OFFICIAL STATEMENT

New Issue
Book-Entry Only

Rating: Standard & Poor's "AA+"

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 includible in the gross income of the owners thereof for federal income tax purposes within the meaning of Section 54AA of the Internal Revenue Code of 1986. 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, all 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).

$5,400,000
MONTGOMERY COUNTY, TENNESSEE
GENERAL OBLIGATION BONDS, SERIES 2010
(FEDERALLY TAXABLE BUILD AMERICA BONDS – DIRECT PAYMENT) (ULT)

Dated: February 4, 2010

Due: April 1, as shown below

Montgomery County, Tennessee (the "County") will issue its $5,400,000 General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds – Direct Payment) (the “Bonds”) under Section 54AA of the Internal Revenue Code of 1986, as amended (the “Code”). The Bonds will be issued in fully registered 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 April 1 and October 1 of each year, commencing on October 1, 2010, 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 Deutsche Bank National Association, Olive Branch, Mississippi, as registration and paying agent (the "Registration Agent").

The Bonds are subject to redemption on or after April 1, 2020 at the option of the County. See, "The Bonds – Optional Redemption".

The Bonds are payable on April 1 of each year as follows:

Maturity (April 1)	Principal	Interest Rate	Yield	CUSIP No.*	Maturity (April 1)	Principal	Interest Rate	Yield	CUSIP No.*
2022	$475,000	4.55%	4.55%	6136642T7	2027	$625,000	5.30%	5.30%	6136642Y6
2023	525,000	4.65	4.65	6136642U4	2028	650,000	5.40	5.40	6136642Z3
2024	550,000	4.75	4.75	6136642V2	2029	675,000	5.50	5.50	6136643A7
2025	575,000	4.85	4.85	6136642W0	2030	725,000	5.60	5.60	6136643B5
2026	600,000	5.20	5.20	6136642X8					

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 delivered with the Bonds. Certain legal matters will be passed upon for the County by Austin Peay, Esq., counsel to the County. The Bonds, in book-entry form, are expected to be available for delivery through Depository Trust Company in New York, New York, on or about February 4, 2010.

Stephens Inc.
Nashville, Tennessee
Financial Advisor

January 20, 2010

* These CUSIP numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a Division of The McGraw-Hill Companies, Inc., and are included solely for convenience of the Bondholders. The County is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

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).

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, resolutions, 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 the Montgomery County, Tennessee General Obligation Bonds, Series 2010 (Federal Taxable Build America Bonds – Direct Payment).

Table of Contents

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Montgomery, Tennessee
1 Millennium Plaza
Suite 200
Clarksville, Tennessee 37041-0368

OFFICIALS

Carolyn P. Bowers
County Mayor and Chairman

BOARD OF COMMISSIONERS

Jerry Albert	Robert Gibbs, Jr.	Ginger Miles
Edward Baggett	Dalton Harrison	Ruth Ann Milliken
Mark Banasiak	John Genis	Keith Politi
Martha Brockman	Nancy Kahihikolo	Elizabeth Rankin
Loretta J. Bryant	Charles Keen	Nick Robards
Joe L. Creek	Mark A. Kelly	Benny F. Skinner
Dwain Etterling	Lettie M. Kendall	Ronald J. Sokol

COUNTY OFFICIALS

Assessor of Property	Betty Burchett
Circuit Court Clerk	Cheryl J. Castle
Clerk and Master	Ted Crozier
County Clerk	Kellie A. Jackson
Director of Accounts and Budgets	Erinne J. Hester
Director of Adm. and Development	Edward Davis
Director of Personnel	Sheryl Gassard
Director of Schools	Michael Harris
Register of Deeds	Connie Bell
Sheriff	Norman Lewis
Superintendent of Highways	Mike Frost
Trustee	Brenda Radford

Counsel for the County
Austin Peay, Esq.
Clarksville, Tennessee

Bond Counsel
Bass, Berry & Sims PLC
Nashville, Tennessee

Registration and Paying Agent
Deutsche Bank National Trust Company
Olive Branch, Mississippi

Financial Advisor
Stephens Inc.
Nashville, Tennessee

Underwriter
FTN Financial Capital Markets
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	$5,400,000 General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds – Direct Payment").
PURPOSE.......................................	Finance the: (i) site development for school purposes; (ii) constructing, repairing, renovating and equipping of County school buildings and school facilities; (iii) constructing, repairing, renovating and equipping of County buildings and facilities; (iv) acquisition and installation of data processing equipment; (v) construction, repair and renovating of bridges located in the County; (vi) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (vii) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (viii) costs incident to the issuance and sale of the Bonds.
DATED DATE	February 4, 2010.
INTEREST DUE............................	Each April 1 and October 1, commencing October 1, 2010.
PRINCIPAL DUE	April 1 in the years 2022 through 2030, inclusive.
SETTLEMENT DATE	February 4, 2010.
OPTIONAL REDEMPTION.........	The Bonds shall be subject to redemption prior to maturity at the option of the County on or after April 1, 2020, as a whole or in part at any time, at the redemption price of par plus interest accrued to the redemption date.
SECURITY.....................................	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.
RATING	"AA+", by Standard & Poor's Rating Services ("S&P"). The rating reflects only the view of S&P 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. 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 S&P.
TAX MATTERS	Bond counsel will opine that interest on the Bonds is not excludible from gross income of the owners thereof for federal income tax purposes. See “TAX MATTERS” herein. 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.
REGISTRATION AND PAYING AGENT...	Deutsche Bank National Trust Company, Olive Branch, Mississippi.
FINANCIAL ADVISOR................	Stephens Inc., Nashville, Tennessee.
UNDERWRITER}...........................	FTN Financial Capital Markets, Memphis, Tennessee.

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Official Statement

Montgomery County, Tennessee

$5,400,000

General Obligation Bonds, Series 2010
(Federally Taxable Build America Bonds – Direct Payment) (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 $5,400,000 General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds – Direct Payment) (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 August 10, 2009 (the "Resolution").

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 Resolution are qualified in their entirety by reference to the definitive document, including the form of the Bonds included in the Resolution. Copies of the Resolution and any other documents described herein or in the Resolution are available for inspection at the County Mayor'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 to finance the: (i) site development for school purposes; (ii) constructing, repairing, renovating and equipping of County school buildings and school facilities; (iii) constructing, repairing, renovating and equipping of County buildings and facilities; (iv) acquisition and installation of data processing equipment; (v) construction, repair and renovating of bridges located in the County; (v) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing (collectively, the "Projects"); (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 Bonds.

The County has elected to treat the Bonds as "Build America Bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), and receive a cash subsidy with respect to each interest payment made under the Federally Taxable Build America Bonds. See "Build America Bonds" herein.

The Bonds will be issued as fully registered book-entry Bonds, without coupons, in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated their date of issuance. 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 April 1 and October 1 of each year (herein an "Interest Payment Date"), commencing October 1, 2010.

The Bonds will mature on the dates and in the amounts set forth on the inside 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. Deutsche Bank National Trust Company, Olive Branch, Mississippi (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 date which is the fifteenth day 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 Agent 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

The Bonds shall be subject to redemption prior to maturity at the option of the County on or after April 1, 2020, 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 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, or a portion thereof, 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 pursuant to which the Bonds are issued, reference is hereby made to the Resolution.

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 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.

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.

Plan of Finance

The proceeds of the Bonds will be deposited into a construction fund established by the Resolution and applied to finance the Projects and pay costs of issuance of the Bonds.

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	$5,400,000.00
Total Sources	$5,400,000.00

Uses of Funds	
Project Funds	$5,304,658.00
Issuance Costs (includes Underwriter's Discount and Expenses)	95,342.00
Total Uses	$5,400,000.00

Build America Bonds

General

The American Recovery and Reinvestment Act of 2009, enacted February 17, 2009, added Section 54AA to the Code, allowing state and local governments to issue new types of bonds termed build America bonds ("Build America Bonds"). Build America Bonds are taxable governmental bonds with federal subsidies for a portion of the interest payable on such bonds. The subsidies take the form of either tax credits provided to holders of the bonds or refundable tax credits paid to state and local governmental issuers of the bonds.

Federally Taxable Build America Bonds - Direct Payment

The County has elected to issue its Bonds as Build America Bonds under Section 54AA of the Code. The County has further elected to receive a credit with respect to each interest payment made for the Bonds. Thus, the County, rather than the bondholders, will receive a federal subsidy for a portion of the interest payable on the Bonds. Pursuant to Section 6431 of the Code, the County is eligible to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Bonds on any interest payment date (the "Direct Payments"). To receive a Direct Payment, the County must comply with certain requirements of the Code, including those regarding investment and use of bond proceeds, and must file a tax return (the "Form 8038-CP") with the Internal Revenue Service (the "IRS") at least forty-five (45) days, but not more than ninety (90) days, before each interest payment date for the Bonds. The County should generally receive a Direct Payment on each interest payment date. The County may receive the Direct Payment before or after the corresponding interest payment date depending on various factors, including when the Form 8038-CP was filed.

The County has agreed to (i) comply with the requirements of Section 54AA of the Code to ensure that the County remains eligible to receive the Direct Payments and (ii) deposit all Direct Payments into the County's Debt Service Fund for the Federally Taxable Build America Bonds. Although there is no indication that the County will not receive the Direct Payments if it complies with all applicable requirements, there can be no assurances that the United States Treasury will make the Direct Payments to the County, or that the United States Congress will not attempt to reduce the amount of the Direct Payments. The IRS has not provided for the filing of a Form 8038-CP after the forty-fifth (45th) day before an interest payment date, and it is possible that the County will not receive a Direct Payment if it does not properly file the Form 8038-CP within the prescribed timeframe. Because Direct Payments are treated by the IRS as overpayments of tax, the amount of any Direct Payment may be offset by certain unrelated amounts owed by the County to any federal agency. The full faith and credit of the County are pledged for the prompt payment of principal of and interest on the Bonds whether or not the Direct Payments are received.

Interest on the Bonds is includable in gross income federal income tax purposes, and neither holders nor beneficial owners of the Bonds are entitled to any tax credits as a result of either ownership of, or receipt of any interest payments on, the Bonds. For a further discussion of certain tax consequences of ownership of the Bonds, see "Tax Matters" herein. Holders and beneficial owners of the Bonds should consult their tax advisors with respect to the inclusion of interest on the Bonds in gross income for federal income tax purposes.

Rating

The Bonds have been assigned a rating of "AA+" by Standard & Poor's Ratings Services ("S&P"). The rating reflects only the view of S&P 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. 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 S&P.

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, 2009 (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 and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.com and with any State Information Depository which may be established in Tennessee (the "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 is in compliance with the undertakings required under the Rule.

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. "Per Capita Debt Ratios";
4. "Debt Ratios";
5. "Debt Trend";
6. "General Obligation Debt Service Requirements";
7. "Fund Balances";

8. "Top Taxpayers";

9. "Local Sales Tax Collections";

10. "Wheel Tax";

11. "Property Valuation and Property Tax";

12. "County Tax Rates"; and

13. "Tax Collections.

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 with the MSRB 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 with the MSRB 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 Resolution.

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 Resolution for amendments to the Resolution with the consent of the respective 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 Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the County to comply with the Disclosure Certificate shall be an action to compel performance.

Future Issues

The County issued in December, 2009, $20,000,000 principal amount qualified school academy bonds through the State of Tennessee. The County has also authorized the issuance of refunding bonds for $4,500,000 capital outlay notes on or before April 1, 2010 and a standby refunding bond issue to refinance approximately $75,000,000 of bonds for savings purposes only based on the change in interest rates.

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 Bonds. The County has no knowledge or information of any actions pending or expected that would materially affect the County's ability to pay the debt service requirements of the Bonds.

Approval of Legal Proceedings

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

Tax Matters

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation.

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.

Federally Taxable Build America Bonds

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Federally Taxable Build America Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Federally Taxable Build America Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Federally Taxable Build America Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, ownership and disposition of the Federally Taxable Build America Bonds.

