OFFICIAL STATEMENT

New Issue
Book-Entry Only

Rating: Moody's "Aaa"
Insured: Financial Guaranty

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. (See "Tax Matters" herein).

$25,000,000
MONTGOMERY COUNTY, TENNESSEE
GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2003
(ULT)

DATED: June 1, 2003

DUE: May 1, as shown below

Montgomery County, Tennessee (the "County") will issue its $25,000,000 General Obligation Public Improvement Bonds, Series 2003 (the "Bonds") in fully registered book-entry form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of $5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year, commencing on November 1, 2003, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal of and interest on the Bonds are to be made to purchasers by DTC through the Participants (as such term is herein defined). Purchasers will not receive physical delivery of Bonds purchased by them. See "THE BONDS-Book-Entry-Only System." Principal of and interest on the Bonds are payable by the County to the corporate trust office of SouthTrust Bank, Nashville, Tennessee, as registration and paying agent (the "Registration Agent").

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a Municipal Bond New Issue Insurance Policy to be issued concurrently with the delivery of the Bonds by Financial Guaranty Insurance Company.

FGIC
Financial Guaranty Insurance Company

The Bonds are subject to redemption prior to their stated maturities as more fully set forth herein. The Bonds are payable on May 1 of each year as follows:

Maturity (May 1)	Amount	Interest Rate	Yield	Maturity (May 1)	Amount	Interest Rate	Yield
2005	$ 100,000	2.000%	1.170%	2015	$1,000,000	3.375%	3.550%
2006	200,000	2.000	1.460	2016	2,500,000	3.625	3.700
2007	300,000	2.000	1.850	2017	2,500,000	3.750	3.800
2008	400,000	2.250	2.160	2018	2,500,000	3.850	3.900
2009	1,000,000	2.750	2.430	2019	2,500,000	5.000	3.900*
2010	1,000,000	3.000	2.720	2020	2,500,000	5.000	4.000*
2011	1,000,000	3.125	2.930	2021	2,500,000	4.000	4.130
2012	1,000,000	3.250	3.060	2022	1,000,000	4.125	4.220
2013	1,000,000	3.250	3.210	2023	1,000,000	4.250	4.310
2014	1,000,000	3.250	3.390				

*yield to call date of May 1, 2013

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

The Bonds are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be printed on the Bonds. Certain legal matters will be passed upon for the County by Roger Maness, Esq., Counsel to the County. Stephens Inc. has acted as Financial Advisor to the County in connection with the sale of the Bonds. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about June 17, 2003.

Stephens Inc.
Nashville, Tennessee
Financial Advisor

June 3, 2003

Montgomery County, Tennessee
General Obligation Public Improvement Bonds, Series 2003
Dated June 1, 2003

Maturity (May 1)	Amount	Rate	Yield	Cusip No.
2005	$100,000	2.000%	1.170%	613664 H79
2006	200,000	2.000	1.460	613664 H87
2007	300,000	2.000	1.850	613664 H95
2008	400,000	2.250	2.160	613664 J28
2009	1,000,000	2.750	2.430	613664 J36
2010	1,000,000	3.000	2.720	613664 J44
2011	1,000,000	3.125	2.930	613664 J51
2012	1,000,000	3.250	3.060	613664 J69
2013	1,000,000	3.250	3.210	613664 J77
2014	1,000,000	3.250	3.390	613664 J85
2015	1,000,000	3.375	3.550	613664 J93
2016	2,500,000	3.625	3.700	613664 K26
2017	2,500,000	3.750	3.800	613664 K34
2018	2,500,000	3.850	3.900	613664 K42
2019	2,500,000	5.000	3.900*	613664 K59
2020	2,500,000	5.000	4.000*	613664 K67
2021	2,500,000	4.000	4.130	613664 K75
2022	1,000,000	4.125	4.220	613664 K83
2023	1,000,000	4.250	4.310	613664 K91

*yield to call date of May 1, 2013

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by Montgomery County, Tennessee (the "County") from time to time, may be treated as an Official Statement with respect to the Bonds described herein that is deemed final by the County as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the County or by Stephens Inc. (the "Financial Advisor") to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the County or the Bonds must not be relied upon as having been authorized by the County or the Financial Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which information is given in this Official Statement.

In making an investment decision investors must rely on their own examination of the County and the terms of the offering, including the merits and risks involved. No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

The material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolution, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of Montgomery County, Tennessee General Obligation Public Improvement Bonds, Series 2003.

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MONTGOMERY COUNTY, TENNESSEE
1 Millennium Plaza
Clarksville, Tennessee 37041

OFFICIALS

Douglas Weiland
County Executive and Chairman

BOARD OF COMMISSIONERS

Edward E. Baggett	Mark A. Kelly	Elizabeth Rankin
Lewis Baggett	Lettie M. Kendall	Brenda Radford
Barry L. Bellamy	Reber P. Kennedy, Jr.	Benny F. Skinner
Loretta J. Bryant	Ginger Miles	Ronald J. Sokol
Joe L. Creek	Ruth Ann Milliken	Mabel B. Steeley
Robert Gibbs, Jr.	John O. Morris, Jr.	Suzanne Uffelman
Nancy Kahihikolo	Jack Nagrod	Pat Vaden

COUNTY OFFICIALS

Assessor of Property	Ronnie D. Boyd
Circuit Court Clerk	Cheryl J. Castle
Clerk and Master	Edward Davis
County Clerk	Wilma K. Drye
Director of Accounts and Budgets	Rachel Reddick
Director of Adm. And Development	Glenn Abee
Director of Personnel	Mike Moore
Director of Schools	Dr. Sandra Husk
Register of Deeds	Joyce B. Sawyer
Sheriff	Norman Lewis
Superintendent of Highways	William Doug Black
Trustee	Carolyn Bowers

Counsel for the County
Roger Maness, Esq.
Clarksville, Tennessee

Bond Counsel
Bass, Berry & Sims PLC
Nashville, Tennessee

Registration and Paying Agent
SouthTrust Bank
Nashville, Tennessee

Financial Advisor
Stephens Inc.
Nashville, Tennessee

Underwriter
Morgan Keegan & Company, Inc.
Memphis, Tennessee

SUMMARY STATEMENT

This Summary is expressly qualified by the entire Official Statement which should be viewed in its entirety by potential investors.

ISSUER	Montgomery County, Tennessee (the "County").
ISSUE	$25,000,000 General Obligation Public Improvement Bonds, Series 2003 (the "Bonds").
PURPOSE	(i) constructing, repairing, renovating and equipping of County school buildings and school facilities; (ii) improvement of roads and streets in the industrial park area; (iii) installation of water and sewer facilities in the industrial park area; (iv) construction and equipping of an animal control facility; (v) acquisition of all property, real and personal, appurtenant to the foregoing; (vi) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing; (vii) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (viii) payment of costs incident to the issuance and sale of the Bonds.
DATED DATE	June 1, 2003.
INTEREST DUE	Each May 1 and November 1, commencing November 1, 2003.
PRINCIPAL DUE	Each May 1, commencing May 1, 2005 through May 1, 2023, inclusive.
SETTLEMENT DATE	June 17, 2003.
OPTIONAL REDEMPTION	Bonds maturing May 1, 2014 and thereafter, shall be subject to redemption prior to maturity at the option of the County on or after May 1, 2013 and thereafter at the price of par plus interest accrued to the redemption date.
SECURITY	Unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
BOND INSURANCE	Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.
RATING	"Aaa", by Moody's Investors Service, Inc. ("Moody's"), on the understanding that the standard policy of Financial Guaranty Insurance Company insuring the payment of principal of and interest on the Bonds will be issued upon delivery of the Bonds. The rating reflects only the

	view of Moody's, and neither the County nor the Financial Advisor makes any representation as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if in its judgment 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 from Moody's.
TAX MATTERS	Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under "TAX MATTERS" herein.
REGISTRATION AND PAYING AGENT	SouthTrust Bank, Nashville, Tennessee.
FINANCIAL ADVISOR	Stephens Inc., Nashville, Tennessee.
UNDERWRITER	Morgan Keegan & Company, Inc., Memphis, Tennessee.

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OFFICIAL STATEMENT

MONTGOMERY COUNTY, TENNESSEE

$25,000,000 GENERAL OBLIGATION PUBLIC IMPROVEMENT BONDS, SERIES 2003 (ULT)

INTRODUCTION

The Official Statement, including the cover page and appendices hereto, is furnished in connection with the issuance by Montgomery County, Tennessee (the "County") of $25,000,000 General Obligation Public Improvement Bonds, Series 2003 (the "Bonds").

The Bonds are issuable under and in full compliance with the constitution and statutes of the State of Tennessee including Sections 9-21-101, et seq., Tennessee Code Annotated, and pursuant to a resolution adopted by the Board of County Commissioners of the County on April 14, 2003 (the "Resolution"), authorizing the execution, terms, issuance, and the sale of the Bonds.

All notices have been published in a newspaper as required by state law.

This Official Statement includes descriptions of, among other matters, the Bonds, the Resolution, and the County. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Resolutions are qualified in their entirety by reference to the definitive document, including the form of the Bonds included in the Resolution. During the period of the offering of the Bonds, copies of the Resolution and any other documents described herein or in the Resolution may be obtained from the County. After delivery of the Bonds, copies of such documents will be available for inspection at the County Executive's office. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolution.

THE BONDS

Description

The Bonds are being issued for the purpose of providing funds for the following purposes: (i) constructing, repairing, renovating and equipping of County school buildings and school facilities; (ii) improvement of roads and streets in the industrial park area; (iii) installation of water and sewer facilities in the industrial park area; (iv) construction and equipping of an animal control facility; (v) acquisition of all property, real and personal, appurtenant to the foregoing; (vi) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing; (vii) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (viii) payment of costs incident to the issuance and sale of the Bonds.

The Bonds will be issued in fully registered, book-entry form, without coupons, in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated June 1, 2003. Interest on the Bonds, at the rates per annum set forth on the cover page and calculated on the basis of a 360-day year, consisting of twelve 30-day months, will be payable semiannually on May 1 and November 1 of each year (herein an "Interest Payment Date"), commencing November 1, 2003.

The Bonds will mature on the dates and in the amounts set forth on the cover page.

The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. SouthTrust Bank, Nashville, Tennessee (the "Registration Agent") will make all interest payments with respect to the Bonds on each Interest Payment Date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the Interest Payment Date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the County in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable. In the event the Bonds are no longer registered in the name of DTC or its successor or assigns, if requested by the Owner of at least $1,000,000 in aggregate principal amount of the Bonds, payment of interest on such Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration prior to the record date.

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 of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the County of such Special Record Date and, in the name and at the expense of the County, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the 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 and interest on the Bonds when due.

Optional Redemption

Bonds maturing on May 1, 2014 and thereafter shall be subject to redemption prior to maturity at the option of the County on May 1, 2013 and thereafter as a whole or in part at any time at the redemption price of par, plus interest accrued to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of County Commissioners of the County in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Notice of Redemption

Notice of call for redemption, whether optional or mandatory (if applicable), shall be given by the Registration Agent on behalf of the County not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants, or Beneficial Owners. Failure of DTC, or any successor Depository, to provided notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, if applicable, notices of which shall be given at least forty-five (45) days prior to the redemption date unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided.

Security and Sources of Payment

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

Under Tennessee law, the County's legislative body is authorized to levy a tax on all taxable property within the County, without limitation as to rate or amount, and a referendum is neither required nor permitted to set the rate or amount. For a more complete statement of the general covenants and provisions to which the Bonds are issued, reference is hereby made to the resolutions authorizing the Bonds.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Only one fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with Direct Participants, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE COUNTY AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

Sources and Uses of Funds

The following table sets forth the sources and uses of funds in connection with the issuance of the Bonds.

Sources of Funds	
Par Amount	$ 25,000,000.00
Reoffering Bid Premium	120,935.00
Accrued Interest	42,461.11
Total Sources	$ 25,163,396.11
Uses of Funds	
Deposit to Project Construction Fund	$ 25,000,000.00
Net Bid Premium to Construction Fund	61,179.00
Cost of Issuance	59,756.00
Accrued Interest - Deposit to Debt Service Fund	42,461.11
Total Uses	$ 25,163,396.11

Rating

The Bonds have been assigned a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's") on the understanding that the standard policy of Financial Guaranty Insurance Company insuring the timely principal of and interest on the Bonds will be issued upon delivery of the Bonds. The rating reflects only the view of Moody's, and neither the County nor the Financial Advisor makes any representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if in its judgment 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 from Moody's.

BOND INSURANCE

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds described in the Policy (as used under the heading, the "Bonds"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the County for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2003, the total capital and surplus of Financial Guaranty was approximately $1.028 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

CONTINUING DISCLOSURE

General

The County will at the time the Bonds are delivered 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 twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2003 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Issuer to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Issuer with each Nationally Recognized Municipal Securities Information Repository (the "Repositories") and any State Information Depository which may be established in Tennessee (the "SID"). If the Issuer is unable to provide the Annual Report to the Repositories and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories and the SID, if any, on or before such date. The notices of material events will be filed by the County with either the Repositories or with the Municipal Securities Rulemaking Board and any SID. 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 Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (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.

Annual Report

The County's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the Issuer 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 in a similar format the following information included in Appendix B to this Official Statement as follows.

1. "Summary of Outstanding Debt";

2. "Debt Statement";

3. "Debt Record";

4. "Per Capita Debt Ratios";

5. "Debt Ratios";

6. "Debt Trend";

7. "Debt Service Requirements";

8. "Property Valuation and Property Tax";

9. "Top Taxpayers";

10. "Fund Balances";

11. "Local Sales Tax"; and

12. "Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Types for Fiscal Year ended June 30."

Any or all of the items 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

The County will file notice regarding material events either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any, as follows:

1. Whenever the County obtains knowledge of the occurrence of a Listed Event (as defined in (3) below), the County shall as soon as possible determine if such event would be material under applicable Federal securities laws.

2. 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 either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) 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 Resolutions.

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults;

    c. Unscheduled draws on debt service reserves reflecting financial difficulties;

d. Unscheduled draws on credit enhancements reflecting financial difficulties;

e. Substitution of credit or liquidity providers, or their failure to perform;

f. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

g. Modifications to rights of Bondholders;

h. Bond calls;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities; and

k. Rating changes.

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.

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 Resolutions for amendments to the Resolutions with the consent of the 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, 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.

Default

In the event of a failure of the County to comply with any provision of the Disclosure Certificate, any Bondholder or any Beneficial Owner 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, if any, under the Resolutions, 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.

FUTURE ISSUES

On April 14, 2003, the Board of County Commissioners of the County authorized a total of $112,805,000 in aggregate principal amount of refunding bonds of which $81,640,000 principal amount of Bonds priced on May 20, 2003 and are anticipated to be issued on June 17, 2003. The County does not expect to issue the remaining balance of $31,165,000 in refunding bonds. The County has projected future school projects in the next three years amounting to approximately $34 million. No other capital improvement projects are planned at this time.

LITIGATION

As of the date of this Official Statement, the County has no knowledge or information concerning any pending or threatened litigation contesting the authority of the County to issue, sell or deliver the proposed Bonds. The County has no knowledge or information of any actions pending or expected which would materially affect the County 's ability to pay the debt service requirements of the proposed Bonds.

LEGISLATION AFFECTING STATE-SHARED TAXES

The Tennessee General Assembly adopted a State budget for Tennessee for fiscal year beginning July 1, 2003 which includes a reduction of certain State-Shared Taxes remitted to local governments. "State-Shared Taxes" are taxes collected by the State pursuant to State law and allocated by law to local governments for general use or, in some cases, for a particular purpose. The budget as adopted includes a nine percent (9%) reduction to alcohol related taxes and to the bank excise tax, and a thirty-three percent (33%) reduction (as adjusted for certain cities for fiscal year 2003-2004) to the "Hall income tax" (a tax on certain unearned income such as dividends). In addition, cuts were made to some programs and services provided to cities and counties by the State.

The impact to the County is estimated at approximately $333,000 in revenue reductions. The County is fully aware of the reduction of State-Shared Taxes and has considered the implications of such a decision in the development of its long-range capital plan.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be printed on the Bonds. (See Appendix A). Certain legal matters will be passed upon for the County by Roger Maness, Esq., Counsel to the County.

