	$ 0	$ 0	$ 0	$ 0
Reserved for Education of the Handicapped - Federal	0	0	0	0	0	0	0	0	16,111	0	0	0	0
Other Federal Reserves	0	0	0	0	0	0	0	0	7,823	0	0	0	0
Reserved for Other General Purposes	51,662	0	0	0	0	0	0	0	0	0	0	0	0
Unreserved:													
Designated for Insurance	10,000	5,000	0	0	0	0	0	0	0	0	0	0	0
Designated for Health Department	4,683	0	0	0	0	0	0	0	0	0	0	0	0
Designated for Animal Control	24,292	0	0	0	0	0	0	0	0	0	0	0	0
Designated for Emergency Management Agency	19,874	0	0	0	0	0	0	0	0	0	0	0	0
Designated for Veteran Service	1,517	0	0	0	0	0	0	0	0	0	0	0	0
Undesignated	2,542,798	364,966	2,942,178	254,891	0	1,338,152	0	0	(4,080,623)	0	0	6	0
Total Equity And Other Credits	$ 2,972,099	$ 410,520	$ 2,942,178	$ 389,518	$ 1,944,130	$ 1,339,177	$ 22,389,704	$ 0	$ 8,203,123	$ 186,052	$ 2,096,236	$ 6	$ 2,457,116
Total Liabilities, Equity and Other Credits	$ 3,858,515	$ 672,138	$ 3,699,239	$ 408,630	$ 4,182,210	$11,937,004	$ 22,389,704	$ 72,774,796	$17,263,855	$ 214,589	$ 4,044,325	$ 6,656	$ 2,725,332

The accompanying notes are an integral part of this statement.

Exhibit B

Montgomery County, Tennessee
Combined Statement of Revenues, Expenditures and Changes in Fund Equity
All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Unit
For the Year Ended June 30, 1995

	Primary Government					Component Unit	Component Unit
	Governmental Fund Types				Fiduciary Fund Type	Montgomery County School Department	Montgomery County Rail Service Authority
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust		
Revenues and Other Sources							
Local Taxes	$ 6,757,780	$ 1,804,269	$10,591,256	$ 0	$ 0	$25,499,059	$ 0
Licenses and Permits	261,322	0	0	0	0	18,558	0
Fines, Forfeitures and Penalties	578,854	0	0	0	34,838	0	0
Charges for Current Services	1,320,545	2,934,009	0	0	90	2,266,020	0
Other Local Revenues	646,809	82,665	10,950	7,881	59,745	550,158	0
State of Tennessee	2,556,616	2,366,240	0	70,000	87,000	41,480,337	205,009
Federal Government	67,621	4,726,851	0	0	0	6,753,289	0
Other Governments and Citizens Groups	1,173,670	75,000	16,743	0	0	0	0
Total Revenue	$13,363,217	$11,989,034	$10,618,949	$ 77,881	$ 181,673	$76,567,421	$ 205,009
Other Sources:							
Note Proceeds	0	0	0	330,339	0	5,901,722	0
Proceeds from Capitalized Lease Obligations	109,860	0	0	0	0	0	0
Operating Transfers	2,960,881	75,000	145,923	29,850	0	31,405	0
Total Revenues and Other Sources	$16,433,958	$12,064,034	$10,764,872	$ 438,070	$ 181,673	$82,500,548	$ 205,009
Expenditures and Other Uses							
General Government	$15,203,597	$ 4,830,501	$ 0	$ 0	$ 211,824	$ 0	$ 0
Highways	72,677	4,381,089	0	0	0	0	0
Education	0	0	0	0	0	77,168,621	0
Debt Service	0	12,014	12,085,737	0	0	605,127	0
Capital Projects	0	0	0	372,483	0	9,089,306	205,009
Total Expenditures	$15,276,274	$ 9,223,604	$12,085,737	$ 372,483	$ 211,824	$86,863,054	$ 205,009
Other Uses:							
Operating Transfers	285,773	2,960,881	0	0	0	31,405	0
Operating Transfers to Component Units	602,165	0	0	0	0	0	0
Total Expenditures and Other Uses	$16,164,212	$12,184,485	$12,085,737	$ 372,483	$ 211,824	$86,894,459	$ 205,009
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 269,746	$ (120,451)	$(1,320,865)	$ 65,587	$ (30,151)	$(4,393,911)	$ 0
Fund Equity, July 1, 1994	2,702,353	530,971	4,201,137	323,931	1,578,497	12,658,940	6
Residual Equity Transfers	0	0	61,906	0	(209,169)	(61,906)	0
Fund Equity, June 30, 1995	$ 2,972,099	$ 410,520	$ 2,942,178	$ 389,518	$ 1,339,177	$ 8,203,123	$ 6

The accompanying notes are an integral part of this statement.

Exhibit C

Montgomery County, Tennessee
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Actual (Budgetary Basis) and Budget
General, Special Revenue and Debt Service Fund Types
For the Year Ended June 30, 1995

	General Fund			Special Revenue Fund Types			Debt Service Fund		
	Actual (Budgetary Basis)	Budget	Variance- Favorable or (Unfavorable)	Actual (Budgetary Basis)	Budget	Variance- Favorable or (Unfavorable)	Actual	Budget	Variance- Favorable or (Unfavorable)
Revenues and Other Sources									
Local Taxes	$ 6,757,780	$ 6,560,554	$ 197,226	$ 1,804,269	$ 1,800,786	$ 3,483	$10,591,256	$10,729,100	$ (137,844)
Licenses and Permits	261,322	152,600	108,722	0	0	0	0	0	0
Fines, Forfeitures and Penalties	578,854	521,650	57,204	0	0	0	0	0	0
Charges for Current Services	1,320,545	1,224,783	95,762	2,100	1,825	275	0	0	0
Other Local Revenues	646,809	553,397	93,412	47,934	31,205	16,729	10,950	0	10,950
State of Tennessee	2,556,616	2,817,187	(260,571)	2,366,240	2,358,404	7,836	0	0	0
Federal Government	67,621	49,206	18,415	4,726,851	4,826,657	(99,806)	0	0	0
Other Governments and Citizens Groups	1,173,670	1,102,455	71,215	75,000	75,000	0	16,743	17,283	(540)
Total Revenue	$13,363,217	$12,981,832	$ 381,385	$ 9,022,394	$ 9,093,877	$ (71,483)	$10,618,949	$10,746,383	$ (127,434)
Other Sources:									
Note Proceeds	0	500,000	(500,000)	0	0	0	0	0	0
Proceeds from Capitalized Lease Obligations	109,860	109,860	0	0	0	0	0	0	0
Operating Transfers	2,960,881	2,919,167	41,714	75,000	75,000	0	145,923	1,113,226	(967,303)
Total Revenues and Other Sources	$16,433,958	$16,510,859	$ (76,901)	$ 9,097,394	$ 9,168,877	$ (71,483)	$10,764,872	$11,859,609	$ (1,094,737)
Expenditures and Other Uses									
General Government	$15,358,471	$16,995,501	$ 1,637,030	$ 4,786,128	$ 4,946,805	$ 160,677	$ 0	$ 0	$ 0
Highways	72,677	73,948	1,271	4,385,790	4,427,616	41,826	0	0	0
Debt Service	0	0	0	12,014	12,014	0	12,085,737	12,736,818	651,081
Total Expenditures	$15,431,148	$17,069,449	$ 1,638,301	$ 9,183,932	$ 9,386,435	$ 202,503	$12,085,737	$12,736,818	$ 651,081
Other Uses:									
Operating Transfers	285,773	309,984	24,211	0	0	0	0	0	0
Operating Transfers to Component Units	602,165	602,165	0	0	0	0	0	0	0
Total Expenditures and Other Uses	$16,319,086	$17,981,598	$ 1,662,512	$ 9,183,932	$ 9,386,435	$ 202,503	$12,085,737	$12,736,818	$ 651,081
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 114,872	$(1,470,739)	$ 1,585,611	$ (86,538)	$ (217,558)	$ 131,020	$(1,320,865)	$ (877,209)	$ (443,656)
Fund Balance, July 1, 1994	2,581,936	1,577,737	1,004,199	456,504	211,931	244,573	4,201,137	3,931,511	269,626
Residual Equity Transfers	0	0	0	0	0	0	61,906	0	61,906
Fund Balance, June 30, 1995	$ 2,696,808	$ 106,998	$ 2,589,810	$ 369,966	$ (5,627)	$ 375,593	$ 2,942,178	$ 3,054,302	$ (112,124)

The accompanying notes are an integral part of this statement.