Interest on the Federally Taxable Build America Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Federally Taxable Build America Bonds in the initial offering at their stated principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Federally Taxable Build America Bonds, accrual of original issue discount and market discount, if any, will be treated as ordinary income to an owner of Federally Taxable Build America Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Federally Taxable Build America Bonds issued with original issue discount ("Discount Federally Taxable Build America Bonds"). A Taxable Bond will be treated as having original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price at which a substantial amount of the Federally Taxable Build America Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Taxable Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Taxable Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Taxable Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Taxable Bond for each day during the taxable year in which such holder held such Discount Taxable Bond. The daily portion of original issue discount on any Discount Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Taxable Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Taxable Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Taxable Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Taxable Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes The Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner who acquires a Taxable Bond at a market discount also may be required to defer, until the maturity date of such Federally Taxable Build America Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held the Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser who purchases a Taxable Bond at a cost greater than its then principal amount (or, in the case of a Taxable Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any Federally Taxable Build America Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Federally Taxable Build America Bonds.

Sale or Redemption of Federally Taxable Build America Bonds. A bondowner's tax basis for a Taxable Bond is the price such owner pays for the Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified stated interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Bond, measured by the difference between the amount realized and the basis of the Taxable Bond as so adjusted, will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Federally Taxable Build America Bonds may result in a deemed sale or exchange of such

Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the Federal income tax consequences of such an event.

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding obligation is 28%, but the rate may change in the future) with respect to interest or original issue discount on the Federally Taxable Build America Bonds. This withholding generally applies if the owner of a Taxable Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number, (b) furnishes the Trustee or other payor an incorrect taxpayer identification number, (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Federally Taxable Build America Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Backup withholding is not an additional tax. Any amount paid as backup withholding would be credited against the bondholder's U.S. federal income tax liability, provided that the requisite information is timely provided to the IRS. The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Federally Taxable Build America Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Borrowers. Under the Code, interest and original issue discount income with respect to Federally Taxable Build America Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the County (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Federally Taxable Build America Bonds.

The opinions of Bond Counsel are not intended or written by Bond Counsel to be used and cannot be used by an owner of the Federally Taxable Build America Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Federally Taxable Build America Bonds. The opinions of Bond Counsel are provided to support the promotion or marketing of the Federally Taxable Build America Bonds. In all events, all investors should consult their own tax advisors in determining the Federal, state, local and other tax consequences to them of the purchase, ownership and disposition of the Federally Taxable Build America Bonds.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities, and court decision, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Tax-

Exempt Bonds under Federal or state law or affect the receipt of the cash subsidy payments on the Federally Taxable Build America Bonds and could affect the market price or marketability of the Tax-Exempt Bonds and Federally Taxable Build America Bonds.

Prospective bondholders should consult their own tax advisors regarding the foregoing matters.

Financial Advisor

Stephens Inc., Nashville, Tennessee, has been contracted by the County to perform professional services in the capacity of financial advisor.

Underwriting

FTN Financial Capital Markets, Memphis, Tennessee (the "Underwriter") acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Bonds for an aggregate purchase price of $5,358,690.00, which is the par amount of $5,400,000, less Underwriter's discount of $41,310.00.

The Underwriter may offer and sell the Bonds to certain dealers (including dealer banks and dealers depositing the Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriters.

Miscellaneous

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 Mayor

I, Carolyn P. Bowers, do hereby certify that I am the duly qualified and acting County Mayor of the Montgomery County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated January 20, 2010 issued in connection with the sale of the County's $5,400,000 General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds – Direct Payment), 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 and are on the date hereof 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 20th day of January, 2010.

/s/ Carolyn P. Bowers
County Mayor

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

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

/s/ Kellie A. Jackson
County Clerk

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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)
Federally Taxable Build America Bonds

Bass, Berry & Sims PLC
150 Third Avenue South, Suite 2800
Nashville, Tennessee 37201

(Dated Closing Date)

We have acted as bond counsel to Montgomery County, Tennessee (the "Issuer") in connection with the issuance of $5,400,000 General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds – Direct Payment), dated February 4, 2010 (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 resolution of the Board of County Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

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

The City of Clarksville is the County seat and the only incorporated city in the County with a population of 119,735 based on the 2008 estimated U.S. Census. The U.S. Census Bureau released data in July 2008 listing Clarksville as the 9th fastest-growing city in the nation for communities with populations over 100,000. The City of Clarksville is the fifth largest city in the state and the major city in the Metropolitan Statistical Area (the "MSA") of Clarksville-Hopkinsville, TN-KY, which is one of the seven MSAs in the state.

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

DEMOGRAPHIC DATA

Population

Montgomery County's location in the central area of the state has promoted its population growth and economic expansion. According to the 2008 U. S. Census estimate, the County is the eighth largest county in the state with a population of 154,756 reflecting a 54 percent increase since the 1990 census.

	Montgomery County		Tennessee	
	Number	**% Change**	**Number**	**% Change**
1970 U. S. Census	62,721		3,926,018	
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2008 U. S. Census Estimate	154,756	14.8%	6,214,888	9.2%

Source: U.S. Bureau of Census

Income and Housing

In 2007, the County had a per capita personal income of $35,337, which was 105.8% percent of the State average of $33,395. In May 2008 the U.S. Bureau of Economic Analysis released data ranking Montgomery County 5th in the State for per capita personal income. For the first time in recent history, Montgomery County surpassed the urban counties of Hamilton and Knox in per capita personal income. In 2001, Montgomery County ranked 17th in the State for per capita personal income.

Per Capita Personal Income

	County	Tennessee	Percent of State
1990 Per Capita Personal Income	$14,761	$16,692	88.4%
2000 Per Capita Personal Income	$23,992	$26,096	91.9%
2001 Per Capita Personal Income	$24,890	$26,833	92.8%
2002 Per Capita Personal Income	$26,081	$27,435	95.0%
2003 Per Capita Personal Income	$27,512	$28,257	97.4%
2004 Per Capita Personal Income	$28,719	$29,539	97.2%
2005 Per Capita Personal Income	$32,029	$30,827	103.9%
2006 Per Capita Personal Income	$35,232	$32,172	109.5%
2007 Per Capita Personal Income	$35,337	$33,395	105.8%

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

Median Household Income

	County	Tennessee	Percent of State
1990 Median Household Income	$25,568	$24,807	103.1%
2000 Median Household Income	38,981	36,360	110.0%
2004 Median Household Income	42,959	38,794	110.7%
2005 Median Household Income	45,737	38,874	117.7%
2006 Median Household Income	47,864	40,315	118.7%
2007 Median Household Income	49,016	42,637	115.0%

Source: U.S. Census Bureau

ECONOMIC DATA

Economic Base

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

Major Employers

A diversified employment base of military, industries, state and local governments, health care, higher education and retail trade supports the economic base of the County. Based on November 2008 statistics provided by the Tennessee Department of Employment Security, the County has a resident labor force of 65,830**,** which does not include military personnel (soldiers).

Fort Campbell Military Base, located on the Tennessee - Kentucky line, with about 85% of the base being in Tennessee, is the largest employer in the area with approximately 4,356 civilians. There is no breakdown of employee's residence. From discussions with various parties in the County, as well as individuals located on the Base, a large number of the employees reside in Montgomery County; however, the number of civilian employees would be less than 10% of the County's total labor force and, most likely, less than 10% of the County's total employment.

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

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

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

Major County Employers

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

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

Labor Force, Employment and Unemployment Data

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

	Total			Unemployment		
Year	Labor Force	Unemployment	Employment	County	State	U.S.
1990	40,340	2,280	38,060	5.7%	5.3%	5.6%
2000	59,200	1,840	57,360	3.1%	3.9%	4.0%
2001	60,220	2,240	57,980	3.7%	4.5%	4.8%
2002	64,160	3,050	61,110	4.8%	5.1%	5.8%
2003	63,320	3,000	60,320	4.7%	5.8%	6.0%
2004	62,530	3,100	59,430	5.0%	5.4%	5.5%
2005	64,480	3,230	61,250	5.0%	5.6%	5.1%
2006	67,440	3,230	64,210	4.8%	5.2%	4.6%
2007	70,290	3,160	67,130	4.5%	4.7%	4.6%
2008	67,330	4,140	63,200	6.1%	6.4%	5.8%
Nov. 2009	65,830	5,880	59,940	8.9%	10.5%	10.2%

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

Transportation System

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

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

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

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

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

Aspire Clarksville

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

Fort Campbell Military Base

A key factor in the growth in Montgomery County is the Fort Campbell Military Base (the "Base"). The construction and development of the Base began July 16, 1941 to accommodate an armored division and various support troops for a total of approximately 30,000 military personnel. The site includes approximately 105,000 acres located in Tennessee and Kentucky in four counties --- Montgomery and Stewart in Tennessee and Christian and Trigg in Kentucky. Approximately two-thirds of the installation is located in Tennessee.

The Base is home to the 101st Airborne Division (Air Assault Division), the 160th Special Operations Aviation Regiment, 101st Corps Support Group 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 101^{st} are the world's only air assault division with unequaled strategic and tactical mobility. The 101^{st} participates in combat missions at home and abroad with some of the most recent being in Iraq during "Desert Storm", Afghanistan in “Operation Enduring Freedom”, and Iraq in “Operation Iraqi Freedom”. Some of the peacekeeping and humanitarian missions include Rwanda, Haiti, Sinai Peninsula, Panama, Bosnia, Kosovo, 2000 forest fires in Western U.S., South American 1999 Flood Relief, the Smoky Mountains, and hurricane ravaged Louisiana and Florida.

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

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

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

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

Health Care Services

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

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

Retail Trade

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

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

Tourism, Restaurants and Lodging

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

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

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

Higher Education

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

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

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

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

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

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

Private Schools

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

Public Education

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

Montgomery County Schools

School Year	Enrollment
1990-1991	16,500
2000-2001	24,141
2001-2002	24,310
2002-2003	24,589
2003-2004	24,951
2004-2005	25,767
2005-2006	26,603
2006-2007	27,449
2007-2008	27,269
2008-2009	27,827

Source: State of Tennessee Department of Education

GREATER NASHVILLE REGION

Population for Region

The population of the Region is 27.1% of the state total population based on the 2008 U.S. Census estimate. The County's population in 2008 represents 9.3% of the Region's total population of 1,666,411. The growth of the County was 54% from 1990 to 2008, which was more than the state's growth of 26.2%. The County is the fourth largest in the Region after Davidson, Rutherford and Williamson Counties.

County	1990	2008	Growth Percent	Percent of Region
Cheatham	27,140	39,396	45.2%	2.4%
Davidson	510,786	626,144	22.6%	37.6%
Dickson	35,061	47,884	36.6%	2.9%
Houston	7,018	8,137	15.9%	0.5%
Humphreys	15,813	18,149	14.8%	1.1%
Montgomery	**100,498**	**154,756**	**54.0%**	**9.3%**
Robertson	41,494	64,898	56.4%	3.9%
Rutherford	118,570	249,270	110.2%	15.0%
Stewart	9,479	13,226	39.5%	0.8%
Sumner	103,281	155,474	50.5%	9.3%
Trousdale	5,920	7,822	32.1%	0.5%
Williamson	81,021	171,452	111.6%	10.3%
Wilson	67,675	109,803	62.3%	6.6%
Total for Region	1,123,756	1,666,411	48.3%	100.0%
State of Tennessee	4,877,203	6,156,719	26.2%	
Region % of State	23.0%	27.1%		

Source: U.S. Bureau of the Census

Labor Force, Employment and Unemployment Data for Region – November 2009

For the month of November 2009, the County labor force represents 7.9% of the Region's total available labor force with an unemployment rate of 8.9%. The Region employs 27.8% of the state labor force and has an unemployment rate of 9.9 % while the State has a rate of 10.3% as presented in the table below.