TAX MATTERS

Federal Taxes

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, interest on Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Bond Counsel's opinion is subject to the condition that the County comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds.

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

The initial public offering prices of the Bonds maturing May 1, 2014 through May 1, 2018, inclusive, and May 1, 2021 through May 1, 2023, inclusive (the "Discount Bonds") are less than the amounts payable at maturity. An amount not less than the difference between the initial public offering price of the Discount Bonds and the amount payable at maturity constitutes "original issue discount," which will be excludable from gross income for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the Bonds maturing May 1, 2005 through May 1, 2013, inclusive, May 1, 2019 and May 1, 2020 (the "Premium Bonds") are greater than the amounts payable at maturity with respect to such Bonds. The difference between (a) the amount payable at maturity of the Premium Bonds and (b) the initial offering price to the public (excluding Bond houses and brokers) at which a substantial amount of the Premium Bonds of such maturities are sold, will constitute the "original issue premium." Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of Bond premium, the owner of a Premium Bond may realize a taxable gain upon its disposition even though the Premium Bond is sold or redeemed for an amount not greater than the owner's original acquisition cost.

Owners of Discount Bonds and Premium Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds or Premium Bonds, other tax consequences of owning Discount Bonds and Premium Bonds, and with respect to the State of Tennessee and local tax consequences of holding such Discount Bonds and Premium Bonds.

State Taxes

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

UNDERWRITER

Morgan Keegan & Company, Inc., Memphis, Tennessee has agreed to purchase the Bonds at a purchase price of $25,120,935.00 (par amount of the Bonds plus a bid premium of $120,935.00), plus accrued interest. Of the reoffering premium of $362,310.00, the Underwriter retained $241,375.00, which includes $99,500.00 for bond insurance and $141,875.00 as Underwriter's compensation.

FINANCIAL ADVISOR

This Official Statement has been prepared under the direction of Montgomery County, Tennessee and with the assistance of Stephens Inc., Nashville, Tennessee, which has been contracted by Montgomery County, Tennessee to perform professional services in the capacity of financial advisor. Stephens Inc. received written permission from the County to submit a bid on the Bonds.

MISCELLANEOUS

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

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

The execution and delivery of this Official Statement was duly authorized by the County.

Certificate of County Executive

I, Douglas Weiland, do hereby certify that I am the duly qualified and acting County Executive of Montgomery County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated June 3, 2003, issued in connection with the sale of the $25,000,000 General Obligation Public Improvement Bonds, Series 2003 and to the best of my knowledge, information, and belief (a) the descriptions and statements contained in said Official Statement were at the time of the acceptance of the winning bid true and correct in all material respects; and (b) that said Official Statement did not at the time of the acceptance of the winning bid and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature this 3rd day of June, 2003.

/s/ Douglas Weiland
County Executive

I, Wilma Drye, do hereby certify that I am the duly qualified and acting County Clerk of Montgomery County, Tennessee, and as such official, I do hereby certify that Douglas Weiland is the duly qualified and acting County Executive of said County and that the signature appended to the foregoing certificate is the true and genuine signature of such official.

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

/s/ Wilma Drye
County Clerk

(SEAL)

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APPENDIX A

Form of Legal Opinion of Bass, Berry & Sims PLC, Attorneys, Nashville, Tennessee relating to the Bonds.

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(Form of Opinion of Bond Counsel)

BASS, BERRY & SIMS PLC
315 DEADERICK STREET
NASHVILLE, TENNESSEE 37238-0002

(Closing Date)

We have acted as bond counsel in connection with the issuance by Montgomery County, Tennessee (the "Issuer") of $25,000,000 General Obligation Public Improvement Bonds, Series 2003, dated June 1, 2003 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolutions of the Board of County Commissioners of the Issuer authorizing the Bonds have been duly and lawfully adopted, are in full force and effect and are valid and binding agreements of the Issuer enforceable in accordance with their terms.

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

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

Demographic and General Financial Information
Related to the County

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GENERAL INFORMATION

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

The City of Clarksville is the county seat and the only incorporated city in the County with a population of 103,455 based on the 2000 U.S. Census report. The City of Clarksville is the fifth largest city in the state and the major city in the Metropolitan Statistical Area (the "MSA") of Clarksville-Hopkinsville, TN-KY, which is one of the seven MSAs in the state.

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

DEMOGRAPHIC DATA

Population

Montgomery County's location in the central area of the state has promoted its population growth and economic expansion. According to the 2001 U. S. Census estimate, the County is the seventh largest county in the state with a population of 135,023 reflecting a 34.4 percent increase since the 1990 census.

	County		Tennessee	
	Number	**% Change**	**Number**	**% Change**
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2001 U. S. Census Estimate	135,023	34.4%	5,740,021	17.7%

Source: U.S. Bureau of Census

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Income and Housing

In 1999, the County had a per capita personal income of $23,442, which was 91.8 percent of the State average of $25,548.

	County	Tennessee	Percent of State
Per Capita Income, 1990	$14,686	$16,821	87.3%
Per Capita Income, 1999	$23,442	$25,548	91.8%

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

Median Household Income 1989 [1]	$25,568
Median Household Income, 1997 [2]	$38,981
Median Family Housing Value [3]	$85,100
Total Residential Parcels, 2000 [4]	44,632

Source: [1] Tennessee Statistical Abstract 2000 based on U.S. Census Bureau Information
Source: [2] U.S. Census Bureau estimate
Source: [3] State of Tennessee Board of Equalization
Source: [4] State of Tennessee Board of Equalization

ECONOMIC DATA

Economic Base

The economic base and the quality of life in Montgomery County is reflected in the various awards and rankings received by the County and the City of Clarksville. It was ranked as the as the *Top Mid-Size Market Downtown*, Southern Business & Development, Fall, 2002; *21st Most Cost-Effective Labor Growth Market*, Expansion Management July, 2001; *3rd Fastest Growing City in Tennessee During the 90's (Behind Nashville and Memphis)* U.S. Census April 2001; *Outstanding Community for 2000*, The Searchers, Inc. April, 2000; *Top Catfishing Waters*, Field & Stream January, 1999; *1999 Smart Choice City*, National Strategy Group January, 1999; *America's 11th Best City for Public Golf*, *Golf Digest* July, 1998; *49th Best Metropolitan County for Potential Growth*, Demographics Journal October 1997; *38th Family-Friendly City* Reader's Digest April, 1997; *57th Best Place to Live*, Money Magazine July, 1996; *Blue Ribbon School District*, Expansion Management Magazine Sept/Oct, 1996.

Major Employers

During a five-year period from 1996 to 2001, the County experienced a job creation rate of 23.9%. This occurred in the service sector, which grew 65% followed by manufacturing, 18.6%; retail/wholesale trade, 17%; transportation, 16.1%; and government, 14.7%. (Source: Clarksville — Montgomery County Economic Development Council). The growth in the above areas as well as increased employment opportunities in the Region has expanded employment. A diversified employment base of military, industries, state and local governments, health care, higher education and retail trade supports the economic base of the County. Based on recent statistics provided by the Tennessee Department of Employment Security, the County has a resident labor force of 62,760, which does not include military personnel (soldiers).

Fort Campbell Military Base located on the Tennessee - Kentucky line with about 60% of the base being in Tennessee is the largest employer in the area with approximately 4,317 civilians. There are no readily available statistics indicating the number of employees working in the County or in Stewart County in Tennessee or Christian and Trigg County in Kentucky. Also, there is no breakdown of employee's residence. From discussions with various parties in the County as well as individuals located on the Base, a large number of the employees reside in Montgomery County; however, the number of civilian employees would be less than 10% of the County's total labor force and, most likely, less than 10% of the County's total employment.

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

The military and civilian personnel at Fort Campbell provide a direct and indirect benefit to the County and the Region; however, during recent years, the employment in the County and Region have continually grown and diversified to the extent that the following list of major employers provide over 24,000 diversified jobs in the County.

County Major Employers

Employer	Number of Employees		Products /Services
Fort Campbell Military Base*			Major Defense Installation
Civilian Staff		4,317	Military Support Staff
Department of Army Civilians - GS grade	2,178		Civilians employed by U.S. Army
Post Exchange	583		Store for Active & Retired Military Personnel
Base School System for K - 12 Grades	738		Education for Children Living on the Base
Welfare and Recreation	818		Programs for Military Personnel & Families
Montgomery County Government		3,726	
School System	2,906		Education and Schools
General Government	820		County Services
Gateway Health System (Hospital)		1,200	Medical Services
Quebecor Printing		1,000	Magazine Printing
Convergys Corp.		1,100	Telemarketing Call Center
City of Clarksville		953	Municipal Services
Trane Company		930	Air Condition & Heating Equipment
WalMart Super Center		927	Retail Store
Austin Peay State University		784	Higher Education
Josten's Printing & Publication		700	Yearbook Printing
Larson Enterprises & McDonalds		600	Restaurants
Bosch Braking Systems		480	Anti-lock Brakes
Precision Printing & Packaging		343	Metalized Paper Labels
State of Tennessee		390	State Government Services
Bridgestone Metalpha USA Inc.		356	Metal Cord
Carreca Enterprises (Pizza Hut)		354	Restaurants
Premier Medical Group		350	Health Care
Letica Corp. (Maui Cup)		325	Paper Cups
Kroger		320	Retail Grocer
Florim USA		287	Ceramic & Porcelain Tile Manufacturing
Big K-Mart		223	Retail Store
Pasminco-Clarksville Zinc		222	Manf. of Zinc, Sulfuric Acid & Cadmium
Cumberland Electric Co-op		199	Electricity Supplier

Employer	Number of Employees	Products /Services
Lowe's of Clarksville	190	Building Materials
Harriett Cohn Mental Health Center	184	Health Care
Hendrickson Trailer Suspension System	175	Tractor Trailer Air-Ride Suspension Systems
Jenkins & Wynne	160	Automobile Dealer
Averitt Hardwoods International	155	Lumber
Farmers & Merchants Bank	150	Financial Services
Leaf Chronicle	149	Newspaper
StarTek, Inc.	145	Computer Software & Hardware
Hollingsworth Old	145	Utility
Gary Matthews Motors	138	Automobile Dealer
Dillard's	137	Retail Store
UCAR Carbon	136	Graphite Electrodes
Sears, Roebuck & Co.	130	Retail Store
Orgain Building Supply	130	Building Materials & Trusses
Clarksville YMCA	125	Non Profit Organization
Premier Wear Inc.	125	Knit Shirts
Progressive Directions, Inc.	125	Health Care
Sunrise Community of Tennessee	120	Health Care
Wyatt Johnson, Inc.	117	Automobile Dealer
Home Depot	115	Building Materials
Spring Meadow Health Care Center	112	Health Care
Belk	110	Retail Store
Target	106	Retail Store
Ft. Campbell Federal Credit Union	104	Financial Services
Sam's Club	102	Wholesale Store
James Corlew Chevrolet	100	Automobile Dealer
Cracker Barrel Old Country Store	100	Restaurant & Retail Store
General Care Convalescent Center	95	Health Care
SPX Corp-Contech/Metal Forge	95	Manufacturing
Whitson Lumber Company	95	Lumber Sales
WorkForce Essentials	94	Employment Service

* Not all of the employees at Fort Campbell live in Montgomery County.
Source: Economic Development Council

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Employment Base

Earnings by persons employed in the County increased by 22.2 percent from 1995 to 2000. The largest industries in 2000 were Services, 29 percent of earnings; Trade (Wholesale and Retail), 23.5 percent; Government and Government Enterprises, 15.7 percent; and Manufacturing, 12.5 percent.

	1995	1996	1997	1998	1999	2000
Total full-time and part-time	46,273	48,134	49,966	51,585	55,551	56,542
By Industry						
Farm	1,518	1,504	1,581	1,569	1,576	1,547
Nonfarm	44,755	46,630	48,385	50,016	53,975	54,995
Private	36857	38,168	40,139	41,977	45,446	46,114
Ag. Services, forestry, fishing, & other	403	(D)	(D)	(D)	(D)	(D)
Mining	40	(D)	(D)	(D)	(D)	(D)
Construction	3,309	3,557	3,664	3,687	3,772	3,799
Manufacturing	6,235	6,255	6,341	6,416	7,089	7,041
Transportation and public utilities	1,269	1,280	1,255	1,344	1,463	1,463
Wholesale trade	1,033	1,044	1,057	1,149	1,243	1,413
Retail trade	11,165	11,523	11,991	12,114	11,940	11,880
Finance, insurance, and real estate	3,102	3,219	3,527	3,568	3,823	3,606
Services	10,301	10,819	11,811	13,180	15,601	16,385
Government and government enterprises	7,898	8,462	7,146	8,039	8,529	8,881
Federal, civilian	478	484	464	539	784	884
Military	525	538	537	515	506	542
State and Local	6,895	7,440	7,245	6,985	7,239	7,455
State	1,573	1,650	1,667	1,667	1,700	1,688
Local	5,322	5,790	5,578	5,318	5,539	5,767

Source: Bureau of Economic Analysis

(D) Not shown to avoid disclosure of confidential information, but the estimates for this item are included in the total.

Labor Force, Employment and Unemployment Data

The labor force within the County has increased from 44,360 to 62,760 reflecting 49.8 percent increase since 1990. The unemployment rate in the County has decreased from 5.7 to 3.7 percent in the same time frame. The County's current unemployment of 3.7 percent is compared to a State average of 4.7 percent and a United States average of 5.8 percent.

EMPLOYMENT AND UNEMPLOYMENT OF THE COUNTY

			Total	Unemployment		
Year	**Employment**	**Unemployment**	**Labor Force**	**County**	**State**	**U.S.**
1990	38,060	2,280	40,340	5.7%	5.3%	5.6%
1991	38,590	2,780	41,370	6.7%	6.7%	6.8%
1992	39,130	2,590	41,900	6.2%	6.4%	7.5%
1993	41,940	2,420	44,360	5.5%	5.8%	6.9%
1994	48,870	2,150	51,020	4.2%	4.8%	6.1%
1995	50,000	1,970	51,970	3.8%	5.2%	5.6%
1996	50,420	2,120	52,540	4.0%	5.2%	5.4%
1997	50,380	2,410	52,790	4.6%	5.4%	4.9%

Year	Employment	Unemployment	Total Labor Force	Unemployment County	State	U.S.
1998	53,470	1,960	55,430	3.5%	4.2%	4.5%
1999	55,760	1,800	57,560	3.1%	4.0%	4.2%
2000	57,360	1,840	59,200	3.1%	3.9%	4.0%
2001	57,980	2,240	60,220	3.7%	4.5%	4.8%
2002	61,110	3,050	64,160	4.8%	5.1%	5.8%
2003*	60,460	2,300	62,760	3.7%	4.7%	5.8%

* 2003 numbers are for the month of February.

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

Transportation System

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

The northern portion of a new four-lane loop, Route 840, has been planned to run south of Clarksville through Montgomery County and will connect east of Nashville at Interstate 40 in Wilson County and west of Nashville to Interstate 40 in Dickson. Route 840 North will cross over Interstate 24 and 65. The southern portion of the loop around Nashville is under construction with some portions completed, which will also connect at Interstate 40 in Wilson County and west of Nashville to Interstate 40 in Dickson and provide additional access to Interstate 24, Interstate 40 and Interstate 65.

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

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

Air transportation includes Outlaw Field overseen by the Clarksville/Montgomery County Airport Authority with runways of 6,000 and 4,000 feet to accommodate more than 40,00 private and corporate flights. The Nashville International Airport located approximately 45 miles southeast in Nashville, Tennessee provides commercial service on American, Air Canada, Continental, Delta, Northwest, TWA, United, Southwest, Western Pacific, and US Airways on 389 daily flights.

Aspire Clarksville, 2001 - 2004

The Clarksville-Montgomery County Economic Development Council created "Aspire 2000" in 1996 and raised $1.6 million for economic and community development over the next four years. New jobs amounting to over 5,200 with a payroll of $120 million have been created since 1996. Area leaders have developed a focused economic development effort to recruit new businesses and work closely with existing businesses to meet current and future expansion needs. A new four-year marketing program started in 2001, "Aspire Clarksville", set a goal of $2 million that was to take place over the next four years. This goal was reached in 2001.