Exhibit D

Montgomery County, Tennessee
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type and Discretely Presented Component Units
For the Year Ended June 30, 1995

	Primary Government: Internal Service: Self-Insurance	Component Units – Enterprise Funds: Montgomery County Emergency Communications District	Component Units – Enterprise Funds: Montgomery County Nursing Home	Component Units – Enterprise Funds: The Industrial Development Board of Montgomery Co.	Total (Memorandum Only)
Operating Revenues					
Charges for Services	$ 7,296,955	$ 510,042	$ 2,967,021	$ 65,395	$ 10,839,413
Other Governments and Citizen Groups	0	0	0	9,002	9,002
Other Local Revenues	337,683	0	0	0	337,683
Total Operating Revenues	$ 7,634,638	$ 510,042	$ 2,967,021	$ 74,397	$ 11,186,098
Operating Expenses					
Public Health and Welfare	$ 0	$ 842,017	$ 2,794,885	$ 0	$ 3,636,902
Other General Government	0	0	0	195,075	195,075
Employee Benefits	5,913,037	0	0	0	5,913,037
Total Operating Expenses	$ 5,913,037	$ 842,017	$ 2,794,885	$ 195,075	$ 9,745,014
Operating Income (Loss)	$ 1,721,601	$ (331,975)	$ 172,136	$ (120,678)	$ 1,441,084
Nonoperating Revenues (Expenses)					
Interest Income	$ 13,360	$ 1,367	$ 38,671	$ 11,248	$ 64,646
Interest Expense	0	0	0	(15,200)	(15,200)
Gain (Loss) on sale of equipment	0	(10,291)	0	0	(10,291)
Subsidy from City of Clarksville	0	152,750	0	92,000	244,750
Total Nonoperating Revenues (Expenses)	$ 13,360	$ 143,826	$ 38,671	$ 88,048	$ 283,905
Income (Loss) Before Operating Transfers	$ 1,734,961	$ (188,149)	$ 210,807	$ (32,630)	$ 1,724,989
Operating Transfers From Primary Government	0	152,750	0	92,000	244,750
Net Income (Loss)	$ 1,734,961	$ (35,399)	$ 210,807	$ 59,370	$ 1,969,739
Retained Earnings, July 1, 1994	0	221,451	876,831	2,159,617	3,257,899
Residual Equity Transfers	209,169	0	0	0	209,169
Retained Earnings, June 30, 1995	$ 1,944,130	$ 186,052	$ 1,087,638	$ 2,218,987	$ 5,436,807

The accompanying notes are an integral part of this statement.

Exhibit E

Montgomery County, Tennessee
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Units
For the Year Ended June 30, 1995

	Primary Government	Component Units			
		Enterprise Funds			
	Internal Service — Self - Insurance	Montgomery County Emergency Communications District	Montgomery County Nursing Home	The Industrial Development Board of Montgomery Co.	Total (Memorandum Only)
Cash Flows from Operating Activities					
Operating income (loss)	$ 1,721,601 $	(331,975)$	172,136 $	(120,678)$	1,441,084
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	0	20,402	178,394	5,006	203,802
Interest expense	0	0	114,114	0	114,114
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	0	41,007	(36,889)	0	4,118
(Increase) decrease in inventories	0	0	(4,267)	0	(4,267)
(Increase) decrease in prepaid expenses	(450,000)	(1,299)	(1,744)	2,000	(451,043)
(Increase) decrease in other assets	0	0	0	7,011	7,011
Increase (decrease) in accounts payable	0	(1,531)	(3,929)	4,238	(1,222)
Increase (decrease) in accrued liabilities	0	(849)	3,855	0	3,006
Increase (decrease) in patient trusts	0	0	(9,331)	0	(9,331)
Increase (decrease) in other liabilities	0	0	0	5,344	5,344
Increase (decrease) in claims and judgements payable	1,261,589	0	0	0	1,261,589
Increase (decrease) in other deferred credits	976,491	0	0	0	976,491
Net cash provided by (used in) operating activities	$ 3,509,681 $	(274,245)$	412,339 $	(97,079)$	3,550,696
Cash Flows from Noncapital Financing Activities					
Subsidy from City of Clarksville	$ 0 $	152,750 $	0 $	92,000 $	244,750
Operating transfers from primary government	0	152,750	0	92,000	244,750
Residual Equity Transfers	209,169	0	0	0	209,169
Net cash provided by (used in) noncapital financing activities	$ 209,169 $	305,500 $	0 $	184,000 $	698,669
Cash Flows from Capital and Related Financing Activities					
Aquisition and construction of capital assets	$ 0 $	(7,060)$	(19,372)$	(3,328)$	(29,760)
Principal paid on revenue bonds	0	0	(180,346)	0	(180,346)
Interest paid on revenue bonds	0	0	(102,158)	0	(102,158)
Interest on notes	0	0	0	(15,200)	(15,200)

Montgomery County, Tennessee
Combined Statement of Cash Flows
Proprietary Fund Type and Discretely Presented Component Units (Cont.)

Exhibit E

	Primary Government	Component Units			
		Enterprise Funds			
	Internal Service: Self - Insurance	Montgomery County Emergency Communications District	Montgomery County Nursing Home	The Industrial Development Board of Montgomery Co.	Total (Memorandum Only)
Cash Flows from Capital and Related Financing Activities (Cont.)					
Net cash provided by (used for) capital and related financing activities	$ 0	$ (7,060)	$ (301,876)	$ (18,528)	$ (327,464)
Cash Flows from Investing Activities					
Interest on investments	$ 13,360	$ 1,367	$ 38,671	$ 11,248	$ 64,646
Net cash provided by (used in) investing activities	$ 13,360	$ 1,367	$ 38,671	$ 11,248	$ 64,646
Net increase (decrease) in cash and cash equivalents	$ 3,732,210	$ 25,562	$ 149,134	$ 79,641	$ 3,986,547
Cash and cash equivalents, July 1, 1994	0	34,597	1,149,136	528,062	1,711,795
Cash and cash equivalents, June 30, 1995	$ 3,732,210	$ 60,159	$ 1,298,270	$ 607,703	$ 5,698,342

The accompanying notes are an integral part of this statement.

MONTGOMERY COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montgomery County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of Montgomery County are described as follows:

A. The Financial Reporting Entity

Montgomery County is a public municipal corporation governed by an elected twenty-one member board. As required by GAAP, these financial statements present Montgomery County (the primary government) and its component units. The component units discussed in Note 1.B are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

B. Individual Component Unit Disclosures

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

Discretely Presented Component Units - The component units columns in the combined financial statements include the financial data of the county's other component units. They are reported in a separate column to emphasize that they are legally separate from the county. The following entities meet the criteria for discretely presented component units of the county.

The Montgomery County School Department operates the public school system in the county. The Montgomery County School Department's board is elected by the voters of Montgomery County. 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 County Commission 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Individual Component Unit Disclosures (Cont.)

The Bi-County Solid Waste Authority provides landfill and collection services for Montgomery and Stewart counties. Also, the City of Clarksville participates with Montgomery County in the operation of the transfer station. The board members of the authority are appointed by the joint participants. However, Montgomery County appoints a voting majority of the board members and contributes the majority of funding for the authority. This authority is treated as a discrete component unit of Montgomery County, since the county may unilaterally control the operations of the authority. Financial statements of the Bi-County Solid Waste Authority were not available in time for inclusion.

The Montgomery County Rail Service Authority provides a continuation of rail service within the area of Montgomery County. The governing body of the Montgomery County Rail Service Authority is appointed by Montgomery County's Board of County Commissioners. State grants provide the major funding for the Rail Authority. Before the issuance of any debt, the authority must obtain the approval of the County Commission.

The Montgomery County Nursing Home provides health care to the citizens of Montgomery County. The governing body of the Montgomery County Nursing Home is appointed by Montgomery County's Board of County Commissioners. Patient charges provide the majority of the revenues for the entity. Before the issuance of any debt, the authority must obtain the approval of the County Commission.

The Industrial Development Board of Montgomery County primarily provides inducements to industry to locate or remain in Montgomery County. The governing body of the Industrial Development Board of Montgomery County is appointed by Montgomery County's Board of County Commissioners. City and County appropriations provide its major funding.

The Montgomery County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Montgomery County. The governing body of the Montgomery County Emergency Communications District is appointed by Montgomery County's Board of County Commissioners. 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 approval of the County Commission.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

B. Individual Component Unit Disclosures (Cont.)

The Montgomery County School Department does not issue separate financial statements from those of the county. Therefore, combining and individual fund financial statements of the Montgomery County School Department are included in the financial section of this report as listed in the table of contents. Although required by GAAP, the financial statements of the Bi-County Solid Waste Authority were not available in time for inclusion as previously mentioned. Notes to financial statements for Montgomery County and Montgomery County School Department are included in notes 1 through 19. Notes to financial statements for the Montgomery County Rail Service Authority, the Montgomery County Nursing Home, the Industrial Development Board of Montgomery County, and the Montgomery County Emergency Communications District are presented following note 19. Complete financial statements of the Bi-County Solid Waste Authority, the Montgomery County Rail Service Authority, the Montgomery County Nursing Home, the Industrial Development Board of Montgomery County and the Montgomery County Emergency Communications District can be obtained from their respective administrative offices.

Administrative Office:

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

Montgomery County Rail Service Authority
Montgomery County Executive
Courthouse
Clarksville, TN 37040

Montgomery County Nursing Home
Montgomery County Director of Accounts
Courthouse
Clarksville, TN 37040

Industrial Development Board of Montgomery County
P.O. Box 883
312 Madison Street
Clarksville, TN 37041-0883

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Related Organization

The county's officials are also responsible for appointing the members of the board of the Montgomery County Public Building Authority, but the county's accountability for this organization does not extend beyond making the appointments.