County	Labor Force	Employment Number	Employment % of Region	Unemployment Number	Unemployment Rate
Cheatham	20,130	18,330	2.4%	1,800	8.9%
Davidson	318,190	289,770	38.4%	28,420	8.9%
Dickson	22,960	20,750	2.7%	2,210	9.6%
Houston	3,860	3,420	0.5%	440	11.4%
Humphreys	9,040	8,010	1.1%	1,030	11.4%
Montgomery	**65,830**	**59,940**	**7.9%**	**5,890**	**8.9%**
Robertson	32,580	29,310	3.9%	3,270	10.0%
Rutherford	128,450	116,480	15.4%	11,970	9.3%
Stewart	5,700	5,060	0.7%	640	11.2%
Sumner	77,940	70,620	9.4%	7,320	9.4%
Trousdale	3,590	3,220	0.4%	370	10.3%
Williamson	84,990	78,690	10.4%	6,300	7.4%
Wilson	55,970	51,080	6.8%	4,890	8.7%
Total for Region	829,230	754,680	100.0%	74,550	9.9%
State of Tennessee	2,984,600	2,678,600		306,000	10.3%
Region % of State	27.8%	28.2%			

GOVERNMENTAL STRUCTURE

County Government

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

Other Post Employment Benefits ("OPEB") Disclosure Statement

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

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

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GENERAL FINANCIAL INFORMATION
SUMMARY OF OUTSTANDING DEBT

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 06/30/09
	Bonds				
$68,725,000	GO Public Improvement & Ref. Bonds, Series 2001	12/1/01	5/1/21	4.00% - 5.50%	$17,905,000
25,000,000	GO Public Improvement Bonds, Series 2003	6/1/03	6/1/23	2.00% - 4.25%	23,000,000
81,640,000	GO Refunding Bonds, Series 2003	6/1/03	6/1/15	4.00% - 4.75%	46,640,000
43,240,000	GO Refunding Bonds, Series 2004	3/15/04	3/15/20	2.30% - 4.75%	42,850,000
22,000,000	GO Public Improvement Bonds, Series 2004	11/1/04	4/1/25	3.00% - 4.50%	21,600,000
40,000,000	GO School and Public Improvement Bonds, Series 2005	12/1/05	4/1/26	4.00% - 4.50%	39,700,000
63,945,000	GO School Refunding Bonds, Series 2006	8/11/06	4/1/26	4.25% - 5.00%	60,995,000
18,000,000	GO School and Public Improvement Bonds, Series 2007	8/30/07	5/1/28	4.00% - 5.00%	17,400,000
18,450,000	GO Industrial Park Bonds, Series 2008	8/28/08	5/1/22	5.00%-5.625%	18,450,000
	Sub-Total				$288,540,000
	Loan Agreements				
$20,140,987	PBA Loan through TN County Services Assn	6/6/08	5/25/29	Variable	$20,140,987
20,000,000	Qualified School Construction Bonds Issued by State	12/17/09	7/1/26	1.72%	20,000,000
2,470,731	Qualified Zone Academy (School) Bonds, Series 2001	2001	12/18/15	0.00%	1,235,363
2,751,820	Qualified Zone Academy (School) Bonds, Series 2005	2005	12/1/17	0.00%	2,889,218
	Sub-Total				$44,265,568
	Notes				
$5,585,000	Refunding Notes-Courts Center	3/15/04	5/1/11	4.00% - 5.00%	$2,350,000
4,500,000	General Obligation Capital Outlay Notes, Series 2009	3/6/09	4/1/12	2.65%	4,500,000
	Sub-Total				$6,850,000
	Total Outstanding Debt				$339,655,568

DEBT STATEMENT
(as of June 30, 2009)

Outstanding Debt	
Total Outstanding Debt	$339,655,568
Plus: GO School Bonds, Series 2010	5,400,000
Gross Direct Debt	$345,055,568
Less: Estimated Debt Service Fund Balance as of June 30, 2009	(27,018,638)
Net Direct Debt	$318,036,930
Net Overlapping Debt (as of June 30, 2009)	
City of Clarksville	$64,787,352
Total Net Overlapping Debt	$64,787,352
Overall Net Debt	$382,824,282

DEBT RECORD

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

Sources: Annual Financial Report for Fiscal Year ending June 30, 2008 and County Finance Department.

POPULATION

	Montgomery County	Since 2000 % Change	Tennessee	Since 2000 % Change
1980 Census	83,342	NA	4,591,023	NA
1990 Census	100,498	20.6%	4,877,203	6.2%
2000 Census	134,768	34.1%	5,689,283	16.7%
2007 Estimate	154,460	14.6%	6,156,719	8.2%
2008 Estimate	154,756	14.8%	6,214,888	9.2%

Source: US Census Bureau

DEBT PER CAPITA RATIOS

Outstanding Debt	$2,194.78
Gross Direct Debt	$2,229.67
Net Direct Debt	$2,055.09
Total Net Overlapping Debt	$418.64
Overall Net Debt	$2,473.73

DEBT RATIOS

	Estimated Actual Value	Assessed Value
Outstanding Debt to	2.48%	13.34%
Gross Direct Debt to	2.52%	13.55%
Net Direct Debt to	2.32%	12.49%
Total Net Overlapping Debt to	0.47%	2.54%
Overall Net Debt to	2.79%	15.03%

DEBT TREND

Form of Debt	06/30/05	06/30/06	06/30/07	06/30/08	Pre-Audit 6/30/2009
Bonded Debt	$190,662,289	$221,875,808	$274,685,000	$281,490,000	$288,540,000
Loan Agreements	24,595,000	24,595,000	4,080,546	23,785,452	24,265,568
Notes Payable	9,433,457	7,168,587	5,016,726	3,450,000	6,850,000
Capitalized Leases	295,997	0	0	0	
Gross Direct Debt	$224,986,743	$253,639,395	$283,782,272	$308,725,452	$319,655,568
Less: Self Supported Debt	($140,808)	$0	$0	$0	$0
Less: Debt Service Fund Balance	(19,398,846)	(17,800,772)	(23,901,392)	(25,601,896)	(27,018,638)
Net Direct Debt	$205,447,089	$235,838,623	$259,880,880	$283,123,556	$292,636,930

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2008.

DEBT SERVICE REQUIREMENTS
(as of July 1, 2009)

Year No.	Year Ended June 30	Principal Requirements: Bonds	Notes	Loan Agreements QZABs & QSC Bonds	Plus 2010 Bonds	Total Principal Requirements	Percent Principal Retired	Interest Requirements: Bonds	Notes	Loan Agreements and QSC Bonds	Plus 2010 Bonds	Total Interest Requirements	Total Debt Service Prin. & Int. Requirements
	2010	$12,525,000	$1,650,000	$1,136,069		$15,311,069		$13,530,989	$245,031	1,104,036		$14,880,056	$30,191,125
1	2011	13,365,000	1,700,000	2,213,056		17,278,056		12,979,988	166,000	1,208,415	$208,699	14,563,102	31,841,158
2	2012	15,200,000	3,500,000	2,428,069		21,128,069		12,379,126	92,750	1,181,819	180,172	13,833,867	34,961,935
3	2013	16,985,000		2,451,051		19,436,051		11,676,124		1,139,049	180,172	12,995,345	32,431,396
4	2014	18,015,000		2,478,051		20,493,051		10,892,975		1,091,731	180,172	12,164,878	32,657,929
5	2015	19,050,000		2,507,051		21,557,051	33.39%	10,059,474		1,054,858	180,172	11,294,503	32,851,554
6	2016	19,260,000		2,537,040		21,797,040		9,177,926		1,016,675	180,172	10,374,773	32,171,813
7	2017	20,545,000		2,390,569		22,935,569		8,272,124		977,143	180,172	9,429,438	32,365,007
8	2018	21,460,000		2,422,569		23,882,569		7,302,088		936,253	180,172	8,418,512	32,301,081
9	2019	22,645,000		2,455,569		25,100,569		6,287,780		893,919	180,172	7,361,871	32,462,439
10	2020	22,835,000		2,489,569		25,324,569	67.89%	5,225,294		850,096	180,172	6,255,562	31,580,131
11	2021	23,155,000		2,524,569		25,679,569		4,120,006		804,740	180,172	5,104,918	30,784,487
12	2022	14,180,000		2,324,969	$475,000	16,979,969		2,994,450		757,801	180,172	3,932,423	20,912,392
13	2023	14,180,000		2,362,969	525,000	17,067,969		2,308,050		709,194	166,124	3,183,368	20,251,336
14	2024	13,280,000		2,401,969	550,000	16,231,969		1,627,488		658,873	150,256	2,436,616	18,668,585
15	2025	11,180,000		2,441,969	575,000	14,196,969	94.01%	980,138		606,793	133,274	1,720,205	15,917,174
16	2026	8,480,000		2,606,816	600,000	11,686,816		483,350		552,905	115,148	1,151,403	12,838,218
17	2027	1,100,000		1,397,647	625,000	3,122,647		101,750		204,370	94,868	400,988	3,523,635
18	2028	1,100,000		1,325,000	650,000	3,075,000		50,875		116,351	73,336	240,563	3,315,563
19	2029			1,371,000	675,000	2,046,000				56,554	50,521	107,075	2,153,075
20	2030				725,000	725,000	100.00%				26,390	26,390	751,390
		$288,540,000	$6,850,000	$44,265,568	$5,400,000	$345,055,568		$120,449,995	$503,781	$15,921,573	$3,000,506	$139,875,855	$484,931,423

(1) The PBA loan through the Tennessee County Services Association is a variable rate and resets weekly. We have assumed a fixed rate of 4.50% in the computations above.
Sources: Annual Financial Report for Fiscal Year ending June 30, 2008 and County Finance Department.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an 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.

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Collection and Tax Lien

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

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

Tax Freeze for the Elderly Homeowners

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

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

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PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year Tax Year	2005-2006 2005	2006-2007 2006	2007-2008 2007	2008-2009 2008	2009-2010 2009
ESTIMATED ACTUAL VALUES [1]					**Reappraisal Yr.**
Residential & Farm	$4,836,197,517	$5,493,355,800	$5,832,902,800	$6,873,701,571	$7,295,617,300
Commercial & Industrial	1,536,298,095	1,744,099,500	1,826,682,000	2,252,824,579	2,489,254,100
Personal Tangible Property	492,838,997	514,147,670	556,167,407	555,072,110	432,963,867
Public Utilities	141,678,810	141,683,317	172,773,297	164,484,504	164,484,505
Total Assessor's Appraised Values	$7,007,013,419	$7,893,286,287	$8,388,525,504	$9,846,082,764	$10,382,319,772
In-lieu of Property Tax Values (1)	Not Available	Not Available	28,402,164	36,188,299	43,857,793
Fort Campbell Property Values (2)	1,854,639,705	1,955,313,453	2,623,666,127	3,292,018,801	3,291,997,793
Total Estimated Actual Values	$8,861,653,124	$9,848,599,740	$11,040,593,795	$13,174,289,864	$13,718,175,358
Annual Percentage Change	42.47%	11.14%	12.10%	19.33%	4.13%
Estimated Per Capita Actual Values	$57,372	$63,761	$71,479	$85,129	$88,644
ASSESSED VALUES [1]					
Residential & Farm (at 25%)	$1,129,977,550	$1,373,338,950	$1,458,225,700	$1,531,117,025	$1,825,831,225
Commercial & Industrial (at 40%)	574,329,680	697,639,800	730,672,800	802,906,680	991,746,760
Personal Tangible Property (at 30%)	138,182,198	154,214,451	166,850,222	148,370,775	179,626,028
Public Utilities (at 30%-55%)	57,919,178	61,969,443	67,380,363	64,102,507	64,102,507
Total Assessor Assessed Values	$1,900,408,606	$2,287,162,644	$2,423,129,085	$2,546,496,987	$3,061,306,520
Annual Percentage Change	4.98%	20.35%	5.94%	5.09%	20.22%
Estimated Per Capita Amount	$12,304	$14,807	$15,688	$16,455	$19,782
Appraisal Ratio	93.46%	100.00%	100.00%	89.10%	100.00%
Assessed Values to Appraised Values	27.12%	28.98%	28.89%	25.86%	29.49%
Property Tax Rate					
General	$1.110	$0.970	$0.970	$0.970	$0.930
Highway/Public Works	0.150	0.130	0.130	0.130	0.120
General Purpose School	1.160	1.020	1.020	1.020	0.884
Debt Service	0.820	0.897	0.897	0.897	0.840
General Capital Projects	0.000	0.055	0.055	0.055	0.047
Schools Capital Projects	0.000	0.068	0.068	0.068	0.059
Total Property Tax Rate	$3.240	$3.140	$3.140	$3.140	$2.880
Taxes Levied					
Total Assessed Taxes Levied	$61,573,239	$71,816,907	$76,086,253	$79,960,005	$88,165,628
Total In-lieu of Property Tax Levied	Not Available	Not Available	356,731	454,525	505,241
Collections					
Current Fiscal Year	$58,371,944	$69,495,783	$72,955,555	$76,335,210	In Process
Percent Collected Current FY	94.80%	96.77%	95.89%	95.47%	In Process
As of 6/30/09:					
Amount Uncollected	$133,118	$509,171	$1,259,053	$3,624,795	In Process
Percent Collected	99.78%	99.29%	98.35%	95.47%	In Process
Percent Uncollected	0.22%	0.71%	1.65%	4.53%	In Process

(1) The County has entered into a tax abatement program with eight firms that are paying a total of $505,241.76 for the 2009 Tax Year. The in-lieu of taxes paid were used to project the actual value for the property subject to the tax abatement program.