Fort Campbell Military Base

A key factor in the growth in Montgomery County is the Fort Campbell Military Base (the "Base"). The construction and development of the Base began July 16, 1941 to accommodate an armored division and various support troops for a total of 24,916 military personnel. The site includes approximately 105,000 acres located in Tennessee and Kentucky in four counties --- Montgomery and Stewart in Tennessee and Christian and Trigg in Kentucky. Approximately two-thirds of the installation is located in Tennessee.

The Base is home to the 101st Airborne Division (Air Assault Division), the Task Force 160th and the 5th Special Forces Group. It is one of the most powerful and prestigious divisions, having made a name for itself during World War II as the "Screaming Eagles." In 1968, the 101st took on the structure and equipment of an air mobile division. Today, the highly trained soldiers of the 101st are the world's only air assault division with unequaled strategic and tactical mobility. The 101st participates in combat missions at home and abroad with some of the most recent being in Iraq during "Desert Storm", Afghanistan in "Operation Enduring Freedom", and Iraq in "Operation Iraqi Freedom". Some of the peacekeeping and humanitarian missions include Rwanda, Haiti, Sinai Peninsula, Panama, Bosnia, Kosovo, 2000 forest fires in Western U.S., South American 1999 Flood Relief, the Smoky Mountains, and hurricane ravaged Louisiana and Florida.

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

Over 26,819 soldiers and 39,497 family members call Fort Campbell home. Some 4,317 civilians also work at the Base, making it the largest employer in the State of Tennessee. The 105,068 acre installation includes 48 ranges and five major drop zones. Fort Campbell is a city within itself, having five elementary schools, two middle schools, and one high school with a total enrollment of 4,364 students. The Base also has a bowling alley, PX Mall, horseback riding, commissary, pools and a library. Blanchfield Army Community Hospital is a 241 bed facility and provides health care for the soldiers, eligible retirees and their family members at the Base. The Base is also a training site for approximately 14,000 reserve components.

The economic impact for the four county area includes a payroll of over $1.1 billion with total expenditures exceeding $1.3 billion. In addition to the financial impact, military retirees make Montgomery County and adjoining counties home. The estimated number of retirees, widows and widowers in the area is 49,466 with total family members amounting to 74,199 for a total of military related individuals at 138,365.

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

Health Care Services

Clarksville is quickly becoming a regional medical hub for the area. The Gateway Health System operates as a private, not-for-profit, 206-bed hospital under the direction of an independent board of directors. Gateway Health System encompasses Gateway Medical Center, Gateway Home Health Care, Gateway Medical Clinic-Dover, and Gateway Health Foundation. Approximately 150 physicians provide services in the hospital, with over 1,200 other personnel employed in the hospital. 11,172 patients were admitted in 2002 serving a population of approximately 147,000 in Montgomery and Stewart Counties. Gateway Health System receives over $85 million in net revenues annually.

Other health care facilities include the following:

1	Clinic with 46 beds
4	Nursing Homes with 466 beds
3	Assisted Living Homes
59	Dentists
184	Physicians and Surgeons representing 37 medical specialties

Retail Trade

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

From 1990 to 2002, sales subject to state sales tax have increased from $561 million to over $1.42 billion reflecting a percentage increase of 153%.

Sales Subject To State Sales Tax

Fiscal Year	Population Estimate	Amount of Sales	Annual % Growth	Per Capita Amount
2002	135,023	$1,420,493,345	1.94%	$10,520.38
2001	135,023	1,393,438,900	1.29%	10,320.01
2000	134,768	1,375,702,717	8.41%	10,207.93
1999	129,411	1,269,007,050	10.33%	9,806.02
1998	127,156	1,150,160,083	4.52%	9,045.27
1997	124,252	1,100,441,617	3.70%	8,856.53
1996	120,943	1,061,182,500	10.45%	8,774.24
1995	115,645	960,784,267	13.73%	8,308.05
1994	112,624	844,830,217	12.34%	7,501.33
1993	108,843	752,058,733	11.52%	6,909.57
1992	107,277	674,360,750	15.75%	6,286.16
1991	101,684	582,598,150	3.79%	5,729.50
1990	100,498	561,338,500		5,585.57

Source: Revenue Collection Reports provided by Tennessee Department of Revenue

Tourism, Restaurants and Lodging

As all other economic areas in the County have flourished, the tourism, restaurants and lodging business have expanded in sales and number of establishments. There are 35 hotels/motels and bed & breakfast facilities with more than 2,100 rooms in the County and more than 350 restaurants. More than 20 major attractions are available in the area.

The Kentucky Lake on the Tennessee River, Lake Barkley on the Cumberland River and the Land Between the Lakes operated by the Tennessee Valley Authority form the most complete water related

recreational area in the Tennessee Valley and are within a one-hour drive of the County. Fishing, boating, lodging and lake homes on the nearby lakes provide tourists with diversified attractions. The Parks and Recreation Department offers more than 18 parks, three community centers, and seven community pools.
Annual events include the Old-Time Fiddlers Championship, Mid South Jazz Festival, Oktoberfest, North Tennessee State Fair, Clarksville Rodeo, Tennessee Walking Horse Show, and Riverfest.

Higher Education

Higher education institutions are a major contributor to the economic base with employment exceeding 700 for all institutions in the County. Montgomery County is home to one university, two colleges, a technology center and two vocational facilities offering a variety of four-year and two-year programs. These institutions include Austin Peay State University, Tennessee Technology Center, Draughon's Jr. College, Miller Motte Business College, North Central Institute, Tennessee Vocational Training Center, and Nashville State Technical Institute.

Austin Peay State University is the primary institution of higher education in the County. It was founded in 1927 and has a current enrollment over 7,000 with an annual budget of $57 million. The main campus has 51 buildings located on 200 acres plus an additional site of 475 acres operated as an environmental education center. The University offers a diversified higher educational program with 4 different Chairs of Excellence in the areas of creative arts, free enterprise, business and nursing and two Centers of Excellence in the areas of biology and the creative arts. The University has added a Business and Community Solution Center, which combines the efforts of the University and the Clarksville-Montgomery County Economic Development Council to provide a resource for business and economic development for the County.

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

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

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

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

Public Education

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

Montgomery County Schools

Grade	Number of Schools	Enrollment 2001-2002
K - 5	18	11,587
6-8	6	5,713
9-12	6	6,369
Total	30	24,310

School Year	Enrollment
1990-1991	16,500
1991-1992	17,288
1992-1993	18,277
1993-1994	19,549
1994-1995	20,489
1995-1996	21,542
1996-1997	22,454
1997-1998	22,810
1998-1999	23,579
1999-2000	23,548
2000-2001	24,141
2001-2002	24,310

Source: Montgomery County School Communication Department

Private Schools

There are three private schools in the County offering an educational program for grades kindergarten through 12. The enrollment in these schools exceeds 800. (Source: Clarksville – Montgomery County Economic Development Council)

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GREATER NASHVILLE REGION

Population for Region

The population of the Region is 24.96 percent of the state total population based on the 2001 U.S. Census report. The County's population in 2001 represents 8.9 percent of the Region's total population of 1,432,878. This is an increase from 8.9 percent in 1990 to 9.5 percent. The growth of the County was 34.4 percent from 1990 to 2001, which is almost twice the state's growth of 17.7 percent. The County is the fourth largest in the Region after Davidson, Williamson and Sumner Counties.

County	1990	2001	Growth Percent	Percent of Region
Cheatham	27,140	36,552	34.7%	2.6%
Davidson	510,786	565,352	10.7%	39.5%
Dickson	35,061	43,843	25.0%	3.1%
Houston	7,018	7,916	12.8%	0.6%
Humphreys	15,813	18,114	14.6%	1.3%
Montgomery	**100,498**	**135,023**	**34.4%**	**9.4%**
Robertson	41,494	56,083	35.2%	3.9%
Rutherford	118,570	190,143	60.4%	13.3%
Stewart	9,479	12,650	33.5%	0.9%
Sumner	103,281	134,336	30.1%	9.4%
Trousdale	5,920	7,345	24.1%	0.5%
Williamson	81,021	133,825	65.2%	9.3%
Wilson	67,675	91,696	35.5%	6.4%
Total for Region	1,123,756	1,432,878	27.5%	100.0%
State of Tennessee	4,877,203	5,740,021	17.7%	
Region % of State	23.04%	24.96%		

Source: U.S. Bureau of the Census

Labor Force, Employment and Unemployment Data for Region

For the period ending February 2003, the County employees represent 8.3 percent of the Region's total available labor force and an unemployment rate of 3.7%. The Region employs 26.27% of the state labor force and has an unemployment rate of 3.7% compared to the state rate of 4.7% as presented in the table below.

EMPLOYMENT AND UNEMPLOYMENT OF THE REGION

County	Labor Force	Employment		Unemployment	
		Number	% of Region	Number	Rate
Cheatham	19,250	18,610	2.66%	640	3.3%
Davidson	312,150	301,040	42.99%	11,110	3.6%
Dickson	21,670	20,620	2.94%	1,050	4.8%
Houston	2,700	2,460	0.35%	240	8.9%
Humphreys	7,780	7,230	1.03%	550	7.1%

County	Labor Force	Employment Number	Employment % of Region	Unemployment Number	Unemployment Rate
Montgomery	**62,760**	**60,460**	**8.63%**	**2,300**	**3.7%**
Robertson	29,130	27,680	3.95%	1,450	5.0%
Rutherford	104,190	100,500	14.35%	3,690	3.5%
Stewart	4,090	3,790	0.54%	300	7.3%
Sumner	71,790	68,780	9.82%	3,010	4.2%
Trousdale	1,930	1,740	0.25%	190	9.8%
Williamson	71,810	69,940	5.70%	1,870	2.6%
Wilson	49,480	47,430	6.77%	2,050	4.1%
Total for Region	758,730	700,280	100.00%	28,450	3.7%
State of Tennessee	2,888,600	2,752,200		136,400	4.7%
Region as % of State	26.27%	25.44%		20.86%	

Source: Tennessee Department of Employment Security for February 2003

Sales Subject to State Sales Tax

The State of Tennessee collects a uniform 6% sales tax rate on retail sales prescribed by state law. Using the State's Revenue Collections Report prepared by the Tennessee Department of Revenue, the Region's projected retail sales were $9,730,414,900 in 1990 and $20,885,887,386 in 2002. This represented a growth of 114.65 % in the Region as compared to a state growth of 112.46% as presented below. The County's growth during this same period was 153.26%.

PROJECTED SALES SUBJECT TO STATE SALES TAX

	Fiscal Year 1990	Fiscal Year 2002	Growth Percent	Percent of Region
Cheatham	$72,990,017	$162,650,521	122.84%	0.78%
Davidson	6,399,542,183	11,583,232,664	81.00%	55.46%
Dickson	216,490,750	503,449,706	132.55%	2.41%
Houston	17,472,233	31,806,532	82.04%	0.15%
Humphreys	94,813,383	118,723,107	25.22%	0.57%
Montgomery	**561,338,500**	**1,421,660,012**	**153.26%**	**6.81%**
Robertson	188,073,533	415,701,628	121.03%	1.99%
Rutherford	807,036,800	2,269,537,870	181.22%	10.87%
Stewart	28,317,450	57,350,801	102.53%	0.27%
Sumner	444,192,900	951,693,566	114.25%	4.56%
Trousdale	17,503,067	33,346,702	90.52%	0.16%
Williamson	561,437,633	2,483,203,012	342.29%	11.89%
Wilson	321,206,450	853,529,265	165.73%	4.09%
	$9,730,416,889	$20,885,887,386	114.65%	100.00%
State of Tennessee Total	$36,449,447,683.00	$77,438,945,918.67	112.46%	
Region as % of State	26.70%	26.97%		

Source: Tennessee Department of Revenue, Revenue Collection Reports

GOVERNMENTAL STRUCTURE

County Government

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

Budgeting, Finance and Auditing

The budgeting process of the County involves the input from all departments with the County Executive and Director of Accounts and Budgets responsible for the compiling of the complete budget. This is presented to the Budget Committee of the county legislative body with the body approving the budget in July. After approval of the budget by the county legislative body, it is submitted to the State Division of Local Finance for a complete review and analysis before being approved by the Division. A major step in the Division's analysis is proper funding of the budget, especially the outstanding debt. If this budget is not approved by October 1 of the current fiscal year beginning July 1, state revenues flowing to the County will be stopped until the budget is properly funded and approved with the County unable to borrow funds using tax anticipation Bonds or Refunding Bonds. This process provides for checks and balances in the budgeting process as well as promoting good budgeting practices.

The finances of the County are managed in accordance with the State Comptroller of the Treasury and Governmental Accounting Standards Board as supervised by the State Division of County Audit. In Tennessee, counties have the option to be audited by a private CPA firm --- subject to the State Comptroller's approval --- or by the State Division of County Audit under the control and supervision of the State Comptroller. The Division of County Audit has audited the County for at least the last twenty years. The most recent audit is included in Appendix C.

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GENERAL FINANCIAL INFORMATION
SUMMARY OF OUTSTANDING DEBT [1]

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 06/01/03
	Bonds				
$250,000	Solid Waste FHA Bonds	12/1/75	1/1/07	4.012%	$58,000
847,000	Industrial Park Revenue & Tax FHA Bonds	1/1/76	1/1/06	5.00%	157,000
14,864,029	GO Refunding Bonds, Series 1998	8/1/98	5/1/08	4.00% - 5.25%	8,715,000 [1]
68,725,000	GO Public Improvement & Ref. Bonds, Series 2001	12/1/01	5/1/21	4.00% - 5.50%	67,695,000
2,470,731	Qualized Zone Academy (School) Bonds		2016	0.00%	2,294,253
81,640,000	GO Refunding Bonds, Series 2003	5/21/2003 [2]	5/1/15	3.00% - 4.75%	81,640,000 [2]
	Sub-Total				$160,559,253
	Variable Rate Loan Agreements [3]				
$83,845,000	Loan Agreements, Series 1996	11/8/96	5/25/19	Variable Rate	$24,595,000
	Sub-Total				$24,595,000
	Notes				
$825,000	Library Equipment Notes	7/3/96	7/3/08	5.21%	$343,750
2,246,791	Various Notes Paid from School Funds	Various	Various	Various	1,075,354
9,500,000	GO Capital Outlay Notes, Series 2000	12/14/00	5/1/11	4.75% - 4.80%	9,200,000
798,175	Various Capital Projects	3/27/02	3/27/05	4.75%	532,116
870,000	Various Capital Projects	3/27/02	3/27/05	4.75%	580,000
4,632,655	Industrial Park	4/17/02	4/17/05	2.00%	4,117,920
977,030	Industrial Park	4/17/02	4/17/05	2.00%	868,472
177,232	Industrial Park	6/10/02	6/10/11	2.00%	177,232
2,540,750	Bond Anticipation Notes	varies	varies	varies	2,540,750 [4]
	Sub-Total				$19,435,594
	Capitalized Leases				
$135,637	Rescue Pumper	2/1/99	2/1/04	4.94%	$29,804
571,945	School HVAC System	8/1/98	8/1/05	5.59%	271,099
	Sub-Total				$300,903
	Total Outstanding Debt				$204,890,750

Sources: Comprehensive Annual Financial Report for Fiscal Year ending June 30, 2002 and County Finance Department.

DEBT STATEMENT

(as of June 1, 2003)

Oustanding Debt	
Total Outstanding Debt	$204,890,750
Less: Bond Anticipation Notes	(2,540,750)
Plus: General Obligation Public Improvement Bonds, Series 2003	25,000,000
Gross Direct Debt	$227,350,000
Less: Capital Outlay Notes and Capitalized Leases Paid from School Funds	($1,346,453)
Less: Debt Service Fund Balance as of June 30, 2002	(27,539,101) [5]
Net Direct Debt	$198,464,446 [5]
Net Overlapping Debt (as of June 30, 2002)	
City of Clarksville	$50,337,195
Total Net Overlapping Debt	$50,337,195
Overall Net Debt	$248,801,641 [5]

DEBT RECORD

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

(1) Does not include Nursing Home Revenue & Tax Bonds in the amount of $182,969 for which the County is contingently liable.