D. Joint Ventures

Montgomery County and the City of Clarksville jointly created the Clarksville Montgomery County Airport, the Clarksville Montgomery County Public Library, and the Clarksville Montgomery County Regional Planning Commission. These joint ventures are operated by county/city appointed boards/commissions, as demonstrated by the following table, for the benefit of all citizens of the two entities. Montgomery County has control over budget and financing of the joint ventures only to the extent of representation by the board members appointed. Each entity is responsible for funding 50% of any deficits from operations if not covered by prior earnings. Complete financial statements for the above-noted joint ventures can be obtained from their respective administrative offices.

	Board Members Appointed By:	
Administrative Offices:	City	County
Clarksville Montgomery County Airport 200 Airport Road Clarksville, TN 37042	5	5
Clarksville Montgomery County Public Library 329 Main Street Clarksville, TN 37040	4	3
Clarksville Montgomery County Regional Planning Commission 106 Public Square Clarksville, TN 37040	5	4

E. Jointly Governed Organizations

The county, in conjunction with the City of Clarksville, has created the Clarksville-Montgomery County Historical Museum and the Clarksville-Montgomery County Tourism

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

E. Jointly Governed Organizations (Cont.)

Commission. The thirteen member Historical Museum's Board has seven members appointed by the city and six appointed by the county. The Tourism Commission's five members are selected by and with the joint approval of the Mayor and County Executive. The major funding for these organizations are from the hotel/motel tax; however, the county and city do not have any ongoing financial interest or responsibility for the entities.

F. Fund Structure and Basis of Accounting

The accounts of the county and its discretely presented component units are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses or appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped, in the financial statements of this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Fund Structure and Basis of Accounting (Cont.)

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund - The Self-Insurance Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the county, or to other governments, on a cost-reimbursed basis.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

These include Expendable Trust, Nonexpendable Trust, Pension Trust and Agency Funds. The county does not have any Nonexpendable Trust or Pension Trust Funds. Expendable Trust Funds are accounted for in essentially the same manner and reported with the Governmental Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

COMPONENT UNITS - The Montgomery County School Department uses a General Fund, a Special Revenue Fund, a Capital Projects Fund, and one account group. The Montgomery County Rail Service Authority is accounted for as a Special Revenue Fund. The Montgomery County Nursing Home, the Industrial Development Board of Montgomery County, and the Montgomery County Emergency Communications District are accounted for as Enterprise Funds.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Fund Structure and Basis of Accounting (Cont.)

BASIS OF ACCOUNTING (Cont.)

accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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 measurements made, regardless of the measurement focus applied.

All Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. 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. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. 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 revenues susceptible to accrual are revenues received from the State of Tennessee. Sales taxes collected and held by the state at year end on behalf of the county and its component units are also recognized as revenue.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Fund Structure and Basis of Accounting (Cont.)

BASIS OF ACCOUNTING (Cont.)

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 they are incurred.

The financial statements of the Proprietary Fund of the primary government of Montgomery County has been prepared in conformity with all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

G. Budget

The county and the Montgomery County School Department are required by state statute to adopt annual budgets. The General Fund, Special Revenue Funds and General Debt Service Fund budgets are prepared on the basis where 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. Management may make revisions within major categories except for certain line items such as salaries, but only the governing body may transfer appropriations between major categories. During the year several supplementary appropriations were necessary.

The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the County Trustee, Clerks, Register and Sheriff. These officials are separately elected or appointed. The Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register operated their offices under provisions of Section 8-22-104, TCA. The Sheriff operated his office under provisions of Section 8-24-103, TCA. These statutes provide for all salaries, including the official's maximum statutory salary, and other operating expenses to be paid from county funds and for all fees and commissions earned to be reported and paid to the county monthly. In addition to the maximum

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Budget (Cont.)

statutory salary, the Clerk and Master received Special Commissioner Fees of $5,750 during the period examined. Also, the Sheriff received a training supplement of $600 from the State of Tennessee. Transactions related to the fee and commission accounts of these officials are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as a non-budgeted Special Revenue Fund.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except where encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary comparison statement are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is as follows for Montgomery County, the primary government only:

	General Fund	Special Revenue Funds
Expenditures and Other Uses:		
GAAP Basis - Exhibit B	$ 16,164,212	$ 12,184,485
Add: Current Year Reserve for Encumbrances	275,291	40,554
Less: Prior Year Reserve for Encumbrances	120,417	74,467
Non-budgeted Constitutional Officers - Fees Fund	0	2,966,640
Budgetary Basis - Exhibit C	$ 16,319,086	$ 9,183,932

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as a formal budgetary tool by Montgomery County and the discretely presented Montgomery County School Department in the General and Special Revenue Funds. Encumbrances do not constitute expenditures or liabilities and are recorded as reservations of fund balance with the related expenditure being recorded in the subsequent year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. Taxes Receivable

Property taxes receivable on file in the Trustee's office are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30, 1995. Property taxes collected within 60 days of year end are immaterial for financial reporting purposes and thus are not accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable which 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.

J. Inventories

Inventories of Governmental Funds (including component units) consist of expendable supplies held for consumption and are valued at cost, on the average cost method. The cost thereof is expensed at the time individual items are used, and not at the time purchased.

K. Fixed Assets and Long-Term Liabilities

Fixed assets of the governmental fund types are recorded as expenditures when purchased. The Montgomery County primary government maintains a General Fixed Assets Account Group; however, the discretely presented Montgomery County School Department does not maintain a General Fixed Assets Account Group; therefore, the general fixed assets of the Montgomery County School Department are not capitalized as required by generally accepted accounting principles. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been recorded in the General Fixed Assets Account Group for the primary government.

Long-term liabilities expected to be financed from Governmental Funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds. These long-term liabilities are recorded as expenditures in the Governmental Funds when paid or matured. The discretely presented Montgomery County School Department also maintains a General Long-Term Debt Account Group.

The General Long-Term Debt Account Group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

L. Reserves and Designations

All reserves of the Governmental Funds, including those of component units, (with the exception of the Reserve for Encumbrances already discussed) represent unexpended revenues which are legally required to be reappropriated and expended for specific purposes in subsequent years. Designations reflect tentative plans for future use of financial resources.

M. Compensated Absences

It is the county's and the discretely presented Montgomery County School Department's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from county service. In the governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. A long-term liability of $674,985 and $295,838 of accrued benefits at June 30, 1995 has been recorded in the General Long-Term Debt Account Groups of Montgomery County and the Montgomery County School Department, respectively, representing the commitments to fund such costs from future operations. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

N. Interfund Transactions

Quasi-external transactions are accounted for as fund revenues and expenditures or expenses (as appropriate). Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from the fund which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All interfund transactions except advances, quasi-external transactions and reimbursements are accounted for as transfers. Nonrecurring or nonroutine transfers of equity between funds are considered residual equity transfers and all other transfers are treated as operating transfers.

O. Statement of Cash Flows

For purposes of the Statement of Cash Flows for the Self-Insurance Fund (Internal Service Fund) of the primary government, cash includes cash on deposit with the County Trustee.

1. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)</u>

P. <u>Change in Fund Structure</u>

Previously Montgomery County had accounted for its employee health insurance plan in an Expendable Trust Fund. During the year, Montgomery County adopted the provisions of Governmental Accounting Standards No. 10. This statement provides that if an entity uses a single fund to account for its risk financing activities, that fund should be either the General Fund or an Internal Service Fund. Accordingly, Montgomery County changed the fund structure for accounting for its employee health insurance plan by recording a residual equity transfer in the amount of $209,169 to close the Expendable Trust Fund and establish an Internal Service Fund.

2. <u>OFFICE OF CENTRAL ACCOUNTING, BUDGETING AND PURCHASING</u>

Montgomery County operates under provisions of the Fiscal Control Acts of 1957, which provide for a system of central accounting, budgeting and purchasing covering funds administered by the County Executive and Highway Supervisor. These funds were maintained in the Offices of Central Accounting and Purchasing under the supervision of the Director of Accounts and Budgets and the Purchasing Agent.

3. <u>PURCHASING LAWS</u>

A. <u>Office of Central Purchasing</u>

Purchasing for the County Executive's office and the Highway Department were governed by Section 5-14-101 et seq., TCA. Purchases for the Highway Department were 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 Executive and approved by the Board of County Commissioners, 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 estimated to exceed $1,000 ($2,000 for the Highway Department). Effective July 1, 1995, these statutes require that sealed bids be solicited on purchases estimated to exceed $5,000; however, the County Commission requires competitive bids on general government purchases expected to exceed $2,000.

B. <u>School Department</u>

Purchasing procedures for the discretely presented Montgomery County School Department are governed by purchasing laws applicable to schools as set forth in

3. PURCHASING LAWS (Cont.)

B. School Department (Cont.)

Section 49-2-203, TCA, which provide for the Board of Education, through its Executive Committee (Director of Schools and Chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through advertisement in a local newspaper on all purchases estimated to exceed $2,000 ($5,000 effective July 1, 1995).