(2) The County has the only military base in the State of Tennessee and one of the largest in the USA. The base is the largest employer in Tennessee and Kentucky. The base has significant development amounting to over $4,178,511,521 with 85% of it in T

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

TOP TAXPAYERS

Business	Type of Business	2009 Tax Year FY 2009-10 Assessed Value	Assessed Value as a % of 2009 Total Assessment
Clarksville Health System	Healthcare	$76,997,338	2.52%
Cumberland Electric	Utility	26,582,881	0.87%
Trane Company	Heating & cooling equipment	20,179,935	0.66%
BellSouth	Telecommunication	18,656,743	0.61%
Governor's Square	Retail shopping mall	17,695,583	0.58%
Pasminco Zinc, Inc	Manufacturing	16,985,922	0.55%
Walmart	Retail	16,658,218	0.54%
Tinytown Village	Real Estate	16,304,498	0.53%
Robert Bosch Corporation	Brake Manufacturer	14,876,003	0.49%
Tennessee Metro Holdings	Commercial	13,982,894	0.46%

Sources: Montgomery County Assessor of Property

FUND BALANCES

	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09
GOVERNMENTAL FUNDS					**Pre-audited**
General Government Fund	$7,936,161	$9,764,561	$16,144,917	$19,527,697	$20,205,900
Special Revenue Funds (1)	1,607,718	1,763,197	1,912,642	1,526,821	1,030,520
Education Funds	15,636,154	18,427,366	21,515,056	20,209,969	28,446,471
Debt Service Funds	19,398,846	17,800,772	23,901,392	24,741,067	27,018,638
Total Operating Funds	**$44,578,879**	**$47,755,896**	**$63,474,007**	**$66,005,554**	**$76,701,529**
Capital Project - Gen. Government	19,818,656	31,140,422	55,295,284	23,415,979	5,676,110
Capital Project-Education	217,210	1,651,318	2,860,452	3,156,647	6,132,757
Total Governmental Funds	**$64,614,745**	**$80,547,636**	**$121,629,743**	**$92,578,180**	**$88,510,396**

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

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2008.
Information for the year ending June 30, 2009 is pre-audited.

LOCAL SALES TAX

	06/30/05	06/30/06	06/30/07	06/30/08	Pre-Audit 6/30/2009
Rate (Percent of retail sales)	2.50%	2.50%	2.50%	2.50%	2.50%
Distribution					
General Debt Service Fund	$2,542,043	$2,676,472	$2,954,707	$2,899,239	$2,985,155
General Purpose School Fund	27,430,470	28,817,756	31,838,876	31,227,581	32,144,549
Cities Portion	9,828,188	10,163,209	12,093,816	11,068,305	11,364,668
Total Amount Collected	$39,800,701	$41,657,437	$46,887,399	$45,195,125	$46,494,372
% of Increase	9.25%	4.67%	12.55%	-3.61%	2.87%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2008.
Information for the year ending June 30, 2009 is pre-audited.

WHEEL TAX

	06/30/05	06/30/06	06/30/07	06/30/08	Pre-Audit 6/30/2009
Rate Per Vehicle	$30.50	$30.50	$30.50	$30.50	$30.50
General Purpose School Fund	$3,256,891	$3,390,834	$3,547,215	$3,650,243	$3,710,968
Total Amount Collected	$3,256,891	$3,390,834	$3,547,215	$3,650,243	$3,710,968
% of Increase	3.34%	4.11%	4.61%	2.90%	1.66%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2004-2008.
Information for the year ending June 30, 2009 is pre-audited.

SELECTED FINANCIAL INFORMATION REGARDING THE COUNTY

General

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

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

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

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

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

For additional information regarding these funds, see Notes to the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2008 in APPENDIX C hereto.

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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, 2008

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ANNUAL FINANCIAL REPORT

MONTGOMERY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2008

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

RACHELLE CABADING, CFE
EUGENE HAMPTON II, CPA, CGFM
Auditor 4s

KATIE ARMSTRONG, CPA, CFE
JOSEPH ENSMINGER, CFE
TERYN McNEAL
WENDY HEATH, CFE
State Auditors

This financial report is available at www.tn.gov/comptroller

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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 37243-1402
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

May 7, 2009

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Montgomery County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Emergency Communications District of Montgomery County, which represent .5 percent and .9 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; the Clarksville-Montgomery County Industrial Development Board, which represent 5.5 percent and .6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; the Clarksville-Montgomery County Public Library, which represent 1.3 percent and .8 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; and the Bi-County Solid Waste Management System, which represent five percent and 3.5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Emergency Communications District of Montgomery County, the Clarksville-Montgomery County Industrial Development Board, the Clarksville-Montgomery County Public Library, and the Bi-County Solid Waste Management System is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2009, on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Montgomery County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and GASB Statement No. 50, Pension Disclosures.

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

The budgetary comparison and pension information on pages 111 through 117 are not required parts of the basic financial statements but they do provide supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Montgomery

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

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Montgomery County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Emergency Communications District	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System
ASSETS						
Cash	$ 6,923	$ 100,607	$ 1,185,534	$ 1,014,369	$ 3,202,373	$ 10,960,643
Equity in Pooled Cash and Investments	83,010,096	35,459,597	0	0	0	0
Inventories	39,590	524,959	0	16,682,617	188,780	25,242
Accounts Receivable	9,045,735	573,187	140,832	317,741	(94,390)	520,475
Allowance for Uncollectibles	(1,691,807)	0	0	0	0	0
Due from Other Governments	1,711,609	9,326,123	0	0	0	35,823
Due from Primary Government	0	35,210	0	0	0	0
Due from Component Units	49,164	0	0	0	0	0
Property Taxes Receivable	51,590,520	27,105,157	0	0	0	0
Allowance for Uncollectible Property Taxes	(3,826,899)	(2,018,887)	0	0	0	0
Prepaid Items	0	50,000	260,092	0	10,228	6,500
Notes Receivable	0	0	0	233,300	0	0
Deferred Charges - Debt Issuance Costs	1,547,374	0	0	0	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	23,664,082	12,556,577	0	0	0	677,992
Construction in Progress	2,445,379	28,660,541	0	1,107,235	0	15,000
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	82,830,249	186,328,575	0	0	6,092	1,908,030
Other Capital Assets	6,638,974	11,444,716	131,755	53,049	1,159,828	3,363,518
Infrastructure	24,124,127	0	0	0	0	0
Total Assets	$ 281,185,116	$ 310,146,362	$ 1,718,213	$ 19,408,311	$ 4,472,911	$ 17,513,223

(Continued)

Exhibit A

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

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Emergency Communications District	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System
LIABILITIES						
Accounts Payable	$ 1,143,555	$ 1,176,780	$ 337,703	$ 959,838	$ 7,064	$ 289,665
Accrued Payroll	802,881	13,700,898	0	0	203	0
Payroll Deductions Payable	459,806	2,157,450	13,975	0	0	36,765
Contracts Payable	287,551	1,057,304	0	0	0	0
Retainage Payable	38,554	117,478	0	0	0	0
Accrued Interest Payable	2,747,417	0	0	0	0	0
Due to Primary Government	0	49,164	0	0	0	0
Due to Component Units	35,210	0	0	0	0	0
Due to Litigants, Heirs, and Others	5,451	0	0	0	0	0
Other Current Liabilities	1,755,292	0	0	0	36,341	0
Customer Deposits Payable	0	98,030	0	0	0	0
Deferred Revenue - Current Taxes	47,591,417	24,994,965	0	0	0	0
Noncurrent Liabilities:						
Due Within One Year	16,136,195	1,553,171	28,837	33,610	0	0
Due in More Than One Year (net of unamortized premiums and deferred amount on refunding)	281,894,704	565,692	0	236,287	0	9,216,646
Total Liabilities	$ 352,898,033	$ 45,470,932	$ 380,515	$ 1,229,735	$ 43,608	$ 9,543,076

(Continued)

Exhibit A

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

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Emergency Communications District	Clarksville-Montgomery County Industrial Development Board	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	$ 67,220,087	$ 0	$ 0	$ 0	$ 0	$ 0
Invested in Capital Assets	0	238,990,409	131,755	53,049	1,165,920	5,964,540
Restricted for:						
Capital Projects	25,577,285	0	0	0	0	0
School Capital Projects	0	3,156,647	0	0	0	0
School Federal Projects	0	114,533	0	0	0	0
Debt Service	27,752,642	0	0	0	0	0
Highway	1,654,680	0	0	0	0	0
Central Cafeteria	0	3,202,408	0	0	0	0
School Transportation	0	963,569	0	0	0	0
Extended School Program	0	133,452	0	0	0	0
Automation Purposes - Register	194,214	0	0	0	0	0
Automation Purposes - General Sessions Court	92,344	0	0	0	0	0
Drug Control	80,910	0	0	0	0	0
Alcohol and Drug Treatment	156,710	0	0	0	0	0
Career Ladder - Extended Contract	0	537,089	0	0	0	0
Career Ladder Program	0	52,715	0	0	0	0
Other Purposes	157,533	0	0	0	2,902,787	0
Unrestricted	(194,599,322)	17,524,608	1,205,943	18,125,527	360,596	2,005,607
Total Net Assets	$ (71,712,917)	$ 264,675,430	$ 1,337,698	$ 18,178,576	$ 4,429,303	$ 7,970,147

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

Exhibit B

Montgomery County, Tennessee
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Total Governmental Activities	Component Units: Montgomery County School Department	Component Units: Emergency Communications District	Component Units: Clarksville-Montgomery County Industrial Development Board	Component Units: Clarksville-Montgomery County Public Library	Component Units: Bi-County Solid Waste Management System
Primary Government:										
Governmental Activities:										
General Government	$ 5,204,087	$ 2,270,411	$ 16,380	$ 80,471	$ (2,836,825)	$ 0	$ 0	$ 0	$ 0	$ 0
Finance	4,602,026	3,990,039	37,426	0	(574,561)	0	0	0	0	0
Administration of Justice	5,875,603	4,932,017	765,805	36,530	(141,251)	0	0	0	0	0
Public Safety	22,685,862	2,355,797	1,590,138	678,561	(18,061,366)	0	0	0	0	0
Public Health and Welfare	9,934,083	6,360,368	1,793,492	0	(1,780,223)	0	0	0	0	0
Social, Cultural, and Recreational Services	1,886,295	1,588	0	0	(1,884,707)	0	0	0	0	0
Agriculture and Natural Resources	391,983	0	0	0	(391,983)	0	0	0	0	0
Other Operations	5,031,781	0	0	0	(5,031,781)	0	0	0	0	0
Highways/Public Works	7,438,428	45,381	2,898,952	4,336,419	(157,676)	0	0	0	0	0
Education	64,069,221	21,489,635	0	0	(42,579,586)	0	0	0	0	0
Interest on Long-term Debt	13,266,268	0	0	0	(13,266,268)	0	0	0	0	0
Other Debt Service	244,870	0	408,356	0	163,486	0	0	0	0	0
Total Primary Government	$ 140,630,507	$ 41,445,236	$ 7,510,549	$ 5,131,981	$ (86,542,741)	$ 0	$ 0	$ 0	$ 0	$ 0
Component Units:										
School Department	$ 206,261,631	$ 5,093,723	$ 18,024,280	$ 38,162,037	$ 0	$ (144,981,591)	$ 0	$ 0	$ 0	$ 0
Emergency Communications District	2,137,462	1,638,509	0	0	0	0	(498,953)	0	0	0
Industrial Development Board	815,315	176,120	0	0	0	0	0	(639,195)	0	0
Public Library	2,027,780	178,445	1,576,895	0	0	0	0	0	(272,440)	0
Bi-County Solid Waste Management System	10,301,561	8,027,574	142,692	0	0	0	0	0	0	(2,131,295)
Total Component Units	$ 221,543,749	$ 15,114,371	$ 19,743,867	$ 38,162,037	$ 0	$ (144,981,591)	$ (498,953)	$ (639,195)	$ (272,440)	$ (2,131,295)