(2) The General Obligations Refunding Bonds, Series 2003 were sold May 20, 2003 and issuance is anticipated on June 17, 2003.

(3) This does not include $39,400,000 of Loan Agreements, Series 1995 or $48,810,000 of Loan Agreements, Seresi 1996 which are to be refunded by the General Obligation Refunding Bonds, Series 2003 sold May 21, 2003.

(4) The County has issued $2,540,750 in Bond Anticipation Notes after June 30, 2002. These Notes are anticipated to be paid off from proceeds received from the current bond sale.

(5) The annual financial report of the County for the Fiscal Year Ending June 30, 2002 reflects a fund balance of $27,539,101 in the Debt Service Fund. These funds can be used to pay outstanding principal as reflected in Net Direct Debt.

POPULATION OF THE COUNTY

	County		Tennessee	
	Number	% Change (1)	Number	% Change (1)
1970 U. S. Census	62,721		3,926,018	
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
1991 U.S. Census Estimate	101,648	1.1%	4,946,886	1.4%
1992 U.S. Census Estimate	107,294	6.8%	5,013,999	2.8%
1993 U. S. Census Estimate	108,853	8.3%	5,085,666	4.3%
1994 U. S. Census Estimate	112,635	12.1%	5,163,016	5.9%
1995 U. S. Census Estimate	115,645	15.1%	5,241,168	7.5%
1996 U. S. Census Estimate	120,991	20.4%	5,313,576	8.9%
1997 U. S. Census Estimate	124,358	23.7%	5,378,433	10.3%
1998 U. S. Census Estimate	127,156	26.5%	5,432,679	11.4%
1999 U. S. Census Estimate	129,411	28.8%	5,483,535	12.4%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2001 U. S. Census Estimate	135,023	34.4%	5,740,021	17.7%

Source: U.S. Bureau of Census

PER CAPITA PRINCIPAL PAYMENTS (2)

Outstanding Debt	$1,517.45
Gross Direct Debt	1,683.79
Net Direct Debt	1,469.86
Total Net Overlapping Debt	372.80
Overall Net Debt	1,842.66

DEBT RATIOS

	Assessed Value	Estimated Actual Value
Outstanding Debt to	13.50%	3.54%
Gross Direct Debt to	14.98%	3.93%
Net Direct Debt to	13.08%	3.43%
Total Net Overlapping Debt to	3.32%	0.87%
Overall Net Debt to	16.40%	4.30%

DEBT TREND

Form of Debt	06/30/02	06/30/01	06/30/00	06/30/99	06/30/98
Bonded Debt (3)	$80,557,955	$22,779,029	$30,344,595	$38,391,310	$46,012,206
Loan Agreements	118,030,000	117,933,447	99,104,177	84,626,698	73,933,933
Notes Payable (4)	18,377,091	15,237,859	2,184,153	2,763,134	2,931,545
Capitalized Leases	410,138	598,452	827,976	707,582	99,989
Gross Direct Debt	$217,375,184	$156,548,787	$132,460,901	$126,488,724	$122,977,673
Less: Self Supported Debt	($1,619,912)	($1,325,806)	($2,282,318)	($2,632,472)	($1,905,563)
Less: Ending Fund Bal.	(27,539,101)	(24,950,298)	(22,550,275)	(18,959,495)	(11,970,192)
Net Direct Debt	$188,216,171	$130,272,683	$107,628,308	$104,896,757	$109,101,918

Source: Comprehensive Annual Financial Reports for Fiscal Years ending June 20, 1998 thru 2002

(1) The percentage of change is determined by using the previous Decenial Census as the base year.

(2) The per capita principal payments are calculated using data from the Debt Statement and the most recent U.S. Census.

(3) Does not include Nursing Home Bonds which the County is contingently liable in the amount of $182,696 as of June 1, 2003.

(4) Various Capital Outlay Notes with a final maturity of 12/1/06 are not included on this Schedule. These are paid from general purpose school fund operating revenues.

DEBT SERVICE REQUIREMENTS [1]

(as of June 1, 2003)

		Principal Requirements						Interest Requirements					
Year No.	Year Ended June 30	Total Outstanding Bonds Principal	Total Outstanding Loan Principal	Total Outstanding Notes Principal[2][3]	Plus New 2003 Bond Principal	Total Principal Requirements	Percent Principal Retired	Total Outstanding Bonds Interest	Total Outstanding Loan Interest[4]	Total Outstanding Notes Interest	Plus New 2003 Bond Interest	Total Interest Requirements	Total Debt Service Requirements
1	2004	$9,550,481		$2,297,604		$11,848,085		$7,168,044	$87,107	$615,530	$875,760	$8,746,441	$20,594,526
2	2005	8,142,481		2,317,800	$100,000	10,560,281		7,107,556	1,045,287	526,203	955,375	9,634,421	20,194,702
3	2006	8,395,481		1,811,742	200,000	10,407,223		6,827,931	1,045,287	436,098	953,375	9,262,692	19,669,915
4	2007	8,947,481		1,861,742	300,000	11,109,223		6,468,967	1,045,287	356,407	949,375	8,820,037	19,929,260
5	2008	9,221,481		1,861,741	400,000	11,483,222	24.52%	6,085,726	1,045,287	287,065	943,375	8,361,453	19,844,675
6	2009	8,176,481		1,842,991	1,000,000	11,019,472		5,691,113	1,045,287	217,148	934,375	7,887,923	18,907,395
7	2010	8,676,481		1,892,991	1,000,000	11,569,472		5,356,113	1,045,287	147,888	906,875	7,456,163	19,025,635
8	2011	9,316,481		1,942,991	1,000,000	12,259,472		4,965,113	1,045,287	75,654	876,875	6,962,929	19,222,401
9	2012	10,976,481		19,692	1,000,000	11,996,173		4,538,813	1,045,287	394	845,625	6,430,119	18,426,292
10	2013	12,076,481			1,000,000	13,076,481	51.03%	4,019,813	1,045,287		813,125	5,878,225	18,954,706
11	2014	13,076,481			1,000,000	14,076,481		3,424,563	1,045,287		780,625	5,250,475	19,326,956
12	2015	14,076,481			1,000,000	15,076,481		2,778,063	1,045,287		748,125	4,571,475	19,647,956
13	2016	5,676,481	$5,665,000		2,500,000	13,841,481		2,080,313	1,025,224		714,375	3,819,911	17,661,392
14	2017	6,000,000	5,975,000		2,500,000	14,475,000		1,777,813	783,364		623,750	3,184,926	17,659,926
15	2018	6,500,000	6,305,000		2,500,000	15,305,000	83.23%	1,447,813	528,257		530,000	2,506,070	17,811,070
16	2019	7,000,000	6,650,000		2,500,000	16,150,000		1,114,688	259,073		433,750	1,807,510	17,957,510
17	2020	7,250,000			2,500,000	9,750,000		755,938			308,750	1,064,688	10,814,688
18	2021	7,500,000			2,500,000	10,000,000		384,375			183,750	568,125	10,568,125
19	2022				1,000,000	1,000,000					83,750	83,750	1,083,750
20	2023				1,000,000	1,000,000	100.00%				42,500	42,500	1,042,500
		$160,559,253	$24,595,000	$15,849,294	$25,000,000	$226,003,547		$71,992,749	$14,181,187	$2,662,387	$13,503,510	$102,339,833	$328,343,380

[1] Various Capitalized Leases amounting to $300,903 are not included in this schedule.

[2] Various Bond Anticipation Notes amounting to $2,540,750 are not included on this Schedule. These Notes were issued after June 30, 2002 and are anticipated to be paid off from proceeds received from the current sale.

[3] Various Capital Outlay Notes with a final maturity of 12/1/06 amounting to $1,075,354 are not included on this Schedule. These are paid from general purpose school fund operating revenues.

[4] Variable rate loan estimated at 4.25%.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

(b)Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

(c)Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

(d)Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

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

(a)Public Utility Property, to be assessed at 55% of its value;

(b)Industrial and Commercial Property, to be assessed at 30% of its value; and

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period. The most recent countywide reappraisal in Montgomery County became effective on January 1, 1997, and the next countywide reappraisal will become effective on January 1, 2003.

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Collection and Tax Lien

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

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

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PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year Tax Year	2002-2003 2002	2001-2002 2001	2000-2001 2000	1999-2000 1999	1998-1999 1998
ESTIMATED ACTUAL VALUES					
Residential & Farm	$3,881,113,407	$3,619,374,238	$3,483,107,415	$3,233,851,983	$2,974,144,600
Commercial & Industrial	1,266,071,087	1,139,576,442	1,105,591,634	1,046,085,146	972,441,200
Personal Tangible Property	505,022,241	501,060,155	498,019,065	440,814,590	402,466,763
Public Utilities	130,936,540	130,243,844	136,939,508	116,339,719	113,559,047
Total Estimated Actual Values	$5,783,143,275	$5,390,254,679	$5,223,657,622	$4,837,091,438	$4,462,611,610
Annual Percentage Change	7.29%	3.19%	7.99%	8.39%	4.54%
Estimated Per Capita Amount	$42,831	$39,921	$38,760	$37,378	$35,096
ASSESSED VALUES					
Residential & Farm (at 25%)	$873,541,600	$845,757,275	$813,915,125	$776,690,400	$743,536,150
Commercial & Industrial (at 40%)	455,937,520	426,064,840	413,358,600	401,989,600	388,976,480
Personal Tangible Property (at 30%)	136,401,457	140,502,278	139,648,846	127,047,173	120,740,029
Public Utilities (at 30%-55%)	51,499,850	52,389,022	54,358,434	48,708,167	49,568,524
Total Assessed Values	$1,517,380,427	$1,464,713,415	$1,421,281,005	$1,354,435,340	$1,302,821,183
Annual Percentage Change	3.60%	3.06%	4.94%	3.96%	4.82%
Estimated Per Capita Amount	$11,238	$10,848	$10,546	$10,466	$10,246
Appraisal Ratio	90.03%	93.47%	93.47%	96.07%	100.00%
Assessed Values to Actual Values	26.24%	27.17%	27.21%	28.00%	29.19%
Property Tax Rate					
General	$0.84	$0.84	$0.84	$0.84	$0.70
Highway/Public Works	0.16	0.17	0.17	0.17	0.17
General Purpose School	1.26	0.93	0.93	0.93	0.88
General Debt Service	1.04	1.36	1.36	1.36	1.55
Total Property Tax Rate	$3.30	$3.30	$3.30	$3.30	$3.30
Taxes Levied					
Total Taxes Levied	$50,073,554	$48,335,543	$46,902,273	$44,696,366	$42,993,099
Collections					
Current Fiscal Year	In-Process	$45,621,320	$44,447,293	$41,965,731	$40,502,014
Percent Collected Current FY	In-Process	94.38%	94.77%	93.89%	94.21%
Amount Uncollected as of 6/30/02	In-Process	$2,714,223	$445,407	$101,431	$3,428
Percent Collected as of 6/30/02	In-Process	94.38%	99.05%	99.77%	99.99%
Percent Uncollected as of 6/30/02	In-Process	5.62%	0.95%	0.23%	0.01%

Source: State Board of Equalization Tax Aggregate Reports of Tennessee, Property Assessor's office of Montgomery County, TN, and Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 1998 - 2002.

SELECTED FINANCIAL INFORMATION REGARDING THE COUNTY

General

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

Revenues received from ad valorem taxes levied on all taxable property within the boundaries of the County securing the payment of principal of and interest on the Obligations are deposited in the Debt Service Funds of the County. Such tax collections for the Obligations will be used exclusively to pay the principal of and interest on the Obligations. Included as APPENDIX C to this Official Statement are the General Purpose Financial Statements and notes thereto for the fiscal year ended June 30, 2002. Potential purchasers should read APPENDIX C in its entirety for more complete information concerning the County's financial position.

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

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

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

Budgetary Process

The County Executive and his staff are responsible for compiling the budget information of each County department into the complete budget, which is presented to the Budget Committee of the Board for its review. The full Board approves the budget in July. After the budget is approved by the Board, it is submitted to the State Division of Local Finance (the *"Division"*) for its complete review, analysis and approval. A significant component of the Division's analysis is proper funding of the budget, especially of outstanding debt. If the budget is not approved by the Board by October 1 of the then current fiscal year, then the County receives no state funds retroactive to the beginning of the fiscal year until the budget is properly funded and approved. In such circumstances, the County is unable to borrow funds using tax anticipation notes or capital outlay notes. This process is intended to provide for checks and balances in the budgeting process and to promote good budgeting practices.

The County's finances are managed according to a uniform accounting and chart of accounts in accordance with the State Comptroller of the Treasury and Governmental Accounting Standards Board as supervised by the State Division of County Audit. The County Executive is responsible for the general government financial operations of the County. The Superintendent of Highways is responsible for the highway department financial operations and the Superintendent of Education is responsible for the Department of Education financial operations. Each department is required to maintain its financial records in accordance with state standards, or it is subject to audit findings and the responsible official may be removed from office.

In Tennessee, counties have the option to be audited by a private accounting firm, subject to the State Comptroller's approval, or by the State Division of County Audit (*"County Audit"*) under the control and supervision of the State Comptroller. The County has been audited by County Audit for at least the last twenty years. The most recent audit is included herein as APPENDIX C.

The following funds have legally adopted budgets:

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.

General 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.

Other funds include Special Revenue Funds, Capital Projects Funds, Internal Service Funds and Trust and Agency Funds.

For additional information regarding these funds, see Notes to the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2002, in APPENDIX C hereto.

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TOP TAXPAYERS

Business	Type of Business	2002 Assessed Value	Assessed Value as a % of Total Assessment
BellSouth Telecommunications	Telecommunications	$18,843,646	1.24%
C.E.M.C.	Electricity Utility	17,826,876	1.17%
UCAR Carbide Corp.	Graphic Electrodes	17,659,505	1.16%
Trane Company	Heating & Cooling Equipment	17,594,768	1.16%
Industrial Dev. Board (Bridgestone)	Auto Parts Manufacturer	15,673,336	1.03%
Florim USA Inc.	Tile Manufacturer	14,282,873	0.94%
Robert Bosch Corp.	Braking System Manufacturer	13,145,119	0.87%
Governor's Square	Retail Shopping Mall	12,988,127	0.86%
Quebecor World Inc.	Printing	11,266,693	0.74%
Savage Zinc Inc.	Zinc Production	10,407,110	0.69%

Sources: Montgomery County Trustee and Assessor of Property

FUND BALANCES

	06/30/02	06/30/01	06/30/00	06/30/99	06/30/98
GOVERNMENTAL FUNDS					
General Government Fund	$7,458,412	$16,849,989 (1)	$14,566,347 (1)	$8,224,899	$6,474,090
Special Revenue Funds	734,532	533,008	543,898	708,508	711,996
Education Funds	9,036,849	11,178,028	13,298,879	14,615,084	12,222,957
Debt Service Funds	27,539,101	24,950,298	22,550,275	18,959,495	11,970,192
Capital Project - Gen. Government	39,051,111	4,276,441	334,506	115,497	439,501
Capital Project-Education	3,674,293	7,475,849	3,020,017	2,619,830	4,343,128
Total Governmental Funds	$87,494,298	$65,263,613 (1)	$54,313,922 (1)	$45,243,313	$36,161,864
FIDUCIARY FUNDS					
Trust and Agency (2)		$149,354	$149,835	$151,752	$149,433
TOTAL ALL FUNDS	$87,494,298	$65,412,967 (1)	$54,463,757 (1)	$45,395,065	$36,311,297

(1) The General Government Fund Balance includes $9,250,593 received from insurance company for tornado damage.

(2) Due to auditor adjustments for compliance with GASB 34 the District Attorney Fund which was reported in the Expendable Trust Funds is now reported in the Agency Fund.

Source: Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 1998 - 2002.

LOCAL SALES TAX

	06/30/02	06/30/01	06/30/00	06/30/99	06/30/98
Rate (Percent of retail sales)	2.50%	2.50%	2.50%	2.50%	2.50%
Distribution					
General Debt Service Fund	$2,084,923	$2,050,675	$2,024,276	$1,868,505	$1,698,322
General Purpose School Fund	22,409,667	22,009,758	21,750,428	20,071,691	18,264,521
Cities Portion	7,794,879	7,577,653	7,502,402	6,971,298	6,411,008
Total Amount Collected	$32,289,469	$31,638,086	$31,277,106	$28,911,494	$26,373,851
% of Increase	2.06%	1.15%	8.18%	9.62%	5.18%

Source: Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 1998 - 2002.