4. DEPOSITS AND INVESTMENTS

The captions on the combined balance sheet related to cash and investments are as follows for Montgomery County and its discretely presented component units:

	Montgomery County	Montgomery County School Department
Equity in Pooled Cash and Investments	$ 11,295,888	$ 6,124,122
Cash	7,565,275	748,541
Investments	2,721,613	0
Total	$ 21,582,776	$ 6,872,663

	Montgomery County Rail Service Authority	Industrial Development Board of Montgomery County
Cash	$ 6,656	$ 607,703
Investments	0	2,090,950
Total	$ 6,656	$ 2,698,653

	Montgomery County Nursing Home	Montgomery County Emergency Communications District
Equity in Pooled Cash and Investments	$ 1,277,254	$ 60,134

4. DEPOSITS AND INVESTMENTS (Cont.)

	Montgomery County Nursing Home	Montgomery County Emergency Communications District
Cash	$ 100	$ 25
Total	$ 1,277,354	$ 60,159

Montgomery County, the Montgomery County School Department, the Montgomery County Nursing Home, and the Montgomery County Emergency Communications District maintain a cash and investment pool through the office of the County Trustee. The County Trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing and investing most county funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". "Cash" and "Investments" reflected on the combined balance sheet represent non-pooled amounts held separately by individual funds.

Cash on the combined balance sheet includes cash on hand, demand deposits, deposits with paying agent banks, and amounts on deposit with the State Department of Health and Environment. Cash on the combined balance sheet is analyzed as follows:

	Montgomery County	Montgomery County School Department
Cash on Hand	$ 4,848	$ 20
Cash in Bank	7,442,548	748,521
Cash with Paying Agent	91,519	0
Cash on Deposit with State Department of Health and Environment	26,360	0
Total	$ 7,565,275	$ 748,541

	Montgomery County Rail Service Authority	Industrial Development Board of Montgomery County
Cash in Bank	$ 6,656	$ 607,703
Total	$ 6,656	$ 607,703

4. DEPOSITS AND INVESTMENTS (Cont.)

	Montgomery County Nursing Home	Montgomery County Emergency Communications District
Cash on Hand	$ 100	$ 25
Total	$ 100	$ 25

Investments of the primary government on the combined balance sheet consist of: 1) amounts held by the trustees of the county's Deferred Compensation plan that have been stated at market value as of June 30, 1995, and 2) State Pooled Investments stated at cost. Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

DEPOSITS - All deposits with financial institutions must be collateralized with collateral whose market value is equal to 105% 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. Deposits with savings and loan associations may also be collateralized by an irrevocable letter of credit issued by the Federal Home Loan Bank or, with the approval of the State Funding Board, by a surety bond issued by an insurance company licensed under the laws of the State of Tennessee whose claims paying ability is rated in the highest category by at least two nationally recognized statistical rating services.

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Montgomery County and the discretely presented Montgomery County School Department, the Montgomery County Nursing Home, and the Montgomery County Emergency Communications District since all pool deposits and investments through the County Trustee. The carrying amount of Montgomery County's, the Montgomery County School Department's, the Montgomery County Nursing Home's, and the Montgomery County Emergency Communications District's deposits with financial institutions was $27,975,006 and the bank balance was $35,310,151. These deposits are categorized as follows to give an indication of the level of risk assumed at year end. Category 1 includes deposits insured or collateralized either by securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's agent or trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized

4. DEPOSITS AND INVESTMENTS (Cont.)

with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name. Category 1 deposits were $34,112,057 and Category 3 deposits were $1,198,094.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) in Section 1823(e) provides that a security agreement, including a pledge of collateral for a deposit, is not valid against the FDIC unless the following four requirements are satisfied:

1. It must be in writing.
2. It must be executed contemporaneously with the acquisition of the asset by the depository institution.
3. It must be approved by the institution's board of directors or loan committee, and that approval must be reflected in the minutes of the board or committee.
4. It must be an official record of the depository institution since it was executed.

The Federal Deposit Insurance Corporation Board had adopted a policy that it will not attempt to avoid otherwise legally enforceable and perfected security interests solely because either the agreement does not meet the contemporaneous requirements and/or the collateral may be changed or be substituted.

Two of the Trustee's three depositories had not been required to execute written collateral agreements to protect county funds on deposit. The discretely presented Montgomery County School Department's food service depository had not been required to place sufficient securities in escrow to protect county funds on deposit for several months in excess of FDIC coverage in compliance with state statutes; however, funds on deposit were within FDIC coverage at June 30, 1995.

INVESTMENTS - 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 Pooled Investment Fund.

Non-pooled investments of the primary government consist of General Capital Projects Fund investments in the State Pooled Investment Fund for use by the State Department of

4. DEPOSITS AND INVESTMENTS (Cont.)

Transportation on local road projects, and amounts invested by the county's Deferred Compensation Plan administrators. Funds invested in the State Pooled Investment Fund and the Deferred Compensation Plan are not required to be categorized by generally accepted accounting principles.

NON-POOLED INVESTMENTS

	Carrying Amount	Market Value
Montgomery County:		
Deferred Compensation Fund		
Investment in Deferred Compensation Plan	$ 2,573,301	$ 2,573,301
General Capital Projects Fund		
Investment in State Pooled Investment Fund	148,312	148,312
Total Non-Pooled Investments	$ 2,721,613	$ 2,721,613

5. FUND DEFICIT

A fund deficit of $8,669,276 existed in the discretely presented Education Capital Projects Fund at June 30, 1995. This fund deficit resulted from the recognition of the unpreformed portion of construction contracts totaling $8,995,982 as encumbrances in the financial statements of this report.

6. PROPERTY TAXES

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 Circuit Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after court suit has been filed.

7. COMMITMENTS

A. Committed Construction

At June 30, 1995, the General Capital Projects Fund had uncompleted construction contracts of $134,627. Funding has been received for these future expenditures.

At June 30, 1995, the discretely presented Montgomery County School Department had uncompleted construction projects totaling $8,995,982 for various school improvements and construction.

7. COMMITMENTS (Cont.)

B. Leases

The present value of minimum lease payments under lease agreements classified as capital leases has been recorded in the General Long-Term Debt Account Groups. Future minimum payments under capital leases consisted of the following at June 30, 1995.

Montgomery County	General Long-Term Debt
1995-96	$ 26,635
1996-97	26,635
1997-98	26,635
1998-99	26,635
Total Minimum Lease Payments	$ 106,540
Amount Representing Interest	(13,159)
Present Value of Minimum Lease Payments	$ 93,381

Component Unit: Montgomery County School Department	General Long-Term Debt
1995-96	$ 147,594
1996-97	137,305
1997-98	137,305
Total Minimum Lease Payments	$ 422,204
Amount Representing Interest	(35,564)
Present Value of Minimum Lease Payments	$ 386,640

C. Debt Service

The Tourist Commission pledged part of its revenue to the county to help meet debt service requirements on a note issue. Amounts contributed during the 1994-95 year totaled $16,743.

Montgomery County approved a referendum for the purpose of increasing the local sales tax by 1/4 cent on June 13, 1988, to build two schools, and the City of Clarksville

7. COMMITMENTS (Cont.)

C. Debt Service (Cont.)

pledged its portion of the local sales tax to Montgomery County for a portion of the debt service requirements. The Attorney General opined on October 10, 1995, that the City of Clarksville is entitled to its share of the monies generated by the tax to the extent that the amount exceeds the amount needed to service the bonds.

8. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances of Montgomery County and its discretely presented component units at June 30, 1995, were:

Fund	Interfund Receivables	Interfund Payables
General	$ 81,389	$ 538
Special Purpose	0	163
Constitutional Officers - Fees	0	69,278
Highway/Public Works	179	556
General Purpose School	36,207	1
School Federal Projects	26,167	26,981
General Capital Projects	375	0
Education Capital Projects	0	995
Montgomery County Nursing Home	0	1,175
The Industrial Development Board of Montgomery County	0	2,758
Montgomery County Emergency Communications District	0	207
Judicial District Drug	0	1,006
Joint Venture	0	32
Constitutional Officers - Agency	0	3,738
Total	$ 144,317	$ 107,428

The interfund receivable in the General Fund includes funds in-transit from the Highway/Public Works Fund ($269) and the Bi-County Solid Waste Authority ($2,223). The interfund receivable in the General Purpose School Fund includes funds in-transit from the General Fund ($5,751) and the School Federal Projects Fund ($2,480). The interfund receivable in the School Federal Projects Fund includes funds in-transit from the General Purpose School Fund ($26,166).

9. LONG-TERM DEBT

The following is a summary of changes in liabilities included in general long-term debt for the primary government for the year ended June 30, 1995.