(Continued)

Exhibit B

Montgomery County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government Total Governmental Activities	Component Units: Montgomery County School Department	Component Units: Emergency Communications District	Component Units: Clarksville-Montgomery County Industrial Development Board	Component Units: Clarksville-Montgomery County Public Library	Component Units: Bi-County Solid Waste Management System
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					$ 27,696,020	$ 25,389,199	$ 0	$ 0	$ 0	$ 0
Property Taxes Levied for Debt Service					21,511,658	0	0	0	0	0
Local Option Sales Taxes					2,895,428	31,181,383	0	0	0	0
Hotel/Motel Tax					1,286,596	0	0	0	0	0
Wheel Tax					0	3,650,243	0	0	0	0
Business Tax					1,026,227	500,876	0	0	0	0
Adequate Facilities/Development Tax					789,402	0	0	0	0	0
Litigation Taxes					769,175	0	0	0	0	0
Wholesale Beer Tax					363,938	0	0	0	0	0
Mineral Severance Tax					303,459	0	0	0	0	0
Interstate Telecommunications Tax					4,034	0	0	0	0	0
Other Local Taxes					0	17,363	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs					2,920,887	117,079,374	617,336	996,752	100,457	0
Interest Income					5,587,029	244,079	15,433	37,116	115,030	477,405
Unrealized Gain on Investments					0	0	0	0	84,286	0
Gain on Sale of Investments					0	0	0	0	10,001	0
Gain on Disposal of Capital Assets					0	115,835	0	202,979	0	251,216
E-Rate					0	209,584	0	0	0	0
Miscellaneous					461,598	599,935	0	0	4,494	0
Total General Revenues					$ 65,615,451	$ 178,987,871	$ 632,769	$ 1,236,847	$ 314,268	$ 728,621
Change in Net Assets					$ (20,927,290)	$ 34,006,280	$ 133,816	$ 597,652	$ 41,828	$ (1,402,674)
Net Assets, July 1, 2007					(51,135,702)	230,669,150	1,203,882	17,580,924	4,387,475	9,372,821
Prior-period Adjustment					350,075	0	0	0	0	0
Net Assets, June 30, 2008					$ (71,712,917)	$ 264,675,430	$ 1,337,698	$ 18,178,576	$ 4,429,303	$ 7,970,147

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

Exhibit C-1

Montgomery County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds: General	Major Funds: General Debt Service	Major Funds: Other Capital Projects #5	Major Funds: Other Capital Projects #6	Nonmajor Funds: Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash	$ 4,310	$ 0	$ 0	$ 0	$ 2,613	$ 6,923
Equity in Pooled Cash and Investments	19,527,905	26,078,155	6,680,901	14,453,878	9,991,751	76,732,590
Inventories	39,590	0	0	0	0	39,590
Accounts Receivable	6,526,463	100,427	0	2,281,200	29,392	8,937,482
Allowance for Uncollectibles	(1,691,807)	0	0	0	0	(1,691,807)
Due from Other Governments	640,864	500,059	0	0	570,686	1,711,609
Due from Other Funds	261,920	0	2,281,200	0	0	2,543,120
Property Taxes Receivable	24,615,987	22,449,840	0	0	4,524,693	51,590,520
Allowance for Uncollectible Property Taxes	(1,817,682)	(1,668,529)	0	0	(340,688)	(3,826,899)
Total Assets	$ 48,107,550	$ 47,459,952	$ 8,962,101	$ 16,735,078	$ 14,778,447	$ 136,043,128
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 863,883	$ 200	$ 0	$ 0	$ 170,504	$ 1,034,587
Accrued Payroll	797,040	0	0	0	3,098	800,138
Payroll Deductions Payable	428,333	0	0	0	30,021	458,354
Contracts Payable	0	0	0	0	287,551	287,551
Retainage Payable	0	0	0	0	38,554	38,554
Due to Other Funds	479,523	6,471	0	2,281,200	366,024	3,133,218
Due to Litigants, Heirs, and Others	0	0	0	0	5,451	5,451
Other Current Liabilities	5,292	1,750,000	0	0	0	1,755,292
Deferred Revenue - Current Property Taxes	22,716,903	20,706,035	0	0	4,168,479	47,591,417
Other Deferred Revenues	3,288,879	256,179	0	0	329,276	3,874,334
Total Liabilities	$ 28,579,853	$ 22,718,885	$ 0	$ 2,281,200	$ 5,398,958	$ 58,978,896

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Other Capital Projects #5	Other Capital Projects #6	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances						
Reserved for Encumbrances	$ 0	$ 0	$ 0	$ 0	$ 405,410	$ 405,410
Reserved for Alcohol and Drug Treatment	156,710	0	0	0	0	156,710
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	1,343,876	0	0	0	1,343,876
Reserved for Drug Court	32,867	0	0	0	0	32,867
Reserved for Sexual Offender Registration	344	0	0	0	0	344
Reserved for Courtroom Security	27,288	0	0	0	0	27,288
Reserved for Computer System - Register	194,214	0	0	0	0	194,214
Reserved for Automation Purposes - Circuit Court	19,698	0	0	0	0	19,698
Reserved for Automation Purposes - General Sessions Court	92,344	0	0	0	0	92,344
Reserved for Automation Purposes - Chancery Court	5,446	0	0	0	0	5,446
Reserved for Fraud and Crimes Prosecution Act	34,059	0	0	0	0	34,059
Reserved for Other General Purposes	37,831	0	0	0	0	37,831
Unreserved, Reported In:						
General Fund	18,926,896	0	0	0	0	18,926,896
Special Revenue Funds	0	0	0	0	1,568,821	1,568,821
Debt Service Funds	0	23,397,191	0	0	0	23,397,191
Capital Projects Funds	0	0	8,962,101	14,453,878	7,405,258	30,821,237
Total Fund Balances	$ 19,527,697	$ 24,741,067	$ 8,962,101	$ 14,453,878	$ 9,379,489	$ 77,064,232
Total Liabilities and Fund Balances	$ 48,107,550	$ 47,459,952	$ 8,962,101	$ 16,735,078	$ 14,778,447	$ 136,043,128

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

Exhibit C-2

Montgomery County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 77,064,232
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 23,664,082	
Add: construction in progress	2,445,379	
Add: infrastructure net of accumulated depreciation	24,124,127	
Add: buildings and improvements net of accumulated depreciation	82,830,249	
Add: other capital assets net of accumulated depreciation	6,638,974	
Less: capital assets of internal service funds, which are included below in item (2)	(23,207)	139,679,604
(2) Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.		4,249,908
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	$ (281,490,000)	
Less: notes payable	(3,450,000)	
Less: other loans payable	(7,507,850)	
Add: deferred amount on refunding	5,502,813	
Add: deferred charges - debt issuance costs	1,547,374	
Less: other deferred revenue - premium on debt	(6,594,525)	
Less: accrued interest on bonds, notes, and other loans	(2,747,417)	
Less: compensated absences payable	(1,841,390)	(296,580,995)
(4) Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the governmental funds.		3,874,334
Net assets of governmental activities (Exhibit A)		$ (71,712,917)

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

Exhibit C-3

Montgomery County, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Other Capital Projects #5	Other Capital Projects #6	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 27,709,312	$ 25,554,045	$ 0	$ 0	$ 4,851,084	$ 58,114,441
Licenses and Permits	653,510	0	0	0	0	653,510
Fines, Forfeitures, and Penalties	1,280,394	0	0	0	23,743	1,304,137
Charges for Current Services	4,873,837	0	0	0	42	4,873,879
Other Local Revenues	4,583,523	2,011,577	0	0	325,521	6,920,621
Fees Received from County Officials	7,913,066	0	0	0	0	7,913,066
State of Tennessee	5,453,525	0	0	0	3,140,168	8,593,693
Federal Government	919,109	0	0	0	80,471	999,580
Other Governments and Citizens Groups	1,897,603	408,469	0	0	225,664	2,531,736
Total Revenues	$ 55,283,879	$ 27,974,091	$ 0	$ 0	$ 8,646,693	$ 91,904,663
Expenditures						
Current:						
General Government	$ 5,372,176	$ 0	$ 0	$ 0	$ 55,878	$ 5,428,054
Finance	4,509,906	0	0	0	190,873	4,700,779
Administration of Justice	5,310,190	0	0	0	1,356	5,311,546
Public Safety	20,841,755	0	0	0	723,315	21,565,070
Public Health and Welfare	8,727,908	0	0	0	1,051,811	9,779,719
Social, Cultural, and Recreational Services	1,725,829	0	0	0	46,988	1,772,817
Agriculture and Natural Resources	353,828	0	0	0	0	353,828
Other Operations	4,463,311	0	0	0	249,243	4,712,554
Highways	114,984	0	0	0	7,217,085	7,332,069
Debt Service:						
Principal on Debt	0	13,197,807	0	0	0	13,197,807
Interest on Debt	0	13,461,215	0	0	0	13,461,215
Other Debt Service	0	475,394	0	0	0	475,394
Capital Projects	0	0	33,663,942	4,549,787	7,671,530	45,885,259
Total Expenditures	$ 51,419,887	$ 27,134,416	$ 33,663,942	$ 4,549,787	$ 17,208,079	$ 133,976,111
Excess (Deficiency) of Revenues Over Expenditures	$ 3,863,992	$ 839,675	$ (33,663,942)	$ (4,549,787)	$ (8,561,386)	$ (42,071,448)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	General Debt Service	Other Capital Projects #5	Other Capital Projects #6	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Bonds Issued	$ 0	$ 0	$ 0	$ 18,000,000	$ 0	$ 18,000,000
Premiums on Debt Issued	0	0	0	480	0	480
Other Loans Issued	0	0	0	3,863,385	0	3,863,385
Insurance Recovery	17,295	0	0	0	285	17,580
Transfers In	56,193	0	2,806,200	0	711,096	3,573,489
Transfers Out	(554,700)	0	0	(2,860,200)	(158,589)	(3,573,489)
Total Other Financing Sources (Uses)	$ (481,212)	$ 0	$ 2,806,200	$ 19,003,665	$ 552,792	$ 21,881,445
Net Change in Fund Balances	$ 3,382,780	$ 839,675	$ (30,857,742)	$ 14,453,878	$ (8,008,594)	$ (20,190,003)
Fund Balance, July 1, 2007	16,144,917	23,901,392	39,819,843	0	17,388,083	97,254,235
Fund Balance, June 30, 2008	$ 19,527,697	$ 24,741,067	$ 8,962,101	$ 14,453,878	$ 9,379,489	$ 77,064,232