WHEEL TAX

	06/30/02	06/30/01	06/30/00	06/30/99	06/30/98
Rate Per Vehicle	$30.50	$30.50	$30.50	$30.50	$30.50
General Purpose School Fund	$2,952,045	$2,865,777	$2,812,155	$2,699,630	$2,588,458
Total Amount Collected	$2,952,045	$2,865,777	$2,812,155	$2,699,630	$2,588,458
% of Increase	3.01%	1.91%	4.17%	4.29%	3.20%

Source: Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 1998 - 2002.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

All Fund Types

Fiscal Year ended June 30

	2002	2001	2000	1999	1998
REVENUES					
Total Local Taxes	$87,925,631	$85,615,675	$82,452,612	$78,267,264	$72,417,547
Licenses & Permits	445,535	402,266	415,943	355,543	396,441
Fines	888,910	1,074,145	1,047,474	1,077,975	935,599
Charges for Current Services	11,542,253	11,148,405	11,102,422	10,343,693	9,131,106
Other Local Revenues	4,478,856	5,482,357	11,470,014	6,101,722	1,905,075
State of Tennessee	73,850,995	73,662,215	69,720,545	67,457,764	63,411,147
Federal Government	13,100,896	11,114,303	17,199,595	16,639,008	13,783,662
Other Governments	385,717	308,528	265,419	707,253	701,895
Other Sources:					
Proceeds from Debt Issues	79,060,805	37,873,916	20,370,945	12,883,705	22,099,251
Proceeds from Refunding Bonds	5,020,000			16,632,250	
Premiums on Bonds Sold	1,258,022				
Other Loan Proceeds	4,971,553				
Operating Transfers	40,195,322 (1)	5,149,673	5,243,227	4,964,415	5,378,108
Total Revenues & Other Sources	$323,124,495	$231,831,483	$219,288,196	$215,430,592	$190,159,831
EXPENDITURES					
General Government	$30,113,649	$30,940,924	$34,895,322	$32,292,790	$27,056,973
Highway & Streets	5,712,443	5,637,227	5,956,422	5,582,614	5,183,702
Education	127,329,549	124,055,238	117,405,009	108,245,362	97,557,508
Debt Service	29,763,808	20,622,994	20,638,813	16,680,534	15,478,088
Capital Projects	54,283,977	26,379,139	18,098,043	16,108,281	21,962,703
Distribution to Cities	7,794,879	7,577,653	7,502,402	6,971,298	6,411,008
Escrow Agent for Refunded Bonds	5,362,934			15,002,618	
Operating Transfers	40,532,571 (1)	5,669,098	5,723,493	5,463,327	6,095,495
Total Expenditures & Other Uses	$300,893,810	$220,882,273	$210,219,504	$206,346,824	$179,745,477
Excess of Revenues & Other Sources Sources Over (Under) Expenditures	$22,230,685	$10,949,210	$9,068,692	$9,083,768	$10,414,354
Fund Balance July 1	65,263,613 (2)	54,463,757	45,395,065	36,311,297	25,896,943
Prior Period Adj.\Residual Transfers					
Fund Balance, June 30	$87,494,298	$65,412,967	$54,463,757	$45,395,065	$36,311,297

(1) Primarily transfers for capital projects.

(2) Difference in Fund Balance from June 30, 2001 to July 1, 2001 is due to changes resulting from implementation of GASB 34.

Source: Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 1998 - 2002.

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APPENDIX C

General Purpose Financial Statements Excerpted from the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2002

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

MONTGOMERY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2002

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

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

JOE F. KIMERY, CPA, CGFM, CFE
Audit Manager

JEFF BAILEY, CPA, CGFM, CFE
Auditor 4

JODI GEARY, CGFM
RACHELLE BUNCH, CFE
TIM BRASHEARS
KATIE PHELPS
WENDY HEATH
State Auditors

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Audit Highlights

Comprehensive Annual Financial Report
Montgomery County, Tennessee
For the Year Ended June 30, 2002

Scope

We have audited the general purpose financial statements and the combining, individual fund, and account group financial statements of Montgomery County as of and for the year ended June 30, 2002.

Results

Our report on Montgomery County's financial statements was qualified because the General Fixed Assets Account Group for the Montgomery County School Department valued buildings and improvements using current appraisal information rather than historical cost, did not include valuations for construction in progress and donated land, and because the county's financial statements did not include certain component units of the primary government whose financial statements were not available from other auditors at the date of this report.

Our audit resulted in six findings and recommendations, which we have reviewed with Montgomery County management. Detailed findings, recommendations, and management's responses are included in the Single Audit Section of this report.

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS:

- Valuations for buildings and improvements were based on current appraisal information, rather than on historical cost or estimated historical cost. Construction in progress and donated land were not valued.

OFFICE OF TRUSTEE:

- The office's depository deducted warrants from the office's bank account before the bank presented the warrants to the trustee for payment.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK:

- The office's software allowed users the capability to change information on receipts, leaving no evidence of the original receipt.

OFFICE OF CLERK AND MASTER:

- The office's software did not generate sufficient accounting records to determine the propriety of all transactions.
- The office had accounting deficiencies. Bank statements were not reconciled with the general ledger in a timely manner, deposits exceeded receipts, subsidiary investment records were not properly maintained, the annual financial report contained inaccuracies, fees and commissions were not reported properly, and one execution docket did not reconcile with cash journal accounts.

OFFICE OF SHERIFF:

- The sheriff did not obtain a letter of agreement or court decree to authorize deputy hires.

INTRODUCTORY SECTION

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Montgomery County Officials
June 30, 2002

Officials:

Doug Weiland, County Executive
Doug Black, Highway Supervisor
Dr. Sandra Husk, Director of Schools
Carolyn Bowers, Trustee
Ronnie D. Boyd, Assessor of Property
Wilma K. Drye, County Clerk
Cheryl Castle, Circuit and General Sessions Courts Clerk
Edward Davis, Clerk and Master
Joyce Sawyer, Register
Norman Lewis, Sheriff
Rachel Reddick, Director of Accounts and Budgets
Jane E. Davis, Purchasing Agent

Board of County Commissioners:

Doug Weiland, Chairman
Norman C. Young
Brenda Radford
Sammy Stuard
Benny F. Skinner
Barry L. Bellamy
R. Q. Old
Ruth Ann Milliken
Sidney R. Brown
Jack Nagrod
Lewis Baggett
Joe L. Creek
John O. Morris, Jr.
Loretta J. Bryant
Moses Kahihikolo
Bill Hadley, Jr.
Lettie M. Kendall
Larry W. Foster
Pat Vaden
Mabel B. Steeley
Suzanne Uffelman
Reber P. Kennedy, Jr.

Board of Education:

Kent Griffy, Chairman
Eula Gardner Dowdy
Warren Broomer
Horace Murphy, Jr.
Nita Groves-Hill
James T. Mann
Charlie Patterson

Highway Commission:

Doug Black
Conroy Head
Milan S. Lewis

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

February 18, 2003

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

To the County Executive and County Commissioners:

1. We have audited the accompanying general purpose financial statements of Montgomery County, Tennessee, and the combining, individual fund, and account group financial statements of Montgomery County, as of and for the year ended June 30, 2002, 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 as of June 30, 2002, and for the year then ended. Those financial statements were audited by other auditors whose report has 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, is based solely on the report of the other auditors.

2. We conducted our audit in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

3. As described in Note 1.N to the financial statements, the Montgomery County School Department valued its buildings and improvements (general fixed assets) using current appraisal information and did not include valuations of construction in progress or donated land. Buildings and improvements should be recorded at historical cost or estimated historical cost and valuations on all general fixed assets should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

4. The financial statements of the Montgomery County Nursing Home, the Bi-County Solid Waste Management System, and the Clarksville-Montgomery County Industrial Development Board, component units 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 Montgomery County Nursing Home, the Bi-County Solid Waste Management System, and the Clarksville-Montgomery County Industrial Development Board, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

5. In our opinion, based on our audit and the report 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, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, except for the effect of the matter discussed in paragraph 3 above, the combining, 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, 2002, and the results of operations of such funds and cash flows of individual proprietary funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

6. 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 miscellaneous 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.

7. As discussed in Note 1.P to the financial statements, Montgomery County previously accounted for the Judicial District Drug Task Force in an Expendable Trust Fund. Effective July 1, 2001, Montgomery County discontinued the use of the Expendable Trust Fund and disclosed the Judicial District Drug Task Force as a joint venture as required by accounting principles generally accepted in the United States of America.

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 our report dated February 18, 2003, on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Very truly yours,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/yu

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General Purpose Financial Statements

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Exhibit A

Montgomery County, Tennessee
Combined Balance Sheet - All Fund Types,
Account Groups and Discretely Presented Component Units
June 30, 2002

	Primary Government				
	Governmental Fund Types				Proprietary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Internal Service
ASSETS					
Equity in Pooled Cash and Investments	$ 7,048,282	$ 592,955	$ 21,833,868	$ 45,543,745	$ 6,019,572
Cash	31,785	84,502	0	0	0
Inventories	71,665	0	0	0	0
Accounts Receivable	1,016,261	12,623	18,103	86,282	0
Allowance for Uncollectibles	(129,312)	0	0	0	0
Due from Other Governments	685,264	543,141	377,003	0	0
Due from Other Funds	91,658	11,003	20,849	7,943,513	0
Due from Primary Government	0	0	0	0	0
Due from Component Units	38,019	0	300,631	0	0
Taxes Receivable	13,487,241	2,576,271	16,981,217	0	0
Allowance for Uncollectible Taxes	(665,974)	(128,649)	(882,032)	0	0
Prepaid Items	0	0	0	0	833,000
Notes Receivable - Long-Term	0	0	5,609,685	0	0
Land	0	0	0	0	0
Buildings and Improvements	0	0	0	0	0
Furniture and Fixtures	0	0	0	0	0
Machinery and Equipment	0	0	0	0	0
Accumulated Depreciation -Machinery & Equipment	0	0	0	0	0
Construction in Progress	0	0	0	0	0
Other Fixed Assets	0	0	0	0	0
Amount Available in Debt Service Funds	0	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0
Total Assets	$ 21,674,839	$ 3,691,846	$ 43,709,324	$ 53,573,540	$ 6,852,572
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities					
Accounts Payable	$ 473,986	$ 90,422	$ 0	$ 97,784	$ 0
Accrued Payroll	647	0	0	0	0
Payroll Deductions Payable	50,606	6,629	0	0	0
Contracts Payable	1	0	0	3,631,730	0
Retainage Payable	0	0	0	0	0

(Continued)

Exhibit A

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

	Primary Government				
	Governmental Fund Types				Proprietary Fund Type
LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)	General	Special Revenue	Debt Service	Capital Projects	Internal Service
Liabilities (Cont.)					
Claims and Judgements Payable	$ 0	$ 0	$ 0	$ 0	$ 4,260,881
Due to Other Funds	45,721	90,925	86,729	7,892,915	0
Due to Component Units	17,356	18,858	0	3,000,000	0
Due to Other Taxing Units	0	0	0	0	0
Due to Litigants, Heirs and Others	0	0	0	0	0
Due to Joint Ventures	0	0	0	0	0
Capitalized Lease Obligations - Current	0	0	0	0	0
Deferred Revenue - Current Taxes	12,861,276	2,854,529	15,304,437	0	0
Deferred Revenue - Delinquent Taxes	391,347	79,201	633,611	0	0
Other Deferred Revenues	875,487	316,750	195,446	0	0
General Obligation Bonds Payable - Long-term	0	0	0	0	0
Capital Outlay Notes Payable - Long-term	0	0	0	0	0
Capitalized Lease Obligations - Non-current	0	0	0	0	0
Accrued Leave	0	0	0	0	0
Other Loans Payable - Long-term	0	0	0	0	0
Total Liabilities	$ 14,216,427	$ 2,957,314	$ 16,170,223	$ 14,522,429	$ 4,260,881
Equity and Other Credits					
Retained Earnings:					
Retained Earnings- Unreserved	$ 0	$ 0	$ 0	$ 0	$ 2,591,691
Investment in General Fixed Assets	0	0	0	0	0
Fund Balances:					
Reserved for Encumbrances	375,495	54,379	0	29,057,374	0
Reserved for Alcohol and Drug Treatment	66,684	0	0	0	0
Reserved for Litigation Tax - Office of Public Defender	54,008	0	0	0	0
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	279,859	0	0
Reserved for Courthouse and Jail Maintenance	31,530	0	0	0	0
Reserved for Long-term Notes Receivable	0	0	5,609,685	0	0

(Continued)

Exhibit A

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

	Primary Government				
	Governmental Fund Types				Proprietary Fund Type
LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)	General	Special Revenue	Debt Service	Capital Projects	Internal Service
Equity and Other Credits (Cont.)					
Fund Balances (Cont.):					
Reserved for Food Service	$ 0	$ 0	$ 0	$ 0	$ 0
Reserved for Fraud and Crimes Prosecution Act	7,773	0	0	0	0
Other Local Education Reserves	0	0	0	0	0
Reserved for Career Ladder - Extended Contract	0	0	0	0	0
Reserved for Career Ladder Program	0	0	0	0	0
Reserved for Title I Grants to Local Education Agencies	0	0	0	0	0
Reserved for Special Education - Grants to States	0	0	0	0	0
Reserved for Other General Purposes	9,267	0	0	0	0
Unreserved:					
Designated for Variable Loan Program	0	0	1,778,597	0	0
Designated for Insurance	10,000	5,000	0	0	0
Designated for Health Department	115,038	0	0	0	0
Designated for Legacy 2000	2,546	0	0	0	0
Designated for Trip Grant	22,716	0	0	0	0
Designated for Dental Clinic	0	0	0	292,877	0
Designated for Veterans Services	65,782	0	0	0	0
Designated for Child Advocacy Center	58,948	0	0	0	0
Designated for Animal Shelter	365	0	0	0	0
Designated for Workers' Compensation	0	0	0	0	0
Designated for Millennium Commission	25,907	0	0	0	0
Designated for Mobile Data Terminal	328,436	0	0	0	0
Designated for Register's Office	1,000	0	0	0	0
Undesignated	6,262,897	675,153	19,870,960	9,700,860	0
Total Equity and Other Credits	$ 7,458,412	$ 734,532	$ 27,539,101	$ 39,051,111	$ 2,591,691
Total Liabilities, Equity And Other Credits	$ 21,674,839	$ 3,691,846	$ 43,709,324	$ 53,573,540	$ 6,852,572

(Continued)

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

	Primary Government			Component Units	
	Fiduciary Fund Type	Account Groups			
	Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	Montgomery County Emergency Communications District
ASSETS					
Equity in Pooled Cash and Investments	$ 165,313	$ 0	$ 0	$ 9,611,154	$ 0
Cash	6,806,560	0	0	6,514	459,327
Inventories	0	0	0	352,073	0
Accounts Receivable	5,310	0	0	109,474	146,225
Allowance for Uncollectibles	0	0	0	0	0
Due from Other Governments	1,404,964	0	0	5,066,973	0
Due from Other Funds	0	0	0	52,305	0
Due from Primary Government	0	0	0	3,019,351	0
Due from Component Units	0	0	0	0	0
Taxes Receivable	0	0	0	19,990,860	0
Allowance for Uncollectible Taxes	0	0	0	(939,670)	0
Prepaid Items	0	0	0	50,000	8,223
Notes Receivable - Long-Term	0	0	0	0	0
Land	0	3,228,464	0	7,592,274	0
Buildings and Improvements	0	21,704,929	0	255,837,839	0
Furniture and Fixtures	0	147,713	0	1,109,703	0
Machinery and Equipment	0	7,630,584	0	15,244,885	602,658
Accumulated Depreciation -Machinery & Equipment	0	0	0	0	(162,707)
Construction in Progress	0	34,535,259	0	6,735,997	0
Other Fixed Assets	0	4,099,953	0	0	0
Amount Available in Debt Service Funds	0	0	19,870,960	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	196,855,169	2,268,082	0
Total Assets	$ 8,382,147	$ 71,346,852	$ 216,726,129	$ 326,107,764	$ 1,053,726
LIABILITIES, EQUITY AND OTHER CREDITS					
Liabilities					
Accounts Payable	$ 4,013	$ 0	$ 0	$ 369,960	$ 17,191
Accrued Payroll	0	0	0	743	40,649
Payroll Deductions Payable	84	0	0	9,070	0
Contracts Payable	0	0	0	1,431,978	12,704
Retainage Payable	0	0	0	117,445	0