PRIMARY GOVERNMENT

	Bonds	Notes
Balance, July 1, 1994	$ 77,871,657	$ 1,660,982
Additions	0	330,339
Reductions	7,533,654	322,894
Balance, June 30, 1995	$ 70,338,003	$ 1,668,427

	Capital Leases	Compensated Absences
Balance, July 1, 1994	$ 20,509	$ 549,964
Additions	109,860	125,021
Reductions	36,988	0
Balance, June 30, 1995	$ 93,381	$ 674,985

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 1995, including interest payments of $19,603,205 (bonds) and $127,638 (notes), are as follows:

Year Ending June 30	Bonds	Notes	Total
1996	$11,369,729	$ 1,121,917	$ 12,491,646
1997	11,336,004	147,289	11,483,293
1998	11,233,789	361,817	11,595,606
1999	10,063,321	67,767	10,131,088
2000-2007	45,938,365	97,275	46,035,640
Total	$89,941,208	$ 1,796,065	$ 91,737,273

A balloon payment of $777,750 has been reflected in the note schedule for the year ended June 30, 1996.

9. <u>LONG-TERM DEBT (Cont.)</u>

PRIMARY GOVERNMENT (Cont.)

There is $2,942,178 available in the General Debt Service Fund to service general long-term debt. General bonded debt per capita amounted to $700 based on the 1990 federal census.

The following is a summary of changes in liabilities included in general long-term debt for the discretely presented Montgomery County School Department for the year ended June 30, 1995.

MONTGOMERY COUNTY SCHOOL DEPARTMENT

	Notes	Capital Leases	Compensated Absences
Balance, July 1, 1994	$ 1,079,502	$ 509,122	$ 272,722
Additions	5,901,722	0	23,116
Reductions	428,882	122,482	0
Balance, June 30, 1995	$ 6,552,342	$ 386,640	$ 295,838

The annual requirements to amortize all notes outstanding as of June 30, 1995, including interest payments of $184,065, are as follows:

Year Ending June 30	Notes
1996	$ 284,022
1997	6,038,852
1998	46,043
1999	46,044
2000-2007	321,446
Total	$ 6,736,407

10. <u>REVENUE ANTICIPATION NOTES</u>

During the period under examination, Montgomery County issued revenue anticipation notes in the amount of $700,000 to provide temporary operating funds for the Highway/Public Works Fund. These notes were retired prior to June 30, 1995, as required by state statute, and have therefore not been reflected in the financial statements of this report.

11. DEFEASANCE OF PRIOR DEBT

In the prior year, 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, 1995, the Public Improvement 1990A Series outstanding bonds totaling $3,935,000 are considered defeased.

12. LITIGATION

There are several pending lawsuits in which Montgomery County is involved. The County Attorney and the attorney for the Board of Education are of the opinion that potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

13. DEFERRED COMPENSATION PLAN

Montgomery County offers its employees and the employees of the discretely presented Montgomery County School Department, the Bi-County Solid Waste Authority, the Montgomery County Nursing Home, and the Montgomery County Emergency Communications District a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all county employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the county subject only to claims of the county's general creditors. Participants' rights under the plan are equal to those of general creditors of the county in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the county's legal counsel that the county has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The county believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

13. DEFERRED COMPENSATION PLAN (Cont.)

Investments are managed by the plan's trustees, Public Employee Benefits Services Corporation and Great West Life Insurance Company, under one of several investment options, or a combination thereof. The choice of the investment options is made by the participants.

14. RISK FINANCING ACTIVITIES

Montgomery County, the Bi-County Solid Waste Authority, the Montgomery County Nursing Home, and the Montgomery County Emergency Communications District 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 $125,000 per specific loss and 125% of expected claims. The maximum liability amounted to $7,332,372 for the year. The county has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the primary government and the discretely presented Montgomery County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time employees. This charge is based on actuarial estimates of the amounts needed to pay prior and current year claims. 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. 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 Liabilities	Current Year Claims and Estimates	Payments	Balance at Fiscal Year End
1993-94	$ 1,131,237	$5,361,567	$5,274,537	$1,218,267
1994-95	1,218,267	5,535,165	5,491,843	1,261,589

The county continues to carry commercial insurance for all other risks of loss, including group life and accident, general liability, property and casualty, and workers' compensation. Settled claims from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

15. CONTINGENT LIABILITIES

Montgomery County is contingently liable for certain revenue bonds of the discretely presented Montgomery County Nursing Home. Montgomery County would become liable for these bonds and the interest thereon, in the event of default by the Montgomery County Nursing Home. The principal of these revenue bonds is reflected on the financial statements of the Montgomery County Nursing Home. As of June 30, 1995, future principal and interest requirements were $1,952,329 and $505,259, respectively.

16. SUBSEQUENT EVENTS

The following capital outlay notes were issued subsequent to June 30, 1995:

Purpose	Date	Amount
Highway Department paving machine	11-2-95	$ 120,000
School improvements and site development	9-11-95	50,000
School improvements and site development	11-2-95	300,000
School improvements and site development	4-1-96	450,000

As of the date of this report, $23,269,803 of an authorized $50,000,000 general obligation bonds had been issued for various purposes.

17. CHANGES IN ADMINISTRATION

Dr. Charles Lindsey, Director of Schools, left office June 30, 1994, and was succeeded by David Baker effective July 1, 1994. Carrie Heath, Circuit and General Sessions Courts Clerk, left office August 31, 1994, and was succeeded by Cheryl Castle.

18. LANDFILL CLOSURE AND POSTCLOSURE CARE COST

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 thirty 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 Authority, a component unit requiring discrete presentation, 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. As was previously noted, the financial statements of the Bi-County Solid Waste Authority were not available in time for inclusion in this report.

19. RETIREMENT COMMITMENTS

A. PLAN DESCRIPTION

Certain employees of Montgomery County are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state. Montgomery County's payroll for employees covered by the TCRS for the year ended June 30, 1995 was $19,000,361.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the members high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 10 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 on or after July 1, 1979 become vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

Montgomery County is noncontributory and pays the total pension compensation with the exception of certain employees whose contributions are identified in Section C.

B. FUNDING STATUS AND PROGRESS

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of Montgomery County's pension program as administered by TCRS on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

19. RETIREMENT COMMITMENTS (Cont.)

B. FUNDING STATUS AND PROGRESS (Cont.)

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1993 and an actuarial update performed as of June 30, 1994. Significant actuarial assumptions used in the valuation and the update include (a) rate of return on investment of present and future assets of 8.0 percent a year compounded annually, (b) projected salary increases of 7.0 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 6.0 percent a year annual increase in the Social Security wage base and (d) projected post retirement increases of 3.0 percent of the retiree's initial benefit.

Total estimated assets in excess of pension benefit obligation applicable to Montgomery County's employees was $5,722,092 at June 30, 1994 as follows:

Pension benefit obligation:	
Retirees and Beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 9,987,822
Current employees-	
Accumulated employee contributions including allocated investment earnings	7,133,376
Employer-financed vested	6,862,589
Employer-financed nonvested	725,390
Total pension benefit obligation	$ 24,709,177
Net assets available for benefits, at cost or amortized cost (market value is $33,023,331)	30,431,269
Assets in excess of pension benefit obligation	$ 5,722,092

C. ACTUARIALLY DETERMINED CONTRIBUTION REQUIREMENTS AND CONTRIBUTION MADE

It is the policy of the Board of Trustees of the TCRS to fund pension benefits by actuarially determined contributions which are actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. At June 30, 1994, the last actuarial update, Montgomery County's unfunded actuarial accrued liability for its pension plan totaled $672,235. All unfunded actuarial accrued liabilities are amortized over a 21-year period.

19. RETIREMENT COMMITMENTS (Cont.)

C. ACTUARIALLY DETERMINED CONTRIBUTION REQUIREMENTS AND CONTRIBUTION MADE (Cont.)

The amortization period began on the political subdivision's initial date of participation in the TCRS or on July 1, 1975 whichever is later. The accrued liability for basic benefits and cost-of-living benefits is amortized as a level dollar amount. 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 plans. Amendments to the TCRS plan are not applicable to a political subdivision unless approved by the political subdivision's governing body.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described in B above.

The contribution to the TCRS for the year ended June 30, 1995 of $1,404,563 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1993. The contribution consisted of (a) $1,284,424 normal costs (6.76% of current covered payroll) and (b) $120,139 amortization of the unfunded actuarial accrued liability (0.63% of current covered payroll). Montgomery County contributed $1,404,127 (7.39% of current covered payroll); employees contributed $436. The actuarial valuation as of June 30, 1993, computed contribution rates effective July 1, 1994 through June 30, 1996. The actuarial valuation as of June 30, 1995, will determine the rates for a two year period beginning July 1, 1996.

D. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information may be found in the TCRS component unit financial report for the year ended June 30, 1995. For the two years ended 1993 and 1994, respectively, available assets were sufficient to fund 113.78% and 123.16% of Montgomery County's pension benefit obligation.

Assets in excess of pension benefit obligation represented 19.41% and 30.12% of the annual payroll for employees covered by the PERS for 1993 and 1994, respectively.

19. RETIREMENT COMMITMENTS (Cont.)

D. TREND INFORMATION (Cont.)

Showing assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. In addition, for the three years ended 1993, 1994, and 1995, Montgomery County's contributions to the TCRS, all made in accordance with the actuarially determined requirements, were 6.80%, 6.82%, and 7.39%, respectively, of annual covered payroll.