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

Exhibit C-4

Montgomery County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

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

	Net change in fund balances - total governmental funds (Exhibit C-3)		$ (20,190,003)
(1)	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
	Add: capital assets purchased in the current period	$ 4,832,607	
	Less: current year depreciation expense	(3,671,580)	1,161,027
(2)	The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
	Add: assets donated and capitalized	$ 4,090,673	
	Less: loss on disposal of capital assets	(166,306)	3,924,367
(3)	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	Less: deferred delinquent property taxes and other deferred June 30, 2007	$ (2,811,066)	
	Add: deferred delinquent property taxes and other deferred June 30, 2008	3,874,334	1,063,268
(4)	The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
	Less: bonds proceeds	$ (18,000,000)	
	Less: other loans proceeds	(3,863,385)	
	Add: principal payments on notes	1,566,726	
	Add: principal payments on bonds	11,195,000	
	Add: principal payments on other loans	436,081	
	Add: debt issuance cost on debt issued during year	230,524	
	Less: debt issuance cost amortized during year	(99,360)	
	Less: change in deferred amount on refunded debt	(129,939)	
	Less: premium on debt issued during year	(480)	
	Add: premium amortized during year	532,501	(8,132,332)
(5)	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
	Change in accrued interest payable	$ (108,255)	
	Change in compensated absences payable	(332,511)	(440,766)
(6)	Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		1,687,149
	Change in net assets of governmental activities (Exhibit B)		$ (20,927,290)

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

Exhibit D-1

Montgomery County, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 6,277,506
Accounts Receivable	108,253
Due from Other Funds	674,327
Due from Component Units	49,164
Buildings and Improvements	24,803
Accumulated Depreciation - Buildings and Improvements	(1,596)
Total Assets	$ 7,132,457
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 109,328
Accrued Payroll	2,743
Payroll Deductions Payable	1,452
Claims and Judgments Payable	1,358,724
Due to Other Funds	83,869
Due to Component Units	35,210
Total Current Liabilities	$ 1,591,326
Noncurrent Liabilities:	
Claims and Judgments Payable	$ 1,291,223
Total Noncurrent Liabilities	$ 1,291,223
Total Liabilities	$ 2,882,549
NET ASSETS	
Unrestricted	$ 4,249,908
Total Net Assets	$ 4,249,908

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

Exhibit D-2

Montgomery County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Current Services	$ 27,992,921
Total Operating Revenues	$ 27,992,921
Operating Expenses	
Risk Management	$ 320,195
Depreciation	991
Other Charges	1,171,615
Employee Benefits	25,466,047
Total Operating Expenses	$ 26,958,848
Operating Income (Loss)	$ 1,034,073
Nonoperating Revenues (Expenses)	
Investment Income	$ 267,491
Miscellaneous Refunds	385,585
Total Nonoperating Revenues (Expenses)	$ 653,076
Changes in Net Assets	$ 1,687,149
Prior-period Adjustment	350,075
Net Assets, July 1, 2007	2,212,684
Nets Assets, June 30, 2008	$ 4,249,908

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

Exhibit D-3

Montgomery County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

		Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities		
Receipts from Interfund Services Provided	$	27,396,567
Other Self-Insured Claims		(30,818,815)
Other Receipts (Payments)		385,585
Net Cash Provided By (Used In) Operating Activities	$	(3,036,663)
Cash Flows from Investing Activities		
Investment Income	$	267,491
Net Cash Provided By (Used In) Investing Activities	$	267,491
Net Increase (Decrease) in Cash	$	(2,769,172)
Prior-period Adjustment		350,075
Cash, July 1, 2007		8,696,603
Cash, June 30, 2008	$	6,277,506
Reconciliation of Operating Income (Loss) to Net Cash		
Provided By (Used In) Operating Activities		
Operating Income (Loss)	$	1,034,073
Miscellaneous Refunds		385,585
Adjustments to Reconcile Net Operating Income (Loss) to		
Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense		991
(Increase) Decrease in Accounts Receivable		(105,411)
(Increase) Decrease in Due from Other Funds		(491,797)
(Increase) Decrease in Due from Component Units		(1,027)
Increase (Decrease) in Accounts Payable		(1,686,569)
Increase (Decrease) in Accrued Payroll		2,743
Increase (Decrease) in Payroll Deductions Payable		(6,920)
Increase (Decrease) in Due to Other Funds		(98,661)
Increase (Decrease) in Due to Component Units		(618)
Increase (Decrease) in Claims and Judgments Payable		(2,069,052)
Net Cash Provided By (Used In) Operating Activities	$	(3,036,663)

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

Exhibit E

Montgomery County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Agency Funds
ASSETS	
Cash	$ 7,177,625
Equity in Pooled Cash and Investments	333,599
Accounts Receivable	46,881
Due from Other Governments	1,876,325
Total Assets	$ 9,434,430
LIABILITIES	
Accounts Payable	$ 1,811
Accrued Payroll	1,413
Payroll Deductions Payable	421
Due to Other Funds	360
Due to Other Taxing Units	1,876,325
Due to Litigants, Heirs, and Others	7,215,286
Due to Joint Ventures	338,814
Total Liabilities	$ 9,434,430

The notes to the financial statements 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, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

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

The Bi-County Solid Waste Management System provides landfill and collection services for Montgomery and Stewart counties, and Montgomery County operates the transfer station. The joint participants appoint the board members of the system; however, Montgomery County appoints a voting majority of the board members and contributes the majority of funding for the system. This system is treated as a discrete component unit of Montgomery County since the county may unilaterally control the operations of the system.

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

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

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

Administrative Offices:

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

Bi-County Solid Waste Management System
P.O. Box 192
Woodlawn, TN 37191-0192

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

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

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

B. Government-wide and Fund Financial Statements

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

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

Montgomery County issues all debt for the discretely presented Montgomery County School Department. Net debt issues ($37,932,140) were contributed by the county to the School Department during the year ended June 30, 2008.

Separate financial statements are provided for governmental funds, proprietary funds (internal service), and fiduciary funds. The internal service funds are reported with the governmental activities in the government-wide financial statements, and the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u>

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period.

Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

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

Montgomery County reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
>
> **Other Capital Projects #5 Fund** – This fund is used to account for debt proceeds received from the $63,945,000 general obligation refunding bonds.
>
> **Other Capital Projects #6 Fund** – This fund is used to account for debt proceeds received from the $18,000,000 general obligation public improvement and school bonds and the $20,140,987 variable rate loan.

Additionally, Montgomery County reports the following fund types:

> **Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
>
> **Internal Service Funds** – These funds, the Self-Insurance, the Workers' Compensation, and the Unemployment Compensation funds, are used to account for risk management activities for employees' health insurance, workers' compensation, on the job injury, and unemployment compensation provided to other departments on a cost-reimbursement basis.

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

The county trustee maintains a cash and internal investment pool that is used by all funds of Montgomery County, the Montgomery County School Department, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, and the Montgomery County Rail Service Authority (joint venture). Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Montgomery County and the Montgomery County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

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

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling $3,752,277 are discussed in Note V.A. Risk Management.

Retainage payable in the primary government's nonmajor governmental funds represent amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

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

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

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

5. **Compensated Absences**

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

6. **Long-term Obligations**

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

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

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

7. Net Assets and Fund Equity

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

a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2008, Montgomery County had $216,456,550 in outstanding debt for capital purposes for the discretely presented Montgomery County School Department. This debt is a liability of Montgomery County, but the capital assets acquired are reported in the financial statements of the Montgomery County School Department. Therefore, Montgomery County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2008:

Fund/Purpose	Amount
General:	
Insurance	$ 10,000
Mobile Data Terminals	59,124
Veterans' Services	9,221
Child Advocacy Center	61,275
Animal Shelter - Fines	3,822
Animal Shelter - Donations	7,141
General Purpose School (School Department):	
Workers' Compensation	1,375,218
Property and Liability Insurance	700,000

8. **Prior-period Adjustment**

A prior-period adjustment totaling $350,075 is reflected in the Worker's Compensation Fund because claims and judgments were overstated in the prior year.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Montgomery County School Department

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

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

Primary Government

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

Discretely Presented Montgomery County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Fund Deficits

The General Capital Projects Fund had a deficit in unreserved fund balance of $667,231 at June 30, 2008. This deficit resulted from the unperformed portions of construction contracts of $405,410 being reserved as encumbrances and recognizing construction contract payables totaling $287,551. Funding for these expenditures is expected to be received from the issuance of debt.

The discretely presented School Federal Projects Fund had a deficit in unreserved fund balance of $306,361 at June 30, 2008. This deficit resulted from outstanding purchase orders of $346,610 being reserved as encumbrances.

The discretely presented Education Capital Projects Fund had a deficit in unreserved fund balance of $31,028,945 at June 30, 2008. This deficit resulted from the unperformed portions of construction contracts of $34,185,592 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of debt.

C. Expenditures Exceeded Appropriations

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

Fund/Category	Amount Overspent
General:	
Other Boards and Committees	$ 162
Personnel Office	44,112
Juvenile Services	418
County Coroner/Medical Examiner	20,540
Other Local Health Services	361
Libraries	49
Other Social, Cultural, and Recreational	682
Soil Conservation	759
Tourism	88,984
Transfers Out	554,700
Highway/Public Works:	
Capital Outlay	20,979

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2008, Montgomery County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Montgomery County and the discretely presented Montgomery County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	$ 51,796,166

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Montgomery County has no investment policy that would further limit its investment choices. As of June 30, 2008, Montgomery County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	$ 23,550,679	$ 138,206	$ (24,803)	$ 23,664,082
Construction in Progress	509,345	3,200,770	(1,264,736)	2,445,379
Total Capital Assets Not Depreciated	$ 24,060,024	$ 3,338,976	$ (1,289,539)	$ 26,109,461
Capital Assets Depreciated:				
Buildings and Improvements	$ 96,599,410	$ 1,264,736	$ 0	$ 97,864,146
Infrastructure	38,947,111	3,952,467	(39,710)	42,859,868
Other Capital Assets	15,704,252	1,630,846	(921,789)	16,413,309
Total Capital Assets Depreciated	$ 151,250,773	$ 6,848,049	$ (961,499)	$ 157,137,323

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 12,724,297	$ 2,309,600	$ 0	$ 15,033,897
Infrastructure	18,440,202	331,278	(35,739)	18,735,741
Other Capital Assets	9,527,890	1,030,702	(784,257)	9,774,335
Total Accumulated Depreciation	$ 40,692,389	$ 3,671,580	$ (819,996)	$ 43,543,973
Total Capital Assets Depreciated, Net	$ 110,558,384	$ 3,176,469	$ (141,503)	$ 113,593,350
Governmental Activities Capital Assets, Net	$ 134,618,408	$ 6,515,445	$ (1,431,042)	$ 139,702,811

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

Governmental Activities:

General Government	$ 561,992
Finance	76,375
Administration of Justice	553,245
Public Safety	1,288,629
Public Health and Welfare	421,448
Social, Cultural, and Recreational Services	130,660
Agriculture and Natural Resources	35,658
Highway/Public Works	603,573
Total Depreciation Expense - Governmental Activities	$ 3,671,580

<u>Discretely Presented Montgomery County School Department</u>

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	$ 9,744,219	$ 2,812,391	$ (33)	$ 12,556,577
Construction in Progress	17,094,669	26,877,537	(15,311,665)	28,660,541
Total Capital Assets Not Depreciated	$ 26,838,888	$ 29,689,928	$ (15,311,698)	$ 41,217,118

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Buildings and Improvements	$ 224,261,615	$ 20,986,182	$ 0	$ 245,247,797
Other Capital Assets	20,455,925	4,844,572	(1,513,048)	23,787,449
Total Capital Assets Depreciated	$ 244,717,540	$ 25,830,754	$ (1,513,048)	$ 269,035,246
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 53,913,508	$ 5,005,714	$ 0	$ 58,919,222
Other Capital Assets	12,380,876	1,428,932	(1,467,075)	12,342,733
Total Accumulated Depreciation	$ 66,294,384	$ 6,434,646	$ (1,467,075)	$ 71,261,955
Total Capital Assets Depreciated, Net	$ 178,423,156	$ 19,396,108	$ (45,973)	$ 197,773,291
Governmental Activities Capital Assets, Net	$ 205,262,044	$ 49,086,036	$ (15,357,671)	$ 238,990,409

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

Governmental Activities:

Instruction	$ 6,187
Support Services	6,373,965
Operation of Non-Instructional Services	54,494
Total Depreciation Expense - Governmental Activities	$ 6,434,646

C. <u>Construction Commitments</u>

At June 30, 2008, the General Capital Projects Fund had uncompleted construction contracts of approximately $405,410 for various construction projects. Funding for these future expenditures has been received.