(Continued)

Exhibit A

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

LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)	Primary Government			Component Units	
	Fiduciary Fund Type	Account Groups			
	Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	Montgomery County Emergency Communications District
Liabilities (Cont.)					
Claims and Judgements Payable	$ 0	$ 0	$ 0	$ 1,235,722	$ 0
Due to Other Funds	733	0	0	1,265	0
Due to Component Units	0	0	0	0	0
Due to Other Taxing Units	1,404,958	0	0	0	0
Due to Litigants, Heirs and Others	6,800,872	0	0	0	0
Due to Joint Ventures	171,467	0	0	0	0
Capitalized Lease Obligations - Current	0	0	0	0	94,159
Deferred Revenue - Current Taxes	0	0	0	18,541,914	0
Deferred Revenue - Delinquent Taxes	0	0	0	433,278	0
Other Deferred Revenues	0	0	0	2,466,517	0
General Obligation Bonds Payable - Long-term	0	0	80,557,955	0	0
Capital Outlay Notes Payable - Long-term	0	0	17,109,110	1,267,981	0
Capitalized Lease Obligations - Non-current	0	0	58,207	351,931	0
Accrued Leave	0	0	970,857	648,120	219,747
Other Loans Payable - Long-term	0	0	116,030,000	0	27,028
Total Liabilities	$ 8,382,147	$ 0	$ 216,726,129	$ 26,875,924	$ 411,473
Equity and Other Credits					
Retained Earnings:					
Retained Earnings- Unreserved	$ 0	$ 0	$ 0	$ 0	$ 642,253
Investment in General Fixed Assets	0	71,846,852	0	286,520,698	0
Fund Balances:					
Reserved for Encumbrances	0	0	0	5,881,663	0
Reserved for Alcohol and Drug Treatment	0	0	0	0	0
Reserved for Litigation Tax - Office of Public Defender	0	0	0	0	0
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0
Reserved for Courthouse and Jail Maintenance	0	0	0	0	0
Reserved for Long-term Notes Receivable	0	0	0	0	0

(Continued)

Exhibit A

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

	Primary Government			Component Units	
	Fiduciary Fund Type	Account Groups			Montgomery County Emergency Communications District
	Agency	General Fixed Assets	General Long-term Debt	Montgomery County School Department	
LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)					
Equity and Other Credits (Cont.)					
Fund Balances (Cont.):					
Reserved for Food Service	$ 0	$ 0	$ 0	$ 2,020,042	$ 0
Reserved for Fraud and Crimes Prosecution Act	0	0	0	0	0
Other Local Education Reserves	0	0	0	269,901	0
Reserved for Career Ladder - Extended Contract	0	0	0	329,688	0
Reserved for Career Ladder Program	0	0	0	61,954	0
Reserved for Title I Grants to Local Education Agencies	0	0	0	80,544	0
Reserved for Special Education - Grants to States	0	0	0	404,165	0
Reserved for Other General Purposes	0	0	0	0	0
Unreserved:					
Designated for Variable Loan Program	0	0	0	0	0
Designated for Insurance	0	0	0	0	0
Designated for Health Department	0	0	0	0	0
Designated for Legacy 2000	0	0	0	0	0
Designated for Trip Grant	0	0	0	0	0
Designated for Dental Clinic	0	0	0	0	0
Designated for Veterans Services	0	0	0	0	0
Designated for Child Advocacy Center	0	0	0	0	0
Designated for Animal Shelter	0	0	0	0	0
Designated for Workers' Compensation	0	0	0	311,508	0
Designated for Millennium Commission	0	0	0	0	0
Designated for Mobile Data Terminal	0	0	0	0	0
Designated for Register's Office	0	0	0	0	0
Undesignated	0	0	0	3,851,682	0
Total Equity and Other Credits	$ 0	$ 71,846,852	$ 0	$ 299,231,840	$ 642,253
Total Liabilities, Equity and Other Credits	$ 8,382,147	$ 71,846,852	$ 216,726,129	$ 326,107,764	$ 1,053,726

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
and Discretely Presented Component Unit
For the Year Ended June 30, 2002

	Primary Government				Component Unit
	Governmental Fund Types				Montgomery County School Department
	General	Special Revenue	Debt Service	Capital Projects	
Revenues and Other Sources					
Local Taxes	$ 15,644,787	$ 2,761,831	$ 22,314,305	$ 0	$ 89,409,829
Licenses and Permits	445,535	0	0	0	0
Fines, Forfeitures and Penalties	876,835	12,075	0	0	0
Charges for Current Services	2,297,694	5,104,260	0	0	4,140,299
Other Local Revenues	868,877	158,885	411,809	626,645	2,412,640
State of Tennessee	3,980,836	2,949,195	0	46,000	66,875,464
Federal Government	756,268	0	0	8,575	12,336,063
Other Governments and Citizens Groups	201,712	0	60,344	68,619	55,042
Total Revenues	$ 25,072,034	$ 10,986,246	$ 22,786,458	$ 749,839	$ 125,229,337
Other Sources:					
Bond Proceeds	0	0	0	68,705,000	0
Note Proceeds	798,175	0	0	6,479,685	8,077,945
Proceeds of Refunding Bonds	0	0	5,020,000	0	0
Premiums on Bonds Sold	0	0	352,427	905,595	0
Other Loan Proceeds	0	0	0	8,366,278	1,605,275
Operating Transfers	5,162,498	0	20,849	27,647,521	59,039
Operating Transfers from Primary Government	0	0	0	0	6,963,273
Operating Transfers from Component Units	177,142	0	165,000	0	0
Total Revenues and Other Sources	$ 31,209,849	$ 10,986,246	$ 28,344,734	$ 102,853,918	$ 141,934,869
Expenditures and Other Uses					
Current:					
General Government	$ 30,089,201	$ 15,873	$ 0	$ 8,575	$ 0
Highways	107,592	5,604,851	0	0	0
Education	0	0	0	0	127,329,549
Debt Service	0	1,500	20,411,408	8,719,131	631,769
Capital Projects	0	0	0	34,749,264	19,534,713
Total Expenditures	$ 30,196,793	$ 5,622,224	$ 20,411,408	$ 43,476,970	$ 147,496,081
Other Uses:					
Operating Transfers	10,029,365	5,162,498	0	17,639,005	59,039
Operating Transfers to Primary Government	0	0	0	0	304,123
Operating Transfers to Component Units	375,268	0	0	6,963,273	0
Payments to Refunded Bond Escrow Agent	0	0	5,362,934	0	0
Total Expenditures and Other Uses	$ 40,601,426	$ 10,784,722	$ 25,774,342	$ 68,079,248	$ 147,859,193

(Continued)

Exhibit B

Montgomery County, Tennessee
Combined Statement of Revenues, Expenditures
and Changes in Fund Equity
All Governmental Fund Types
and Discretely Presented Component Unit (Cont.)

	Primary Government				Component Unit
	Governmental Fund Types				Montgomery County School Department
	General	Special Revenue	Debt Service	Capital Projects	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (9,391,577)	$ 201,524	$ 2,570,392	$ 34,774,670	$ (5,924,324)
Fund Equity, July 1, 2001	16,849,989	533,008	24,950,298	4,276,441	18,653,877
Residual Equity Transfers	0	0	18,411	0	(18,411)
Fund Equity, June 30, 2002	$ 7,458,412	$ 734,532	$ 27,539,101	$ 39,051,111	$ 12,711,142

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, 2002

	General Fund			Special Revenue Funds			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	$ 15,644,787	$ 15,383,605	$ 261,182	$ 2,761,881	$ 2,812,129	$ (50,298)	$ 22,314,305	$ 22,224,213	$ 90,092
Licenses and Permits	445,535	410,500	35,035	0	0	0	0	0	0
Fines, Forfeitures and Penalties	876,835	890,500	(13,665)	12,075	12,500	(425)	0	0	0
Charges for Current Services	2,297,694	2,379,628	(81,934)	821	875	(54)	0	0	0
Other Local Revenues	868,677	855,175	13,702	98,642	73,185	25,457	411,809	435,561	(23,752)
State of Tennessee	3,980,336	4,203,401	(223,065)	2,949,195	2,911,658	37,537	0	0	0
Federal Government	756,258	666,080	90,178	0	0	0	0	0	0
Other Governments and Citizens Groups	201,712	197,778	3,934	0	0	0	60,344	60,344	0
Total Revenues	$ 25,072,034	$ 24,986,667	$ 85,367	$ 5,822,564	$ 5,810,347	$ 12,217	$ 22,786,458	$ 22,720,118	$ 66,340
Other Sources:									
Note Proceeds	798,175	798,175	0	0	0	0	0	0	0
Proceeds of Refunding Bonds	0	0	0	0	0	0	5,020,000	5,020,000	0
Premiums on Bonds Sold	0	0	0	0	0	0	352,427	352,427	0
Operating Transfers	5,162,498	15,015,820	(9,853,322)	0	0	0	20,849	21,300	(451)
Operating Transfers from Component Units	177,142	181,613	(4,471)	0	0	0	165,000	165,000	0
Total Revenues and Other Sources	$ 31,209,849	$ 40,982,275	$ (9,772,426)	$ 5,822,564	$ 5,810,347	$ 12,217	$ 28,344,734	$ 28,278,845	$ 65,889
Expenditures and Other Uses									
Current:									
General Government	$ 29,701,763	$ 31,749,332	$ 2,048,069	$ 126	$ 20,100	$ 19,974	$ 0	$ 0	$ 0
Highways	106,230	106,951	721	5,502,041	5,674,876	172,835	0	0	0
Debt Service	0	0	0	1,500	1,500	0	20,411,408	23,835,301	3,423,893
Capital Projects	39,557	54,657	15,100	0	0	0	0	0	0
Total Expenditures	$ 29,847,550	$ 31,911,440	$ 2,063,890	$ 5,503,667	$ 5,696,476	$ 192,809	$ 20,411,408	$ 23,835,301	$ 3,423,893
Other Uses:									
Operating Transfers	10,029,365	10,029,365	0	14,563	11,461	(3,102)	0	0	0
Operating Transfers to Component Units	375,268	375,268	0	0	0	0	0	0	0
Payments to Refunded Bond Escrow Agent	0	0	0	0	0	0	5,362,934	5,362,934	0
Total Expenditures and Other Uses	$ 40,252,183	$ 42,316,073	$ 2,063,890	$ 5,518,230	$ 5,707,937	$ 189,707	$ 25,774,342	$ 29,198,235	$ 3,423,893
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (9,042,334)	$ (1,333,798)	$ (7,708,536)	$ 304,334	$ 102,410	$ 201,924	$ 2,570,392	$ (919,390)	$ 3,489,782
Fund Balance, July 1, 2001	16,125,251	14,441,888	1,683,363	375,819	179,690	196,129	24,950,298	24,702,049	248,249
Residual Equity Transfers	0	0	0	0	0	0	18,411	0	18,411
Fund Balance, June 30, 2002	$ 7,082,917	$ 13,108,090	$ (6,025,173)	$ 680,153	$ 282,100	$ 398,053	$ 27,539,101	$ 23,782,659	$ 3,756,442

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
All Proprietary Fund Types and Discretely Presented Component Unit
For the Year Ended June 30, 2002

	Primary Government Internal Service Funds	Component Unit Emergency Communications District
Operating Revenues		
Charges for Current Services	$ 15,040,208	$ 1,176,445
Other Local Revenues	0	360
Total Operating Revenues	$ 15,040,208	$ 1,176,805
Operating Expenses		
Public Safety	$ 0	$ 1,417,464
Employee Benefits	17,743,772	0
Depreciation Expense	0	53,329
Total Operating Expenses	$ 17,743,772	$ 1,470,793
Operating Income (Loss)	$ (2,703,564)	(293,988)
Nonoperating Revenues (Expenses)		
Loss due to Change in Accounting Estimate	$ 0	$ (8,068)
Operating Subsidy-City of Clarksville	0	465,000
Interest Expense	0	(20,668)
Investment Income	277,009	369
Total Nonoperating Revenues (Expenses)	$ 277,009	$ 436,633
Income (Loss) Before Operating Transfers	$ (2,426,555)	$ 142,645
Operating Transfer from Primary Government	0	155,000
Net Income (Loss)	$ (2,426,555)	$ 297,645
Retained Earnings, July 1, 2001	5,018,246	342,971
Prior Period Cellular Charges	0	37,813
Prior Period Payroll Accrual	0	(36,176)
Retained Earnings, June 30, 2002	$ 2,591,691	$ 642,253

The accompanying notes are an integral part of this statement.

Montgomery County, Tennessee
Combined Statement of Cash Flows
All Proprietary Fund Types and Discretely Presented Component Unit
For the Year Ended June 30, 2002

	Primary Government Internal Service Funds	Component Unit Emergency Communications District
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	$ (2,703,564)	$ (293,988)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	0	53,329
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	3,083	(90,278)
(Increase) Decrease in Prepaid Items	0	55,939
(Increase) Decrease in Other Accrued Expenses and Payroll Deductions	0	38,368
Increase (Decrease) in Accounts Payable	0	(1,510)
Increase (Decrease) in Accrued Leave	0	1,924
Increase (Decreas) in Contracts Payable	0	10,526
Increase (Decrease) in Claims and Judgements Payable	945,473	0
Increase (Decrease) in Other Deferred Revenues	(1,503,689)	0
Prior Period Adjustments	0	1,637
Net Cash Provided By (Used In) Operating Activities	$ (3,258,697)	$ (224,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	$ 277,009	$ 369
Net Cash Provided By (Used In) Investing Activities	$ 277,009	$ 369
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating Subsidies	$ 0	$ 465,000
Operating Transfers from Primary Government	0	155,000
Net Cash Provided By (Used In) Noncapital Financing Activities	$ 0	$ 620,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of Capital Assets	$ 0	$ (20,995)
Capital Lease Payments	0	(88,938)
Interest Expense	0	(20,668)
Construction Period Interest	0	(10,656)
Net Cash Provided By (Used In) Capital and Related Financing Activities	$ 0	$ (141,257)
Increase (Decrease) in Cash and Cash Equivalents	$ (2,9[illegible]1,688)	$ 255,059
Cash and Cash Equivalents, July 1, 2001	9,001,260	204,268
Cash and Cash Equivalents, June 30, 2002	$ 6,019,572	$ 459,327

The accompanying notes are an integral part of this statement.

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MONTGOMERY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

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 21-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 that meet the criteria for being reported as part of the primary government by the blending method.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county.

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

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

The Montgomery County Nursing Home provides health care to the citizens of Montgomery County, and the Montgomery County Commission appoints its governing body. Patient charges provide the majority of the revenues for the entit . Before the issuance of any debt instruments, the nursing home must obtain the approval of the County Commission. The financial statements of the Montgomery County Nursing Home were not available from other auditors in time for inclusion in this report.

The Clarksville-Montgomery County Industrial Development Board primarily provides inducements to industry to locate or remain in Montgomery County, and the Montgomery County Commission appoints its governing body. City and county appropriations provide the majority of its funding. The financial statements of the Clarksville-Montgomery County Industrial Development Board were not available from other auditors in time for inclusion in this report.

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, and the Montgomery County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the approval of the County Commission.

The Montgomery County School Department does not issue separate financial statements from those of the county. Therefore, combining, individual fund, and account group 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 Management System, the Montgomery County Nursing Home, and the Clarksville-Montgomery County Industrial Development Board were not available in time for inclusion, as previously mentioned. Notes to the Financial Statements for Montgomery County and the Montgomery County School Department are included in Notes 1 through 20. Notes to the Financial Statements for the Montgomery County Emergency Communications District are presented following Note 20. Complete financial statements of the Bi-County Solid Waste Management System, the Montgomery County Nursing Home, the Clarksville-Montgomery County Industrial Development Board, and the Montgomery County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

Montgomery County Nursing Home
Montgomery County Director of Accounts and Budgets
126 Main Street
Clarksville, TN 37040

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

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

C. Related Organization

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

D. Joint Ventures

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

Montgomery County and the City of Clarksville jointly created the Clarksville-Montgomery County Airport Board, 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 for the benefit of all citizens of the two entities. Montgomery County has control over budgeting and financing the joint ventures only to the extent of representation by the board members appointed. Each entity is responsible for funding 50 percent of any deficits from operations if not covered by prior earnings.