E. SCHOOL TEACHERS

The school systems of the State of Tennessee are responsible for making the employer contributions on behalf of non-federally funded teachers. The source of funding for these contributions is a combination of state and local funds through the Basic Education Program. The amount contributed for the year ended June 30, 1995 was $3,112,970. In addition, Montgomery County made contributions to the TCRS of $105,471 for teachers whose salaries are funded by federal programs. The total current-year covered payroll was $37,819,518. Teachers joining the system after July 1, 1979 become vested after 5 years of service, and teachers joining prior to July 1, 1979 were vested after 4 years of service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District 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:

A. Reporting Entity

E-911 Emergency Communications District of Montgomery County, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement and other emergency departments within the county. The governing board of the District is appointed by the County Executive, and a substantial portion of operating revenues are provided by allocations from Montgomery County and the City of Clarksville. 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 Montgomery County.

B. 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, report copies, operating subsidies, and interest 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 1% administrative fee.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Measurement Focus/Basis of Accounting (Cont.)

(2) Report Copies

Upon request from various parties, the District completes criminal history reports for a nominal fee.

(3) Operating Subsidies

The District received operating subsidies from Montgomery County and the City of Clarksville.

(4) Interest

Interest is earned on the checking account balance. There are no investments held by the District.

C. Budgets and Budgetary Accounting

The District's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ended June 30.

The District Board of Directors formally approve 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 fixed assets purchased is included as an expenditure.

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

D. 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 two hundred (200) hours. At the end of each month, employees with more than 200 hours will have all hours over 200 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrances 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.

F. Fixed Assets and Depreciation

Fixed assets are recorded at cost. Capital expenditures of $1,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than $1,000 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, and a 5-15 year expected useful life.

G. Occupancy In-Kind

The Clarksville-Montgomery County Criminal Justice Complex provides free space for the District operations and provides for all utilities. No provision has been made to recognize these items in the financial statements because they are not considered material.

H. Cash and Cash Equivalents

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

I. Other Significant Accounting Policies

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

2. 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 $60,134 plus a change fund of $25. At June 30, 1995, the deposits of the District were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. At June 30, 1995, according to the Trustee's records, the joint bank account had a balance of $18,566,873 and pledged collateral to secure the funds had a market value of $45,603,816. The District's portion of the combined bank account amounted to $84,649 at June 30, 1995, which was sufficiently collateralized.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of amounts due from South Central Bell for monthly service charges collected for the District:

South Central Bell - Tennessee (June)	$	42,323
Miscellaneous		174
Total	$	42,497

4. CHANGE IN PROPERTY AND EQUIPMENT

	Furniture and Equipment	Accumulated Depreciation
Balance July 1, 1994	$ 245,913	$ 120,973
Additions	7,060	20,402
Deletions	(22,862)	(12,571)
Balance June 30, 1995	$ 230,111	$ 128,804

5. SERVICE ARRANGEMENT CONTRACT

On March 11, 1988, Montgomery County Emergency Communications District negotiated a service application with South Central Bell for the installation and service of an Enhanced 911 Emergency Service System. South Central Bell 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, 1995, the monthly fee is $8,815.80.

6. RETIREMENT COMMITMENTS

A. PLAN DESCRIPTION

Certain employees of Montgomery County Emergency Communications District are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state. Montgomery County Emergency Communications District's payroll for employees covered by the TCRS for the year ended June 30, 1995 was $464,443. The total payroll for the year was $492,684.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees for political subdivisions that have elected coverage. Membership in the system is mandatory for state

6. RETIREMENT COMMITMENTS (Cont.)

A. PLAN DESCRIPTION (Cont.)

employees, teachers and employees of participating political subdivisions. The 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 10 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 on or after July 1, 1979 become vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

Montgomery County Emergency Communications District is noncontributory and pays the total pension compensation with the exception of certain employees whose contributions are identified in Section C.

B. FUNDING STATUS AND PROGRESS

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Montgomery County Emergency Communications District's pension program as administered by TCRS on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1993, and an actuarial update performed at June 30, 1994. Significant actuarial assumptions used in the valuation and the update include (a) rate of return on investment of present and future assets of 8.0 percent a year compounded annually, (b) projected salary increases of 7.0 percent annual rate (no explicit assumption is made regarding the

6. RETIREMENT COMMITMENTS (Cont.)

B. FUNDING STATUS AND PROGRESS (Cont.)

portion attributable to the effects of inflation on salaries), (c) projected 6.0 percent annual increase on the Social Security wage base and (d) projected post retirement increases of 3.0 percent of the retiree's initial benefit.

Total estimated assets in excess of pension benefit obligation applicable to Montgomery County Emergency Communications District's employees was $131,165 at June 30, 1994, as follows:

Pension benefit obligation:	
Retirees and Beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 3,642
Current Employees-	
Accumulated employee contributions including allocated investment earnings	77,433
Employer-financed vested	21,406
Employer-financed nonvested	10,116
Total pension benefit obligation	$ 112,597
Net assets available for benefits, at cost or amortized cost (market value is $264,525)	243,762
Assets in excess of pension benefit obligation	$ 131,165

C. ACTUARIALLY DETERMINED CONTRIBUTION REQUIREMENTS AND CONTRIBUTION MADE

It is the policy of the Board of Trustees of the TCRS to fund pension benefits by actuarially determined contributions which are actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. At June 30, 1994, the last actuarial valuation date, Montgomery County Emergency Communications District's unfunded actuarial accrued liability for its pension plan totaled $44,095. All unfunded actuarial accrued liabilities are amortized over a 26-year period. The amortization period began on the political subdivision's initial date of participation in the TCRS or on July 1, 1975, whichever is later. The accrued liability for basic benefits and cost-of-living benefits is amortized as a level dollar amount. Political subdivisions such as

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

6. RETIREMENT COMMITMENTS (Cont.)

C. ACTUARIALLY DETERMINED CONTRIBUTION REQUIREMENTS AND CONTRIBUTION MADE (Cont.)

Montgomery County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plans. Amendments to the TCRS plan are not applicable to a political subdivision unless approved by the political subdivision's governing body.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described in B above.

The contribution to the TCRS for the year ended June 30, 1995 of $38,177 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1993. The contribution consisted of (a) $32,557 normal costs (7.01% of current covered payroll) and (b) $5,620 amortization of the unfunded actuarial accrued liability (1.21% of current covered payroll). Montgomery County Emergency Communications District contributed $38,177 (8.22% of current covered payroll); employees contributed $0 (0.00% of current covered payroll). The actuarial valuation as of June 30, 1993, computed contribution rates effective July 1, 1994 through June 30, 1996. The actuarial valuation as of June 30, 1995, will determine the rates for a two year period beginning July 1, 1996.

D. TREND INFORMATION

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information may be found in the TCRS comprehensive annual financial report for the year ended June 30, 1995. For the two years ended 1993 and 1994, respectively, available assets were sufficient to fund 117..22% and 216.49% of the Montgomery County Emergency Communications District's pension benefit obligation.

Assets in excess of pension benefit obligation represented 3.44% and 28.24% of the annual payroll for employees covered by the PERS for 1993 and 1994 respectively.

Showing assets in excess of pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis

6. RETIREMENT COMMITMENTS (Cont.)

D. TREND INFORMATION (Cont.)

purposes. In addition, for the three years ended 1993, 1994, and 1995, the Montgomery County Emergency Communications District's contributions to the TCRS, all made in accordance with the actuarially determined requirements were 8.19%, 8.19%, and 8.22%, respectively, of annual covered payroll.

7. CONTINGENCIES

The District is defendant in a lawsuit arising from a false arrest claim. In August, 1995, the suit was settled for $1,500.

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

8. RELATED PARTY TRANSACTIONS

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

9. SUBSEQUENT EVENTS

The District has ordered a new digital communications recording system costing $56,579.65 to be installed at their new location, being the 6th floor of the Criminal Justice Complex Building.

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

MONTGOMERY COUNTY NURSING HOME
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Montgomery County Nursing Home is a component unit of Montgomery County. The Nursing Home operates under the direct supervision of the administrator who is employed by Montgomery County Commission with the advice of the Nursing Home Committee of the Commission. The Nursing Home, a 120 bed facility, provides long and short-term medical care for residents of Montgomery County.

The accounting policies of the Nursing Home conform to generally accepted accounting principles as applicable to governmental organizations.

The following is a summary of the more significant policies:

A. The Reporting Entity

The Nursing Home for financial reporting purposes only includes the operations of the Nursing Home and does not include any revenues, expenses or assets or any of the other component units of Montgomery County, the primary governmental entity. The Nursing Home is accounted for as a proprietary find. A proprietary fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body (the County Commission) is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through revenue generated by the fund.

B. 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 Nursing Home operating fund utilizes the accrual basis of accounting. Its revenues are recognized when earned, and its expenses are recognized when incurred.

C. Property, Plant and Equipment

The accounting and reporting treatment applied to property, plant and equipment associated with a fund is determined by its measurement focus.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Property, Plant and Equipment (Cont.)

Proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheet.

All property, plant and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant and equipment are valued at their estimated fair value on the date donated. The Nursing Home does not have a material amount of donated assets. Construction period interest costs are capitalized.