At June 30, 2008, the discretely presented School Department's Education Capital Projects Fund had uncompleted construction contracts of approximately $34,185,592, for various construction projects. Funding for these future expenditures is expected to be received from the issuance of debt.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	General Debt Service	$ 6,471
General	Nonmajor governmental	171,400
General	Internal Service	83,869
General	Agency	180
Other Capital Projects #5	Other Capital Projects #6	2,281,200
Internal Service	General	479,523
Internal Service	Nonmajor governmental	194,624
Internal Service	Agency	180
School Department Component Unit:		
General Purpose School	Education Capital Projects	842
General Purpose School	Nonmajor governmental	466,297
Education Capital Projects	General Purpose School	92,964
Education Capital Projects	Nonmajor governmental	1,486
Nonmajor governmental	General Purpose School	65,130
Nonmajor governmental	Education Capital Projects	49
Nonmajor governmental	Nonmajor governmental	85,652

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

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government:	School Department:	
Self-Insurance (Internal Service)	General Purpose School	$ 49,164
Component Unit:		
School Department:	Primary Government:	
General Purpose School	Self-Insurance (Internal Service)	35,210

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In: General Fund	Transfers In: Other Capital Projects #5 Fund	Transfers In: Nonmajor Governmental Funds
General Fund	$ 0	$ 0	$ 554,700
Other Capital Projects #6 Fund	0	2,806,200	54,000
Nonmajor governmental funds	56,193	0	102,396
Total	$ 56,193	$ 2,806,200	$ 711,096

Discretely Presented Montgomery County School Department

Transfer Out	Transfer In: General Purpose School Fund	Transfer In: Nonmajor Governmental Funds
Nonmajor governmental funds	$ 537,755	$ 1,282,915

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

E. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 21 years for bonds, up to seven years for notes, and up to 15 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital outlay notes outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	2 to 5%	$ 105,000,000	$ 103,500,000
General Obligation Bonds - Refunding	2 to 5.12095	257,550,000	177,990,000
Capital Outlay Notes	4 to 5	5,585,000	3,450,000
Other Loans	variable	9,085,936	7,507,850

In prior years, Montgomery County entered into loan agreements with the Tennessee State School Bond Authority. Under these loan agreements, the authority borrowed $2,470,731 (Series 2001) and $3,668,018 (Series 2005) Qualified Zone Academy Bonds and loaned the proceeds to Montgomery County for various renovation and construction projects. These loans are repayable at zero percent interest with annual administrative fees of $847 and $1,246, respectively.

In 2007-2008, Montgomery County entered into a loan agreement with the City of Clarksville Public Building Authority. This loan agreement provided for the authority to make $20,140,987 available for loan to Montgomery County on an as-needed basis for various renovation and construction projects. As of June 30, 2008, Montgomery County had borrowed $2,947,187 of the available $20,140,987. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2008, the variable interest rate was 1.39 percent and other fees totaled approximately .28 (letter of credit), .55 (remarketing) of the outstanding loan principal, and $85 per month trustee fee.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables:

Year Ending	Bonds		
June 30	Principal	Interest	Total
2009	$ 11,400,000	$ 13,018,694	$ 24,418,694
2010	12,025,000	12,556,895	24,581,895
2011	12,815,000	12,030,894	24,845,894
2012	14,625,000	11,457,532	26,082,532
2013	16,385,000	10,783,280	27,168,280
2014-2018	94,055,000	41,762,867	135,817,867
2019-2023	87,145,000	18,662,986	105,807,986
2024-2028	33,040,000	3,125,476	36,165,476
Total	$ 281,490,000	$ 123,398,624	$ 404,888,624

Year Ending	Notes		
June 30	Principal	Interest	Total
2009	$ 1,100,000	$ 172,500	$ 1,272,500
2010	1,150,000	117,500	1,267,500
2011	1,200,000	60,000	1,260,000
Total	$ 3,450,000	$ 350,000	$ 3,800,000

Year Ending	Other Loans			
June 30	Principal	Interest	Other Fees	Total
2009	$ 436,081	$ 40,966	$ 6,678	$ 483,725
2010	1,136,068	40,966	6,678	1,183,712
2011	1,173,081	31,236	5,831	1,210,148
2012	1,199,081	20,992	4,940	1,225,013
2013	1,183,281	10,386	4,018	1,197,685
2014-2018	1,827,440	0	8,771	1,836,211
2019-2021	552,818	0	3,738	556,556
Total	$ 7,507,850	$ 144,546	$ 40,654	$ 7,693,050

There is $23,397,191 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $2,089, based on the 2000 federal census. Debt per capita, including bonds, notes and other loans, totaled $2,170, based on the 2000 federal census.

Changes in Long-term liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2007	$ 274,685,000	$ 5,016,726
Additions	18,000,000	0
Deductions	(11,195,000)	(1,566,726)
Balance, June 30, 2008	$ 281,490,000	$ 3,450,000
Balance Due Within One Year	$ 11,400,000	$ 1,100,000

	Compensated Absences	Other Loans	Claims and Judgments
Balance, July 1, 2007	$ 1,508,879	$ 4,080,546	$ 4,718,999
Additions	2,333,227	3,863,385	21,219,227
Deductions	(2,000,716)	(436,081)	(23,288,279)
Balance, June 30, 2008	$ 1,841,390	$ 7,507,850	$ 2,649,947
Balance Due Within One Year	$ 1,841,390	$ 436,081	$ 1,358,724

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	$ 296,939,187
Less: Due Within One Year	(16,136,195)
Add: Unamortized Premium on Debt	6,594,525
Less: Deferred Amount on Refunding	(5,502,813)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 281,894,704

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

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, 2008, the following outstanding bond is considered defeased:

2001 General Obligation Series	$42,345,000

Discretely Presented Montgomery County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Montgomery County School Department for the year ended June 30, 2008, was as follows:

	Compensated Absences	Claims and Judgments
Balance, July 1, 2007	$ 886,188	$ 1,200,926
Additions	1,109,816	69,817
Deductions	(979,471)	(168,413)
Balance, June 30, 2008	$ 1,016,533	$ 1,102,330
Balance Due Within One Year	$ 986,036	$ 567,135

Analysis of Noncurrent Libilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	$ 2,118,863
Less: Due Within One Year	(1,553,171)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 565,692

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

F. **On-Behalf Payments – Discretely Presented Montgomery County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Montgomery County School Department. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2008, were $66,863. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	$ 3,117,463	$ 22,250,035	$ (21,759,199)	$ 3,608,299
2007-08	3,608,299	21,129,157	(22,618,009)	2,119,447

Montgomery County has decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the Workers' Compensation Fund. In prior years, the plan was administered by Brentwood Services, but in 2007-2008 the county discontinued this service and began administering the plan internally. The county retains the risk of loss to a limit of $350,000 per specific loss. Montgomery County has obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	$ 721,000	$ 0	$ (89,740)	$ 631,260
2007-08	631,260	0	(168,260)	463,000

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	$ 139,000	$ 1,191,798	$ (851,358)	$ 479,440
2007-08	479,440	90,070	(502,010)	67,500

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

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

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

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	$ 3,296,268	$ 0	$ (2,120,959)	$ 1,175,309
2007-08	1,175,309	0	(104,918)	1,070,391

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2006-07	$ 24,694	$ 50,544	$ (49,621)	$ 25,617
2007-08	25,617	69,817	(63,495)	31,939

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Montgomery County. GASB Statement No. 48 had no effect on the financial statements of Montgomery County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Montgomery County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Montgomery County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Events

On August 11, 2008, Montgomery County authorized Qualified Zone Academy Bonds totaling $4,145,400 for school construction.

On August 28, 2008, Montgomery County issued $18,450,000 in general obligation industrial park bonds for the purchase of the Hemlock Semiconductor Incorporation megasite.

On September 1, 2008, Ronnie Boyd left the Office of Assessor of Property and was succeeded by Betty Burchett.

On March 6, 2009, Montgomery County issued $4,500,000 in capital outlay notes for school buses and parks and recreation projects.

As of the date of the auditor's report, Montgomery County requested draws of $7,600,000 from the City of Clarksville Public Building Authority on the $20,140,987 loan.

D. Contingent Liabilities

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

E. Changes in Administration

On June 1, 2008, Betty Burchett left the Office of Director of Accounts and Budgets and was succeeded by Erinne Hester.

F. Landfill Closure/Postclosure Care Costs

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

G. Joint Ventures

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

Montgomery County and the City of Clarksville jointly created the Clarksville Montgomery County Airport and the Clarksville Montgomery County Regional Planning Commission. These joint ventures are operated by county/city-appointed boards/commissions for the benefit of all citizens of the two entities. Montgomery County has control over budgeting and financing the joint ventures only to the extent of representation by the board members appointed. Each entity is responsible for funding 50 percent of any deficits from operations if not covered by prior earnings. Montgomery County contributed $55,448 to the operations and $164,763 to capital projects of the airport during the year ended June 30, 2008.

The Economic and Community Development Board is a joint venture between Montgomery County and the City of Clarksville. The board comprises the county mayor, city mayor, and several additional members. The purpose of the board is to foster communications relative to economic and community development between and among governmental entities, industry, and private citizens. The county and city will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. Montgomery County did not appropriate any funds to the Economic and Community Development Board during the 2007-08 year.

The Clarksville-Montgomery County Sports Authority promotes and develops sports and recreational opportunities in Montgomery County. The county and the City of Clarksville jointly appoint the 11-member board. Montgomery County has control over budgeting and financing the joint venture only to the extent of representation by the board members appointed.

The Nineteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Nineteenth Judicial District and Montgomery County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general and the Montgomery County Sheriff. Montgomery County did not appropriate any funds to the DTF during the 2007-08 year.

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

Administrative Offices:

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

Clarksville Montgomery County Airport
200 Airport Road
Clarksville, TN 37042

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

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

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

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

H. Jointly Governed Organizations

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

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

I. Retirement Commitments

Employees

Plan Description

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

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

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 14.34 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, 2008, Montgomery County's annual pension cost of $7,731,682 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected postretirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Montgomery County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	$7,731,682	100%	$0
6-30-07	7,116,217	100	0
6-30-06	6,433,780	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.26 percent funded. The actuarial accrued liability for benefits was $125.96 million, and the actuarial value of assets was $108.66 million, resulting in an unfunded actuarial accrued liability (UAAL) of $17.3 million. The covered payroll (annual payroll of active employees covered by the plan) was $49.01 million, and the ratio of the UAAL to the covered payroll was 35.3 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were $5,948,996, $5,301,689, and $4,457,727, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits

In addition to the retirement commitments described above, Montgomery County provides postemployment health care benefits to full-time employees with 20 years of service who were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. The retirees may remain on the plan until they become eligible for Medicare. Currently, there are 14 employees receiving this benefit.

Also, in addition to the retirement commitments described above, the School Department offers postemployment health care benefits. Eligible employees are those who will have 30 years of verified Tennessee Consolidated Retirement System service, or reached 55 years of age and a minimum of 20 years of service. The school system will provide an employee and spouse with the same health insurance coverage provided for a regular full-time employees if the eligible employee has been covered with the same before their retirement. A portion of the cost of the insurance premium will be paid by the School Department. The insurance coverage will remain in effect until the retiree attains the age of 65 or ten years of service, whichever comes first. Currently, there are 141 employees receiving this benefit.

The School Department provides postemployment life insurance benefits to certified employees with 20 years of service. The School Department pays 100 percent of life insurance premiums ($7,000 policy) until death.