The Economic and Community Development Board is a joint venture between Montgomery County and the City of Clarksville. The board comprises the county executive, mayor, and several additional members. The purpose of the board is to foster communication relative to economic and community development between and among governmental entities, industry, and private citizens. The county and city will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. Montgomery County did not appropriate any funds to the Economic and Community Development Board during the 2001-02 year.

The Nineteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Nineteenth Judicial District and Montgomery County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general and the Montgomery County Sheriff. Montgomery County paid expenditures totaling $19,376 for the DTF for the year ended June 30, 2002, through the General Fund.

The county does not retain an equity interest in any of the listed joint ventures.

Complete financial statements for the above-noted joint ventures can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Montgomery County Rail Service Authority
Montgomery County Executive
126 Main Street
Clarksville, TN 37040

Clarksville-Montgomery County Airport
200 Airport Road
Clarksville, TN 37042

Clarksville-Montgomery County Public Library
350 Pageant Lane, Suite 501
Clarksville, TN 37040

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

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

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

E. Jointly Governed Organization

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

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, as 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 in the financial statements of this report are grouped into six 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).

PROPRIETARY FUNDS

Internal Service Funds – Internal Service Funds are 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

Agency Funds – Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

The General Fixed Assets Account Groups are used by the primary government and the discretely presented Montgomery County School Department to account for fixed assets not accounted for in Proprietary Funds.

The General Long-term Debt Account Groups are used by the primary government and the discretely presented Montgomery County School Department to account for general long-term debt and certain other liabilities that are not specific liabilities of Proprietary Funds.

The General Fixed Assets Account Groups and the General Long-term Debt Account Groups are not funds. They are concerned only with the measurement of financial position and are not involved with the measurement of results of operations.

COMPONENT UNITS

The Montgomery County School Department uses a General Fund, two Special Revenue Funds, one Capital Projects Fund, and two account groups. The Montgomery County Emergency Communications District is accounted for as an Enterprise Fund.

BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental 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 of the primary government (Internal Service 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) consists of 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.

Agency Funds are custodial in nature and do not present results of operations or have a management focus. Agency Funds are accounted for using the modified accrual basis of accounting.

All Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The government considers grant and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on 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.

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

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 all Proprietary Funds of the Montgomery County primary government have 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 component unit 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 in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, etc.). Management may make revisions within major categories, 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 separately elected or appointed officials have all salaries and other operating expenses paid from county funds. All fees and commissions earned are reported and paid to the county's General Fund monthly. In addition to their statutory salaries, the clerk and master received $15,647 in special commissioner fees, and the sheriff received a training supplement of $560 from the State of Tennessee and $6,000 for serving as superintendent of the workhouse. 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 nonbudgeted Special Revenue Fund.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. 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	$ 40,601,426	$ 10,784,722
Add: Current-year Reserve for Encumbrances	375,495	54,379
Less: Prior-year Reserve for Encumbrances	(724,738)	(157,189)
Nonbudgeted Constitutional Officers - Fees Fund	0	(5,163,682)
Budgetary Basis - Exhibit C	$ 40,252,183	$ 5,518,230

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded 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 certain 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.

I. Taxes Receivable

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

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

J. Notes Receivable

The General Debt Service Fund had an intergovernmental note receivable totaling $5,609,685 on June 30, 2002. This receivable resulted from idle county funds being used to finance industrial development projects. Notes receivable in the General Debt Service Fund represent a long-term loan and are offset by a reservation of fund balance.

K. Investments

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

L. Prepaid Items

Prepaid items in the Self-insurance Fund (Internal Service Fund) represent amounts prepaid to the claims administrator for estimated claims outstanding at June 30, 2002.

Prepaid items in the discretely presented General Purpose School Fund represent amounts prepaid to the claims administrator for estimated workers' compensation claims outstanding at June 30, 2002.

M. Inventories

Inventories of the primary government and the discretely presented Montgomery County School Department consist of expendable supplies held for consumption and are valued at cost, on the average cost method. Inventories are expensed at the time individual items are used.

N. Fixed Assets and Long-term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Groups, rather than in Governmental Funds. These general fixed assets are recorded as expenditures in the Governmental Funds when purchased.

Public domain (infrastructure) general fixed assets consisting of certain improvements, including roads and bridges, have not been recorded in the General Fixed Assets Account Groups for the primary government and the Montgomery County School Department. Interest costs incurred during construction are not capitalized for the primary government and the Montgomery County School Department.

No depreciation has been provided on general fixed assets.

All fixed assets of the primary government are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

During 1999-2000, the discretely presented Montgomery County School Department began recording its general fixed assets. However, the school department had not assigned a value to donated land and construction in progress, and had valued its buildings and improvements using current appraisal information rather than historical cost or estimated historical cost, as required by generally accepted accounting principles.

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 two account groups are not funds. They are concerned only with the measurement of financial position and are not involved with measurement of results of operations.

The primary government's 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 sheets. Their reported fund equity (net total assets) consists of retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

O. Deferred Revenues

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

P. Accounting Change

Previously Montgomery County accounted for state grants and other restricted revenues held for the benefit of the judicial district drug task force in an Expendable Trust Fund. However, the drug task force should have been accounted for as a joint venture between the participating cities and counties. Montgomery County does not retain an equity interest in the joint venture, therefore only certain note disclosures are required by accounting principles generally accepted in the United States of America. Effective July 1, 2001, Montgomery County discontinued the Expendable Trust Fund and made the required note disclosures. However, since Montgomery County is the fiscal agent for the drug task force, an Agency Fund is used to report resources of the drug task force held by Montgomery County in a purely custodial capacity.

Q. 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 that are legally required to be reappropriated and expended for specific purposes in subsequent years. Designations reflect tentative plans for future use of financial resources.

The reserve for other general purposes in the General Fund represents amounts reserved for Circuit Data Processing Fees ($180), General Sessions Data Processing Fees ($2,198), Clerk and Master Data Processing Fees ($222), Sheriff Data Processing Fees ($3,056), child safety seats ($1,431) and veteran funds ($2,200).

R. 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. Long-term liabilities of $970,857 and $648,120 of accrued benefits at June 30, 2002, have 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 financial resources. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

S. Interfund Transactions

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

T. Statement of Cash Flows

For purposes of the Statement of Cash Flows for the Self-insurance, Workers' Compensation, and Unemployment Compensation Funds (Internal Service Funds) of the primary government, cash includes cash on deposit with the county trustee.

U. Retainage Payable

Retainage payable in the Education Capital Projects Fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. Subsequent to June 30, these liabilities were disbursed to third-party escrow accounts.

2. OFFICES OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING

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 Office of Central Accounting and Budgeting and the Office of Central Purchasing under the supervision of the director of accounts and budgets and the purchasing agent.

3. PURCHASING LAWS

Office of Central Purchasing

Purchasing for the County Executive's Office and the Highway Department was governed by Section 5-14-101 et seq., Tennessee Code Annotated (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 Montgomery County Commission, to make all purchases. This statute also provides for a County Purchasing Commission to assist the purchasing agent in the determination of overall purchasing policies. These statutes require that sealed bids be solicited on purchases exceeding $5,000.

School Department

Purchasing procedures for the discretely presented Montgomery County School Department are governed by purchasing laws applicable to schools, as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding $5,000.

4. DEPOSITS AND INVESTMENTS

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

	Montgomery County	Montgomery County School Department
Equity in Pooled Cash and Investments	$ 80,703,735	$ 9,611,154
Cash	6,922,797	6,514
Total	$ 87,626,532	$ 9,617,668

Montgomery County, the discretely presented Montgomery County School Department, Bi-County Solid Waste Management System, Montgomery County Emergency Communications District, Montgomery County Nursing Home, and the Montgomery County Rail Service Authority joint venture participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, 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 reflected on the combined balance sheet represents nonpooled amounts held separately by individual funds.

Cash on the combined balance sheet includes cash on hand, demand deposits, certificates of deposit, passbook savings accounts, and cash with paying agents. Cash on the combined balance sheet is analyzed as follows:

	Montgomery County	Montgomery County School Department
Cash on Hand	$ 37,006	$ 650
Cash in Bank	6,850,291	5,864
Cash with Paying Agents	35,500	0
Total	$ 6,922,797	$ 6,514

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

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

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Montgomery County, the discretely presented Montgomery County School Department, Montgomery County Nursing Home, Montgomery County Emergency Communications District, Bi-County Solid Waste Management System, and the Montgomery County Rail Service Authority joint venture, since all pool their deposits and investments through the county trustee. The carrying amount of Montgomery County's, Montgomery County School Department's, Montgomery County Nursing Home's, Montgomery County Emergency Communications District's, Bi-County Solid Waste Management System's, and Montgomery County Rail Service Authority's deposits with financial institutions was $92,250,700, and the bank balance was $95,578,508. 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 with 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 institutions' agent or trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized 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 $95,578,508.

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

Pooled investments are separately categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the entity's name. Funds invested in the State Treasurer's Investment Pool are not required to be categorized by generally accepted accounting principles. Separate disclosures for internally pooled investments cannot be made for Montgomery County, the discretely presented Montgomery County School Department, Montgomery County Nursing Home, Montgomery County Emergency Communications District, Bi-County Solid Waste Management System, and the Montgomery County Rail Service Authority joint venture, as noted for deposits.

POOLED INVESTMENTS

		Category 1	Reported Amount	Fair Value
U.S. Government Securities	$	8,779,295	$ 8,779,295	$ 8,779,295
Total	$	8,779,295	$ 8,779,295	$ 8,779,295
Investment in State Treasurer's Investment Pool			16,058,319	16,058,319
Total Pooled Investments			$ 24,837,614	$ 24,837,614

5. FUND DEFICITS AND RETAINED EARNINGS DEFICIT

The General Capital Projects and Education Capital Projects Funds had fund deficits of $22,160,786 and $1,144,130, respectively, at June 30, 2002. These fund deficits resulted from the unperformed portions of construction contracts of $29,057,374 and $4,818,423, respectively, being reserved as encumbrances. Funding for these future expenditures is expected to be received from interfund transfers or the issuance of debt.

The discretely presented School Federal Projects Fund had a fund deficit of $49,729 at June 30, 2002. This fund deficit resulted from the deferral of certain revenues received after the School Department's recognition period.

The Workers' Compensation Fund (Internal Service Fund) had a retained earnings deficit of $97,090 at June 30, 2002. This retained earnings deficit resulted from recognition of outstanding claims at year-end.

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 a court suit has been filed.

7. FIXED ASSETS

General Fixed Assets

Primary Government

A summary of changes in general fixed assets for the year ended June 30, 2002, is presented below:

	Balance July 1, 2001	Transfers and Additions
Land	$ 3,144,729	$ 131,290
Buildings and Improvements	22,144,219	205,859
Furniture and Fixtures	147,713	0
Office Machine· y and Equipment	6,266,218	1,508,186
Construction in Progress	8,986,897	25,756,221
Other Fixed Assets	4,406,779	0
Total	$ 45,096,555	$ 27,601,556

	Transfers and Deductions	Balance June 30, 2002
Land	$ 47,555	$ 3,228,464
Buildings and Improvements	645,149	21,704,929
Furniture and Fixtures	0	147,713
Office Machinery and Equipment	143,870	7,630,534
Construction in Progress	207,859	34,535,259
Other Fixed Assets	306,826	4,099,953
Total	$ 1,351,259	$ 71,346,852

Discretely Presented Montgomery County School Department

A summary of changes in general fixed assets for the year ended June 30, 2002, is presented below:

	Balance July 1, 2001	Transfers and Additions
Land	$ 5,854,275	$ 1,775,742
Buildings and Improvements	226,986,883	28,861,000
Furniture and Fixtures	1,072,207	37,496
Office Machinery and Equipment	15,273,052	6,150
Construction in Progress	0	6,735,997
Total	$ 249,186,417	$ 37,416,385

		Transfers and Deductions		Balance June 30, 2002
Land	$	37,743	$	7,592,274
Buildings and Improvements		10,044		255,837,839
Furniture and Fixtures		0		1,109,703
Office Machinery and Equipment		34,317		15,244,885
Construction in Progress		0		6,735,997
Total	$	82,104	$	286,520,698

8. COMMITMENTS

A. Committed Construction

At June 30, 2002, the General Capital Projects Fund had uncompleted construction contracts totaling $29,057,374. Funding of these future expenditures is expected to be transferred from the Other Capital Projects Fund on an as needed basis.

At June 30, 2002, the discretely presented Education Capital Projects Fund had uncompleted construction projects totaling $4,818,423 for various school improvements and construction. Funding of these future expenditures is expected to be received from issuing debt.

B. Leases

The present value of minimum lease payments under lease agreements has been recorded in the General Long-term Debt Account Groups. Future minimum payments under capital leases consisted of the following at June 30, 2002:

Montgomery County (Primary Government)		General Long-term Debt
2002-03	$	31,276
2003-04		31,279
Total Minimum Lease Payments	$	62,555
Amount Representing Interest		(4,348)
Present Value of Minimum Lease Payments	$	58,207

Montgomery County School Department Component Unit		General Long-term Debt
2002-03	$	100,482
2003-04		100,482
2004-05		100,482
2005-06		100,482
Total Minimum Lease Payments	$	401,928
Amount Representing Interest		(49,997)
Present Value of Minimum Lease Payments	$	351,931

C. Debt Service

The City of Clarksville and the Clarksville-Montgomery County Public Library have pledged part of their revenue to the county to help meet debt service requirements on one note issue. Amounts contributed during the 2001-02 year totaled $34,375 and $25,969, respectively.

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances of Montgomery County and the discretely presented Montgomery School Department component unit at June 30, 2002, were:

Fund		Interfund Receivables		Interfund Payables
General	$	129,677	$	63,077
Drug Control		0		3,102
Constitutional Officers - Fees		0		87,343
Highway/Public Works		11,003		19,338
General Debt Service		321,480		36,729
General Capital Projects		7,943,513		2,800,000
Other Capital Projects		0		8,092,915
Constitutional Officers - Agency		0		659
Judicial District Drug		0		74
General Purpose School		71,656		0
School Federal Projects		0		1,265
Education Capital Projects		3,000,000		0
Total	$	11,477,329	$	11,104,502

Of the above interfund receivables, $18,411 represents funds disbursed and in-transit from the Education Capital Projects Fund, but not received by the General Debt Service Fund, and $51,040 represents funds disbursed and in-transit from the School Federal Projects Fund, but not received by the General Purpose School Fund. In addition, $38,019 represents funds due from the Bi-County Solid Waste Management System (component unit) to the General Fund, $282,220 due from the

Montgomery County Nursing Home to the General Debt Service Fund, and $16,863 due to the Bi-County Solid Waste Management System from the General Fund.

10. LONG-TERM DEBT

Primary Government

The following is a summary of changes in liabilities included in general long-term debt for the year ended June 30, 2002:

	Bonds	Notes	Accrued Leave
Balance, July 1, 2001	$ 22,779,029	$ 14,425,234	$ 950,022
Additions	68,725,000	14,437,805	20,835
Deductions	(10,946,074)	(11,753,929)	0
Balance, June 30, 2002	$ 80,557,955	$ 17,109,110	$ 970,857

	Capital Leases	Other Loans
Balance, July 1, 2001	$ 169,969	$ 117,933,447
Additions	0	4,971,553
Deductions	(111,762)	(4,875,000)
Balance, June 30, 2002	$ 58,207	$ 118,030,000

The additions to long-term notes payable represent capital outlay notes issued by the primary government. The additions to other loans payable represent loans from the Montgomery County Public Building Authority for various public works projects. These notes and other loans will be retired from the county's General Debt Service Fund.