Depreciation is provided in the fund in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Building and Improvements	7-40 years
Equipment and Vehicles	4-30 years

D. Inventories

Nursing Home inventory is stated at cost and cost is determined by the first-in, first-out method. Inventory consists primarily of linen and housekeeping supplies.

The Nursing Home performs their own food service. The inventory amount for kitchen food and supplies is not included in these financial statements.

E. Accrued Compensated Absences

Vacation benefits are accrues as earned and charged to current operations as salary expense.

F. Contributed Capital

Contributed capital has been separately identified for 1968 and succeeding years. Contributed capital for prior years is not separately identified, and is included in retained earnings.

G. Patient Trust Fund

At the option of the patient and family, authorization may be given to the Administrator of the Nursing Home to make deposits and disbursements on behalf of the patient

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

G. Patient Trust Fund (Cont.)

for personal items. Small disbursements are charged to the Nursing Home. These are recapped on a monthly basis and a transfer is made at the end of every quarter from the patient's trust fund to the operating fund. Large disbursements are paid from the trust fund directly to the vendor. The patients' trust funds are maintained and reported on the accrual basis of accounting. Interest earned on patient trust funds are allocated to patient accounts in proportion to their account balances.

H. Tax Status

The Nursing Home is a component unit of the governmental entity, Montgomery County, and, thus, is not subject to income or property taxes.

I. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, on deposit with the Montgomery County Trustee, and on deposit with a bank for the patient's trust fund. Note that patient trust fund cash is totally restricted as a liability payable to the patients.

J. Other Significant Accounting Policies

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

2. CASH ON HAND, DEPOSITS AND INVESTMENTS

Cash on Hand

A petty cash operating fund of $100 is maintained for small miscellaneous disbursements. All other cash is on deposit with the Montgomery County Trustee.

Deposits

At June 30, 1995 the carrying amount of the Nursing Home's deposits was $1,277,254, and the balance on deposit with the bank was $1,336,670. During the year ended June 30, 1995, the Montgomery County Trustee deposited the Nursing Home's cash in a separate interest bearing account within the same bank as combined cash balances of the remainder of the county. Amounts in excess of federal depository insurance limits are collateralized by bank pledges, at a rate of 110%.

2. CASH ON HAND, DEPOSITS AND INVESTMENTS (Cont.)

Investments

The Montgomery County Trustee deposits the Nursing Home's cash into an interest bearing investment account which earned interest of $38,671 in 1995.

3. SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

	Balance July 1, 1994	Additions	Retirements	Balance June 30, 1995
Land	$ 82,018	$ 0	$ 0	$ 82,018
Land Improvements	0	0	0	0
Buildings	3,008,463	1,787	0	3,010,250
Machinery and Equipment	123,439	7,366	0	130,805
Movable Equipment	273,657	10,219	0	283,876
Motor Vehicles	30,982	0	0	30,982
Total	$3,518,559	$ 19,372	$ 0	$ 3,537,931

4. DEFERRED COMPENSATION PLAN

The Nursing Home offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plan, available to all Montgomery County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all revenue attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the county subject only to claims of the county's general creditors. Participant's rights under the plan are equal to those of general creditors of the county in an equal amount to the fair market value of the deferred account for each participant. Assets and liabilities of the plans are included in the Montgomery County financial statements. Information is not available for Montgomery County Nursing Home separately.

It is the opinion of the county's legal counsel that the county had no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The county believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

4. DEFERRED COMPENSATION PLAN (Cont.)

Investments are managed by the plans trustees, Public Employee Benefits Services Corporation and Great West Life Insurance Company, under one of twenty-one investment options, or a combination thereof. The choice of the investment options is made by the participants.

Employees may also participate in a 401(k) plan.

5. RETIREMENT COMMITMENTS

A. Plan Description

Certain employees for Montgomery County Nursing Home are members of the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer public employee retirement system (PERS) that acts as a common investment and administrative agent for political subdivisions in the state.

The TCRS is a defined benefit retirement plan covering teachers and general employees of the state as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for state employees, teachers and employees of participating political subdivisions. The 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 10 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 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 members was in the performance of duty. Members joining the system on or after July 1, 1979 become vested after 10 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established and amended by state statute.

B. Funding Status and Progress

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date.

5. RETIREMENT COMMITMENTS (Cont.)

B. Funding Status and Progress (Cont.)

The measure is intended to help users assess the funding status of the pension program as administered by TCRS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, And make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the system.

Significant actuarial assumptions used in the valuation of the pension plan include (a) rate of return on investment of present and future assets of 8.0 percent a year compounded annually, (b) projected salary increases of 7 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 6 percent annual increase in Social Security wage base, and (d) projected post-retirement increases of 3 percent of the retiree's initial benefit.

The "pension benefit obligation" for the Montgomery County Nursing Home, a component unit of Montgomery County, cannot be separately stated.

C. Actuarially Determined Contribution Requirements and Contribution Made

It is the policy of the Board of Trustees of the TCRS to fund pension benefits by actuarially determined contributions which are actuarial accrued liability cost, so that sufficient assets will be available to pay benefits when due. The frozen initial liability method, a projected benefit cost method, is used to value the plan. Political subdivisions such as Montgomery County participate in the TCRS as individual entities and are liable for all cost associated with the operation and administration of their plans. Amendments to the TCRS plan are not applicable to a political subdivision unless approved by the political subdivision's governing body.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation as described in B above.

The Montgomery County Nursing Home contributions to the TCRS for 1995 of $70,497 were made in accordance with actuarially determined requirements computed through an actuarial valuation.

5. RETIREMENT COMMITMENTS (Cont.)

C. Actuarially Determined Contribution Requirements and Contribution Made (Cont.)

The breakdown of the amount of the contributions into that which went to normal costs and that which went to amortization of the unfunded actuarial accrued liability cannot be separately stated.

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical trend information may be found in the TCRS component unit financial report for the year ended June 30, 1994.

Trend information for Montgomery County Nursing Home, a component unit of Montgomery County, cannot be separately stated.

6. LONG-TERM FINANCING OF FACILITY AND DEFERRED CHARGE

A $2.6 million bond issue, which was the Nursing Home's portion of a $5.6 million county bond issue, required semi-annual bond payments to be made to bondholders as they became due. At the end of the year ended June 30, 1993, the county restructured the $5.6 million county bond issue and other bond issues in order to reduce the interest rate and interest cost. The cost involved in restructuring the bond issues totaled $118,367 which was included as a deferred charge on the balance sheet for June 30, 1993. Such costs will be amortized over the life of the bond issue, effectively increasing interest expense. The total interest saved by the bond restructure will be $187,574 for a net economic gain of $69,207. The discounted present value of this gain is not considered to be a material amount.

The change in bond payable is as follows:

	1995
Bond payable balance, beginning of year	$ 2,132,675
Principle payment during year	(180,346)
Bond payable balance, end of year	$ 1,952,329

6. LONG-TERM FINANCING OF FACILITY AND DEFERRED CHARGE (Cont.)

Future debt service requirements are as follows:

	Principal	Interest	Combined Total	Bond Cost Amortization
Year Ended June 30,				
1996	$ 188,216	$ 94,494	$ 282,710	$ 11,956
1997	197,397	86,494	283,891	11,956
1998	205,923	78,006	283,929	11,956
1999	215,104	68,945	284,049	11,956
2000	224,285	58,943	283,228	11,956
	921,404	118,377	1,039,781	35,870
Thereafter	$1,952,329	$ 505,259	$2,457,588	$ 95,650

Montgomery County Nursing Home pays its proportionate share of the semi-annual bond payments to Montgomery County, and the county in turn pays the bondholders.

7. RESERVED RETAINED EARNINGS

The interest earned on patients' trust funds during the fiscal year ended June 30, 1990 and previous years was transferred to the Nursing Home and used for patient activities in accordance with state law. The amount of retained earnings reserved for patient activities of $67 at June 30, 1995, represents the unexpended balance of these funds.

Beginning October 1, 1990, the interest earned on patient trust funds was allocated to patient accounts in proportion to their account balance.

An additional reserve for insurance is set at the insurance deductible limit of $2,500.

8. SINGLE-AUDIT CONCEPT

The Montgomery County Nursing Home is a component unit of Montgomery County. This audit report does not of course include all other component units of Montgomery County but only includes the Montgomery County Nursing Home. This does not appear to comply with the state requirement for implementation of the single-audit concept for entities receiving state funds. However, the Montgomery County Nursing Home will be included in the Montgomery County June 30, 1995 audit report when the County Audit Division of the Comptroller of the State of Tennessee prepares that audit report.

9. SCHEDULE OF CHANGES IN CONTRIBUTED CAPITAL

	Balance July 1, 1994	Additions	Retirements	Balance June 30, 1995
Source				
Montgomery County	$ 971,644	$ 0	$ 0	$ 971,644
Civic Organizations	12,881	0	0	12,881
Other	24,073	0	0	24,073
Total	$1,008,598	$ 0	$ 0	$ 1,008,598

Capital contributed from Montgomery County is recorded at cost of the asset contributed. Contributions, other than cash, from civic organizations or individuals are valued at estimated fair market value.