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

General obligation bonds, other loans, capitalized leases, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds, other loans, and capital outlay notes outstanding were issued for original terms of up to 30 years for bonds, 23 years for other loans, and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, notes, and capital leases included in the General Long-term Debt Account Group as of June 30, 2002, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, capital outlay notes, and capital leases outstanding as of June 30, 2002, are as follows:

Purpose	Interest Rate		Amount
General Obligation Bonds	4.012 to 5.12095%	$	63,978,000
General Obligatin Bonds - Refunding	4 to 5.25		16,579,955
Capital Outlay Notes	4.75 to 5.99		17,109,110
Other Loans	Variable		118,030,000
Capital Leases	4.94		58,207

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2002, including interest payments of $50,571,514 (bonds) and $3,122,567 (notes), are presented in the following table. Estimated annual principal requirements for the $41,800,000 and the $76,230,000 Montgomery County Public Building Authority loans are also reflected in the table. The loan agreements carry variable interest rates; therefore, interest amounts are not reflected in the table for the authority loans.

Year Ending June 30	Bonds	Notes	Other Loans	Total
2003	$ 8,270,770	$ 2,059,116	$ 5,225,000	$ 15,554,886
2004	7,682,495	2,859,514	5,480,000	16,022,009
2005	6,385,806	2,822,055	5,740,000	14,947,861
2006	6,372,182	5,342,759	6,015,000	17,729,941
2007	6,436,168	1,511,360	6,400,000	14,347,528
2008-2021	95,982,048	5,636,873	89,170,000	190,788,921
Total	$ 131,129,469	$ 20,231,677	$ 118,030,000	$ 269,391,146

There is $19,870,960 available in the General Debt Service Fund to service general long-term debt. General bonded debt per capita amounted to $598, based on the 2000 federal census. Total debt per capita, including notes, bonds, capital leases, and other loans, amounted to $1,601, based on the 2000 federal census.

Discretely Presented Montgomery County School Department

The following is a summary of changes in liabilities included in the discretely presented Montgomery County School Department's general long-term debt for the year ended June 30, 2002:

	Notes	Capital Leases	Accrued Leave
Balance, July 1, 2001	$ 812,625	$ 428,483	$ 638,194
Additions	918,000	0	9,926
Deductions	(462,644)	(76,552)	0
Balance, June 30, 2002	$ 1,267,981	$ 351,931	$ 648,120

The annual requirements to amortize all notes outstanding as of June 30, 2002, including interest payments of $95,978 are as follows:

Year Ending June 30	Notes
2003	$ 571,662
2004	380,728
2005	366,386
2006	34,098
2007	11,085
Total	$ 1,363,959

11. TAX ANTICIPATION NOTE

During the year, Montgomery County issued a tax anticipation note totaling $300,000 to provide temporary operating funds for the Highway/Public Works Fund. This note was retired before June 30, 2002, as required by state statutes, and therefore has not been reflected in the financial statements of this report.

12. ADVANCE REFUNDING

On December 1, 2001, Montgomery County advance refunded a portion of two general obligation bond issues with a separate general obligation bond issue. The county issued $5,020,000 of general obligation refunding bonds to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the General Long-term Debt Account Group. As a result of the advance refunding, Montgomery County will realize a net present value benefit of $92,583.

13. DEFEASANCE OF PRIOR DEBT

In prior years, Montgomery County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2002, the following outstanding bonds are considered defeased:

1993 General Obligation Series	$12,075,000
1994 General Obligation Series	1,650,000
1996 General Obligation Series	3,245,000

14. LITIGATION

The county is involved in several pending lawsuits. The county attorney and attorneys for the School Department are of the opinion that potential claims against the county and School Department not covered by insurance resulting from such litigation would not materially affect the financial statements of the county and School Department.

15. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations at the level of control presented in Exhibit A-1 for the General Fund, Exhibit B-3 for the Drug Control Fund, and Exhibit G-4 for the School Federal Projects Fund.

16. RISK-FINANCING ACTIVITIES

Montgomery County, the discretely presented Montgomery County School Department, Bi-County Solid Waste Management System, Montgomery County Nursing Home, and 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 $175,000 per specific loss and 125 percent of expected claims. The maximum liability amounted to $14,884,080 for the year. The county obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

All full-time employees of the primary government and the above-noted discretely presented component units are eligible to participate. A premium charge is allocated to each fund that accounts for 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. Claims liabilities include incremental claim adjustment expenditure/ expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2000-01	$ 2,147,381	$ 11,177,968	$ (10,489,411)	$ 2,835,938
2001-02	2,835,938	14,987,123	(14,354,812)	3,468,249

Montgome y County decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the Worker's Compensation Fund, and the plan is administered by Brentwood Services. The county retains the risk of loss to a limit of $250,000 per specific loss. The maximum liability amounted to $1,286,469 for the year. Montgomery County has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2000-01	$ 0	$ 755,437	$ (275,967)	$ 479,470
2001-02	479,470	818,944	(505,782)	792,632

Montgomery County is exposed to various risks related to general liability, property, and casualty losses. Officials decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, and casualty insurance coverage. Montgomery County joined the Local Government Property and Casualty Fund (LGPCF), which is a public entity risk pool established by the Tennessee County Services Association, an association of member counties. Montgomery County pays annual premiums to the LGPCF for its general liability, property, and casualty insurance coverage. The creation of the LGPCF provides for it to be self-sustaining through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding $100,000 for each insured event.

The discretely presented Montgomery County School Department decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the General Purpose School Fund, and the plan is administered by Brentwood Services. The School Department retains the risk of loss to a limit of $200,000 per specific loss. The maximum liability amounted to $2,319,880 for the year. The discretely presented Montgomery County School Department has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2000-01	$ 864,646	$ 1,150,517	$ (725,818)	$ 1,289,345
2001-02	1,289,345	1,032,513	(1,086,136)	1,235,722

The Montgomery County School Department continues to carry commercial insurance for general liability, property, and casualty insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

17. 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.

18. SUBSEQUENT EVENTS

On August 26, 2002, Montgomery County authorized the issuance of four interest-bearing capital outlay notes, not to exceed $2,248,000, for various capital outlay. Montgomery County also authorized the issuance of an interest-bearing bond anticipation note not to exceed $1,854,000 for renovation of school buildings.

On November 11, 2002, Montgomery County authorized the issuance of a bond anticipation note for $998,216 for additional classrooms at Montgomery Central Middle School.

On December 9, 2002, Montgomery County authorized the issuance of a bond anticipation note for $4,491,039 to construct additional classrooms at East Montgomery Elementary School.

On December 9, 2002, Montgomery County appropriated $4,528,810 to the School Capital Projects Fund to address energy and utility efficiency building improvements in the school system. The school will enter into a contract with LG&E Enertech for a performance evaluation of the school system.

On December 9, 2002, Montgomery County authorized the issuance of a bond anticipation note for $4,528,810 for a multi-year performance contract to address energy savings throughout the school.

19. LANDFILL CLOSURE/POSTCLOSURE CARE COSTS

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Bi-County Solid Waste Management System, a component unit 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 previously noted, the financial statements of the Bi-County Solid Waste Management System were not available from other auditors in time for inclusion in this report.

20. RETIREMENT COMMITMENTS

Plan Description

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

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

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2002, was 10.73 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2002, Montgomery County's annual pension cost of $4,026,194 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 1999, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Montgomery County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 1999, was 16 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ 4,026,194	100%	$ 0
June 30, 2001	3,806,610	100	0
June 30, 2000	3,077,857	100	0

Required Supplementary Information
Schedule of Funding Progress for Montgomery County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/01	$ 64,298	$ 75,200	$ 10,902	85.50%	$ 35,718	30.52%
6/30/99	52,331	61,468	9,137	85.14	31,150	29.33
6/30/97	42,217	43,150	933	97.84	24,352	3.83

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2001, which established contribution rates effective July 1, 2002. As a result of the June 30, 2000, experience study, changes were made to two of the significant actuarial assumptions as follows: 1) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and 2) projected 3.5 percent annual increase in the Social Security wage base.

SCHOOL TEACHERS

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0 percent of their salaries to the plan. The employer contribution rate for Montgomery County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2002, was 3.72 percent of annual covered payroll. The employer contribution requirement for Montgomery County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2002, 2001, and 2000, were $2,429,400, $2,217,966, and $3,063,005, respectively, equal to the required contributions for each year.

EMERGENCY COMMUNICATION DISTRICT OF MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The district, a joint venture of Montgomery County and the City of Clarksville, 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 equally by the city and county, 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 the city or 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 and operating subsidies, as discussed below:

(1) Subscriber Fees

A monthly subscriber fee is added to each telephone line in Montgomery County. The charge is billed and collected by the telephone company and is remitted to the district after deduction of a one percent administrative fee.

(2) Operating Subsidies

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

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 approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles except that depreciation is not budgeted, and the budgeted cost of fixed assets purchased is included as an expenditure.

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

A statement of comparison for the budgeted and actual revenues and expenditures is included in the Supplemental Information Section of this report.

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 160 hours for less than five years of employment, 192 hours for five to ten years of employment, and 200 hours for more than ten years employment. At the end of each month, accrued hours for each employee in excess of the maximum are transferred to sick leave. On termination of employment, the district pays an accrued vacation leave in a lump cash payment to such employee. All accrued compensated absences are shown on the balance sheet as long-term liabilities since a reasonable estimation of the current portion cannot be made.

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

E. Encumbrances

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

F. Fixed Assets and Depreciation

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

G. Occupancy

The Clarksville-Montgomery County Criminal Justice Complex provides space for the district operations and provides for all utilities. The district reimbursed the county $26,265 for this year's occupancy costs.

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. Election in Accordance with GASB 20

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

J. Use of Estimates

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

K. Cash Funds

Cash funds of the district are combined with other county funds and managed by the county trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of $369 was allocated to the district during the current year.

L. Other Significant Accounting Principles

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 $459,327. At June 30, 2002, the deposits of the district were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee, that exceed FDIC insurance limits, are further insured by securities set aside as collateral and pledged to the state treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee Code Annotated, Public Funds Collateral Pool Board.

3. ACCOUNTS RECEIVABLE

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

Bell South	$ 99,773
Other Service Providers	4,107
State Wireless Charges	42,345
Total	$ 146,225

4. CHANGE IN PROPERTY AND EQUIPMENT

	Construction Interest	Furniture and Equipment	Accumulated Depreciation
Balance July 1, 2001	$ 0	$ 584,645	$ 114,948
Additions	10,656	20,995	53,329
Change in Capitalization Policy	0	(13,638)	(5,570)
Balance June 30, 2002	$ 10,656	$ 592,002	$ 162,707

Equipment costing $404,325 is subject to capital leases totaling $313,906 at June 30, 2002.

Effective July 1, 2000, the district changed the policy whereby capital expenditures for items costing less than $5,000 are an expense for the period placed in service. The former policy expensed items costing less than $1,000. The change in policy produced a decrease in capital assets of $13,638.

The city has begun construction of a building to be used by an eventually transferred to, the district. The district is responsible for payment of debt service to the city. Construction period interest is being capitalized as cost of this future asset.

5. SERVICE ARRANGEMENT CONTRACT

On March 11, 1988, the district negotiated a service agreement 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, 2002, the monthly fee was $8,460.

6. RETIREMENT COMMITMENTS

Plan Description

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

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

Funding Policy

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

The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2002, was 9.94 percent of annual covered payroll. The contribution requirements of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year June 30, 2002, the district's annual pension cost of $80,435 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 1999, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 1999, was 22 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
6/30/02	$ 80,435	100%	$ 0
6/30/01	72,727	100	0
6/30/00	48,940	100	0

Schedule of Funding Progress for the District

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Assets [a]	Actuarial Accrued Liability (AAL) [b]	Unfunded AAL (UAAL) [b]-[a]	Funded Ratio [a/b]	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [[b-a]/c]
6/30/01	$ 705	$ 951	$ 246	74.13%	$ 773	31.82%
6/30/99	511	727	216	70.29	621	34.77
6/30/97	361	426	64	84.74	491	13.03

Changes in Actuarial Assumptions

An actuarial valuation was performed as of July 1, 2001, which established contribution rates effective July 1, 2002. As a result of the June 30, 2000, experience study, changes were made to two of the significant actuarial assumptions as follows: (1) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (2) projected 3.5 percent annual increase in the social security wage base.

7. CONTINGENCIES

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

8. RELATED PARTY TRANSACTIONS

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

9. SUBSEQUENT EVENTS

Subsequent to the date of this report, the City of Clarksville has entered contracts to build a new building for the district. The district will pay the debt service for the building and receive title from the city for.the property at a time no later than the time for retirement of the bond indebtedness.

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

10. RISK MANAGEMENT

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The district has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. A schedule of district insurance at June 30, 2002, is as follows:

Insurer	Coverage	Amount	Expiration Date
Tennessee County Services Association Pool	Commercial General Liability ($2,500 Deductible)	$ 1,000,000	7-1-02
JWF and CNA	Errors and Omissions ($10,000 Deductible)	1,000,000	10-27-02
Tennessee County Services Association Pool	Workers' Compensation	Statutory	7-1-02
Tennessee County Services Association Pool	Building and Contents ($2,500 Deductible)	60,000,000	7-1-02
Tennessee County Services Association Pool	Comprehensive Auto ($2,500 Deductible)	1,000,000	7-1-02
Auto Owners	Employee Blanket Bond	100,000	9-1-02
Ohio Casualty Company	Appointed Public Officials	84,900	8-31-02
Tennessee County Services Association Pool	Money and Securities ($2,500 Deductible)	1,000,000	7-1-02

Note: The above coverage is written for Montgomery County, and applies to the Emergency Communication District as a political subdivision thereof.

11. LONG-TERM DEBT

District debt consist of capital leases for equipment as follows:

		Debt Balance 6-30-02
A. Equipment costing $205,870 on 11-24-99 with 5 year lease payable at $3,961 per month	$	103,495
B. Equipment and fees totaling $269,842 on 6-12-01 with 5 year lease payable at $5,173 per month		210,411
Total	$	313,906

Schedule of debt payments:

Fiscal Year		Principal	Interest	Total
6/30/2003	$	94,159 $	15,448 $	109,607
6/30/2004		99,686	9,921	109,607
6/30/2005		73,309	4,611	77,920
6/30/2006		46,752	1,139	47,891
Total	$	313,906 $	31,119 $	345,025

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Statistical Section

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Table 1

Montgomery County, Tennessee
Uncollected Taxes Filed in Circuit Court
June 30, 2002

Year	Amount
1991	$ 68
1992	489
1994	249
1995	1,398
1996	1,130
1997	1,522
1998	3,428
1999	101,431
2000	445,407
Total	$ 555,122

Table 2

Montgomery County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
General	$ 0.48	$ 0.54	$ 0.58	$ 0.83	$ 0.77	$ 0.70	$ 0.70	$ 0.84	$ 0.84	$ 0.84
Highway/Public Works	0.19	0.19	0.18	0.19	0.19	0.17	0.17	0.17	0.17	0.17
General Purpose School	0.89	0.96	0.95	1.03	1.03	0.83	0.88	0.93	0.93	0.93
General Debt Service	1.17	1.04	1.02	1.35	1.41	1.60	1.55	1.36	1.36	1.36
Total Tax Rate	$ 2.73	$ 2.73	$ 2.73	$ 3.40	$ 3.40	$ 3.30	$ 3.30	$ 3.30	$ 3.30	$ 3.30
Assessed Valuation										
Real and Personal	$ 732,081,463	$ 769,577,280	$ 804,350,764	$ 871,935,985	$ 923,957,928	$ 1,222,762,610	$ 1,253,225,750	$ 1,310,261,100	$ 1,375,975,892	$ 1,421,554,344
Public Utilities	41,868,799	41,991,355	42,896,841	44,541,729	42,491,220	45,831,956	49,568,524	48,698,810	54,311,259	52,199,794
Total Assessed Valuation	$ 773,950,262	$ 811,568,635	$ 847,247,605	$ 916,477,714	$ 966,449,148	$ 1,268,594,566	$ 1,302,794,274	$ 1,358,959,910	$ 1,430,287,151	$ 1,473,754,138

APPENDIX D

Municipal Bond New Issue Insurance Policy Specimen

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Exhibit A

FGIC.

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal 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.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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