10. RELATED PARTIES

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

11. SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Room and board charges increased effective July 1, 1995 to $68.75 for Medicaid patients, $73.86 for private pay patients with a semiprivate room and $78.86 for private pay patients with a private room. Effective September 1, 1995, the charges for private pay patients with a semiprivate room increased to $80.87 and $85.87 for private pay patients with a private room. Room and board charges which were in effect during the year ended June 30, 1995 were $63.12 for Medicaid patients, $73.86 for private pay patients with a semiprivate room and $78.86 for private pay patients with a private room.

There were no other significant, subsequent events that we feel should be disclosed in these audited financial statements.

12. SIGNIFICANT CONTINGENT LIABILITIES

There are certain pending lawsuits in which Montgomery County Nursing Home is involved. No accrual for loss is recorded in these financial statements, as the amount of loss related to these lawsuits, if any, cannot be reasonably determined. It is the belief of the Nursing Home management that potential claims resulting from the lawsuits are covered by insurance.

There were no significant, contingent liabilities that we feel should be disclosed in these audited financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF MONTGOMERY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1995

1. DESCRIPTION OF THE BOARD

The Industrial Development Board of the County of Montgomery (The Board) is a nonprofit corporate agency and instrumentality of Montgomery County, Tennessee, organized under Title 7, Chapter 53 of the Tennessee Code Annotated. The intent of the legislature of the State of Tennessee by the passage of Title 7, Chapter 53, was to maintain and increase employment opportunities and further the use of its 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 state. The purpose of the Board is to lend assistance in the promotion and financing of such projects as authorized by the act to accomplish the purposes stated above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Revenues and Expenses

Revenues and expenses are recognized using the accrual basis of accounting. On the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

B. Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest.

C. 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.

D. Equipment

Equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets.

E. Compensated Absences

Vacation pay for employees is accrued as an expense in the period earned. Sick leave for employees does not vest; therefore, sick pay is charged to expense when paid.

3. **DEPOSITS AND INVESTMENTS**

Cash consists of demand deposits with financial institutions. At June 30, 1995, $593,202 was insured by federal depository insurance, and the balance of $12,894 was collateralized with securities held in escrow by the pledging financial institution's agent in the Board's name. At June 30, 1995, $1,607 was not collateralized with securities but subsequently have been secured.

The Board is authorized to invest in insured and collateralized bank investments, debt securities of the United States, and property held for sale or lease.

4. **NOTES PAYABLE**

Notes payable consist of amounts due to financial institutions, renewed in August, 1995, bearing interest at 7%. The notes are secured by real property, with a cost of $569,518 at June 30, 1995. Renewal is anticipated until the real property, securing the notes, is sold.

5. **EMPLOYEE BENEFIT PLAN**

The Board has a qualified money purchase plan through the American Economic Development Council created in accordance with Internal Revenue Code Section 401. The plan is available to all employees after completing one year of service and attaining twenty-one years of age. The Board's annual contribution to the plan is eight percent (8%) of the participant's compensation. Participants are 100% vested after completing one year of service. Contributions to the plan totaled $4,005 for the year ended June 30, 1995.

6. **RENT EXPENSE**

The Board rents office space and equipment from the Clarksville Area Chamber of Commerce on a month-to-month basis. Rent expense totaled $2,000 for the years ended June 30, 1995 and 1994. The Board entered into an agreement with the Chamber of Commerce, during the year ended June 30, 1989, to pay $20,000 for improvements to office space in lieu of rent. Under this agreement the Board will receive office space rent free until June 30, 1998.

7. **EQUIPMENT**

Equipment consists of the following:

	1995
Vehicle	$ 23,677

7. EQUIPMENT (Cont.)

	1995
Equipment	$ 22,241
Less accumuated depreciation	(25,239)
	$ 20,679

8. STATEMENTS OF CASH FLOWS

For the propose of the Statements of Cash Flows, the Board considers all liquid investments with an original maturity date of three months or less to be cash equivalents.

9. DEFERRED COMPENSATION PLAN

The Board has a deferred compensation plan through the American Economic Development Council created in accordance with Internal Revenue Code Section 457.' The plan, available to all Board employees, permits employees to defer a portion of their salary until future years. The amount of compensation deferred is not available to employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plan, all property and rights purchased with those funds, and all income attributable to those funds, property or rights are (until paid or made available to employee or other beneficiary) solely the property and rights of the Board subject only to the claims of the Board's general creditors.

In management's opinion, the Board has no liability for losses under the plan. However, the Board does have the duty of due care that would be required of an ordinary prudent investor. The Board believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

All assets of the plan are held by an independent administrator. The Deferred Compensation Fund is reported as deferred compensation and its assets are presented at fair value at June 30, 1995.

10. LEASES

The Board leases certain real property with an approximate cost of $560,878. The rent, of $20,000 per year, is payable quarterly. The lease expires in November, 1996 and provides the lessor an option to buy at the end of the lease for $375,000 or at anytime for $375,000 plus any unpaid portion of the lease.

11. COMMITMENTS AND CONTINGENCIES

Subsequent to the date of this report, the Board received approval of a Tennessee Industrial Infrastructure Program (TIIP) Grant, in the amount of $790,000, for site development and construction of a wastewater treatment plant for Bridgestone Metalpha U.S.A., Inc. The Board has a commitment to pay $100,000 to Bridgestone Metalpha U.S.A., Inc. for the site development as part of the grant contract.

The Board has approved the transfer of deed of title, to the Tennessee Board of Regents, the property of the vo-tech building and 15 acres of land with no consideration. The effect on the balance sheet will be a decrease in property held for sale or lease and a decrease in fund balance of $277,564.

The Board feels there may be some errors in the amount of acreage available for sale due to allocation of roads and easements. The Board feels the overall effect on the financial statements is immaterial.

12. TENNESSEE INDUSTRIAL INFRASTRUCTURE PROGRAM (TIIP) GRANTS

On April 7, 1995, the Board received approval of a TIIP Grant to assist Precision Printing and Packaging, Inc. with the provision of approximately 1,200 feet of rail with all related appurtenances at their location. The total estimated cost of the improvements is $100,540, of which the grant will not exceed $80,432. The local match of $20,108 is to be paid by Precision Printing and Packaging, Inc. As of June 30, 1995, no monies had been received on the grant and no expenses had been incurred.

On April 7, 1995, the Board received approval of a TIIP Grant to assist Industrial Tool Engineering and Machine Company in site preparation consisting of clearing and earth moving activity to prepare the site for construction of a building. The total estimated cost of the site preparation is $61,800, of which the grant will not exceed $49,440. The local match of $12,360 is to be paid by Industrial Tool Engineering and Machine Company. As of June 30, 1995, no monies had been received on the grant and no expenses had been incurred.

13. COMPONENT UNIT

The Board is considered a component unit of Montgomery County since its Board of Directors is appointed by the County.

MONTGOMERY COUNTY RAIL SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montgomery County Rail Service Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies for the Authority are described as follows:

A. The Financial Reporting Entity

The Authority, a component unit of Montgomery County, is responsible for assisting in the continuation of rail service within the area of Montgomery County. Two of the three board members of the Authority are appointed by the Montgomery County Executive with the Montgomery County Commission's approval and the County Executive is the third member of the Board. The Authority is treated as a discrete component unit of Montgomery County since Montgomery County controls the operations of the Authority. The financial reporting entity of the Authority only includes the assets and operations of the Authority and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

B. Basis of Accounting

The operations of the Authority are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. For reporting purposes, the Authority is considered to be a discretely presented "Special Revenue Fund" of the primary government, Montgomery County. A Special Revenue Fund is used to account for the expenditure of revenues that have been restricted to specific purposes or projects.

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 measurements made, regardless of the measurement focus applied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

B. Basis of Accounting (Cont.)

Special Revenue Funds are accounted for on a current financial resources measurement focus using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets and expenditures are recognized when the related liabilities are incurred.

The major source of revenue is grant revenue as discussed below:

Grant Revenue

Grant revenue is received annually from the Tennessee Department of Transportation to be used in maintaining and upgrading the railroad assets within the Authority's jurisdiction.

C. 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.

2. CASH DEPOSITS

Cash deposits are carried at cost and the carrying amount of deposits is separately displayed on the balance sheet. At June 30, 1995, the deposits of the Authority were held by the Montgomery County Trustee and were covered by FDIC insurance and pledged securities.

3. CONTINGENCIES

In the event of discontinued rail service by the operating company (R. J. Corman Railroad Company), the Rail Authority must return to the state a portion of the funds granted based on the state's pro-rate share of the amortized value of materials installed.

We are aware of no other contingencies that should be disclosed in these financial statements.

4. MATERIAL RELATED PARTY TRANSACTIONS

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

5. MATERIAL SUBSEQUENT EVENTS

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

6. RISK MANAGEMENT

Montgomery County Rail Service Authority is exposed to various risks of loss related to torts and errors and omissions. The Montgomery County Rail Service Authority (through its primary government, Montgomery County), has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.