K. Office of Central Accounting, Budgeting, and Purchasing

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

L. Purchasing Laws

Office of Central Purchasing

Purchasing for the County Mayor's Office and the Highway Department are governed by the County Purchasing Law of 1957, Section 5-14-101 et seq., Tennessee Code Annotated (TCA). Purchases for the Highway Department are also governed by the Uniform Road Law, Section 54-7-113, TCA. Section 5-14-101 et seq., TCA, provides for a purchasing agent, appointed by the county mayor and approved by the Montgomery County Commission, to make all purchases. This statute also provides for a County Purchasing Commission to assist the purchasing agent in the determination of overall purchasing policies. These statutes require all purchases exceeding $10,000 to be made on the basis of publicly advertised competitive bids.

Office of Director of Schools

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

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

A. Summary of Significant Accounting Policies

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

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

Reporting Entity

The district, a component unit of Montgomery County, provides emergency communications and dispatch services for all fire, law enforcement, and other emergency departments within the county. The district is a component unit of Montgomery County because it is fiscally dependent on the county. The district cannot issue bonded debt without approval of the county and it cannot adjust the rate of service charges without the County Commission's approval. The governing board of the district is appointed equally by the city and county, and a substantial portion of operating revenues are provided by allocations from Montgomery County. The district's financial statements include only the assets and operations of the district and do not include any other fund, organization, agency, or department of the city or county.

Measurement Focus/Basis of Accounting

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

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

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

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

(2) Operating Subsidies – The district received an operating subsidy from Montgomery County.

Budgets and Budgetary Accounting

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

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

Leave Policies

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

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

Encumbrances

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

Capital Assets and Depreciation

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

Occupancy

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

Cash and Cash Equivalents

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

Election in Accordance with GASB 20

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

Use of Estimates

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

Cash Funds

Cash funds of the district are combined with other county funds and managed by the county trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of $15,433 was allocated to the district during the current year.

Other Significant Accounting Policies

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

B. Cash Deposits

Cash deposits are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as $1,185,534. At June 30, 2008, the deposits of the district were held by the Montgomery County trustee in a combined fund with other Montgomery County deposits. The deposits of the Montgomery County trustee that exceed Federal Deposit Insurance Corporation limits are further insured by securities set aside as collateral and pledged to the state treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

C. Accounts Receivable

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

Service Charges:	
AT&T	$ 74,567
Other Service Providers	11,390
State Wireless Charges	54,190
Total Service Charges	$ 140,147
Interest and Miscellaneous	685
Total	$ 140,832

D. Change in Property and Equipment

	Balance 7-1-07	Additions	Balance 6-30-08
Capital Assets Depreciated:			
Furniture and Fixtures	$ 72,525	$ 0	$ 72,525
Office Equipment	198,455	0	198,455
Communication Equipment	259,553	0	259,553
Total Capital Assets Depreciated	$ 530,533	$ 0	$ 530,533
Less: Accumulated Depreciation For:			
Furniture and Fixtures	32,452	4,527	36,979
Office Equipment	154,203	24,406	178,609
Communication Equipment	160,353	22,837	183,190
Total Accumulated Depreciation	$ 347,008	$ 51,770	$ 398,778
Total Capital Assets Depreciated, Net	$ 183,525	$ (51,770)	$ 131,755

The City of Clarksville has constructed a building to be used by, and eventually transferred to, the district. The district is responsible for payment of debt service to the city. The district has reported $336,877 for use of the building for the year ended June 30, 2008.

E. Service Arrangement Contract

On March 11, 1988, the district negotiated a service agreement with BellSouth for the installation and service of an Enhanced 911 Emergency Service System. BellSouth furnishes equipment and service sufficient to operate the system for an initial installation fee and a monthly fee based upon the number of telephone stations and access lines served by the system. At June 30, 2008, the monthly fee was $7,990. BellSouth merged with AT&T on December 29, 2006, but there has been no change in the service agreement.

F. Operating Lease

The district entered into an agreement effective July 1, 2005, with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. A new three-year agreement was entered into for the period from July 1, 2008, to June 30, 2011. The future minimum lease payment for each of the three remaining years is $78,397. In addition, the lessee has agreed to pay a portion of utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made annually and shall be in an amount based on the prior year's cost. For the year ended June 30, 2008, the amount paid was $34,003.

G. Retirement Commitments

Plan Description

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

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

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, 2008, was 11.61 percent of annual covered payroll. The contribution requirements of plan members are set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year June 30, 2008, the district's annual pension cost of $114,135 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was sixteen years. An actuarial valuation was performed July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	$ 114,135	100%	$ 0
6-30-07	111,596	100	0
6-30-06	91,290	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.78 percent funded. The actuarial accrued liability for the benefits was $1.76 million, and the actuarial value of assets was $1.52 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.23 million. The covered payroll (annual payroll of active employees covered by the plan) was $.95 million, and the ratio of UAAL to the covered payroll was 24.52 percent.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

H. Contingencies

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

I. Related Party Transactions

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

J. Subsequent Events

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

K. Risk Management

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

L. Prepaid Expenses

Prepaid expenses at June 30, 2008, consisted of the following:

	Current	Non-Current	Total
Pre-occupancy building costs of $346,787 amortized over 20 years	$ 17,339	$ 242,753	$ 260,092

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

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

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

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

The board applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements or opinions conflict with or contradict GASB pronouncements. The board is treated as a discrete component unit of Montgomery County since Montgomery County may unilaterally control the operations of the board. The financial reporting entity of the board only includes the assets and operations of the board and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

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

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

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

2. Basis of Presentation

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

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

3. Funding

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

4. Use of Estimates

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

5. Concentrations of Credit Risk

Financial instruments that potentially subject the board to significant concentrations of credit risk consist principally of cash and accounts receivable. The board places its cash with federally insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral. With respect to accounts receivable, credit risk is primarily limited to amounts due from escrow agents in connection with the sale of property.

6. Restricted Assets

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

7. Capital Assets

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The board does not have a material amount of donated assets.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. All assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years are capitalized.

8. Property Held for Sale or Lease

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

9. Accrued Compensated Absences

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

10. Uncollectible Accounts

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

B. Cash and Cash Equivalents

At June 30, 2008, cash in banks and certificates of deposit totaling $1,014,369 in the financial statements were represented by bank balances totaling $1,040,585, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

C. Investments and Other Deposits

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government. Investments and other deposits are stated at cost or amortized cost, which approximates fair value at June 30, 2008. The following is a summary of the board's certificates of deposit at June 30, 2008, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

	Carrying Amount	Market Value
Certificates of Deposit	$ 541,234	$ 541,234

D. Note Receivable from Sale of Land

A non-interest bearing note receivable, secured by a subordinate deed of trust on the eight acres sold and by improvements, is due as follows:

	6-30-08
Three C Group, LLC note	$ 233,300

The note is due and payable upon the earlier of: (1) the date Three C Group, LLC obtains a binding lease for all or substantially all of the improvements on the property; or (2) the closing date for sale of the property.

E. **Capital Assets**

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

Property and Equipment	Balance 7-1-07	Additions	Balance 6-30-08
Equipment	$ 45,280	$ 8,021	$ 53,301
Vehicles	28,282	0	28,282
Leasehold Improvements	48,793	0	48,793
Total	$ 122,355	$ 8,021	$ 130,376
Accumulated Depreciation			
Equipment	$ 41,782	$ 2,655	$ 44,437
Vehicles	22,627	5,655	28,282
Leasehold Improvements	1,355	3,253	4,608
Total	$ 65,764	$ 11,563	$ 77,327

F. **Construction in Progress**

A summary of changes in construction in progress follows:

	Balance 7-1-07	Additions	Balance 6-30-08
Rail to Park Expansion	$ 0	$ 175,804	$ 175,804
Teeter Property	0	118,057	118,057
Kimbrough Property	0	32,000	32,000
Hagewood Property	0	45,456	45,456
Rehab Center	0	690,282	690,282
Speculative Building	0	45,636	45,636
Total	$ 0	$ 1,107,235	$ 1,107,235

Construction in progress is not depreciated until placed in service.

G. Property Held for Sale or Lease

			At Cost
Land-Park Expansion	814.133	acres available	$ 10,862,770
Goodpasture Property	33.090	"	204,918
Bell Property	54.180	"	199,398
Hamill Property	7.750	"	44,602
Darnell Property	28.840	"	35,949
Hayes Property	55.290	"	478,093
Homemax Property	2.000	"	13,965
Connell/Mattingly Property	88.985	"	1,795,968
Tylertown Road Property	332.9003	"	3,046,954
Total			$ 16,682,617

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

H. Land Sale Options

The board had two land sales options from prospective buyers outstanding at June 30, 2008. The first option, granted in fiscal year 2004, allows the holder to purchase a 20-acre tract of land at $16,000 per acre. The option was given for a $6,400 consideration. This option expires in 2010. The second option, granted in fiscal year 2006, allows the holder to purchase 12 acres of land at $240,000. This option was given for the initial consideration of $5,000 and additional consideration of $1,000 payable annually for the next five years.

I. Land Purchase Options

The board had three land purchase options with prospective sellers outstanding at June 30, 2008. The first option, granted in fiscal year 2004, allowed the board to purchase a 988-acre tract of land for $16,740 per acre for which $9,610 was given as consideration for the option. The option expired September 21, 2008. The second option, purchased in fiscal year 2005, allowed the board to purchase 338 acres for $17,600 per acre. This option was purchased for the initial consideration of $8,000 and an additional consideration of $8,000 payable annually for four years. This option expires March 10, 2010. The third option, purchased in fiscal year 2008, allowed the board to purchase a 514-acre tract of land for $20,545 per acre for which $25,000 was given as consideration for the option. This option expired March 31, 2008. From April 1 to August 31, 2008, the board kept the option open by paying monthly installments of $3,000. The option to extend with monthly payments of $25,000 was from September to December 31, 2008.

J. Operating Leases

Beginning December 2006, the board began subleasing office space in the Green Bank building from the EDC under a five-year agreement. Rental expense under the operating lease was $16,476 for the year ended June 30, 2008.

Future payments on lease obligations are as follows:

2009	$ 18,700
2010	18,700
2011	18,700
2012	6,233
Total	$ 62,333

K. Lease Contracts

On June 27, 2008, the board entered into a lease contract with the State of Tennessee for rental of a medical office building. The building is currently under construction. The expected date of completion was December 2008. The lease contract began January 1, 2009, and ends December 31, 2020. Under the terms of the lease, the state will make monthly lease payments of $21,542 to the board. The state has one option to renew the lease for an additional ten years with monthly rent of $15,866. Land and improvements will be surrendered to the board upon termination of the lease.

Future cash flows from this lease contract are expected to be as follows:

Year Ending June 30	Lease Payments
2009	$ 129,252
2010	258,504
2011	258,504
2012	258,504
2013	258,504
2014 and thereafter	1,938,780

L. Long-term Debt

Long-term debt consists of the following:

		2008
Notes payable bearing interest at a fixed rate of 5.5% secured by approximately 55.29 acres of land; principal and interest are payable in quarterly installments, maturing March 25, 2013.	$	172,982
Note payable bearing interest at 5.5% secured by land and a building under construction; payments of interest only until May 2009; principal and interest then paid in monthly installments, with interest accruing at 6.5%, maturing May 2021.		96,915
Total Long-term Debt	$	269,897
Less Current Portion		33,610
Total Long-term Debt Excluding Current Portion	$	236,287

Changes in long-term debt (including current portions) for the year ended June 30, 2008, were as follows:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08	Estimated Amount Due in Year Ending 6-30-09
Notes Payable	$ 203,997	$ 96,915	$ 31,015	$ 269,897	$ 33,610

Future payments on notes payable are as follows:

Year Ending June 30	Total Principal	Total Interest
2009	$ 33,610	$ 14,268
2010	40,416	12,228
2011	42,696	9,948
2012	45,105	7,540
2013	37,873	4,974
2014-2018	41,268	13,984
2019-2021	28,929	2,379
Total	$ 269,897	$ 65,321

M. Retirement Plan

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

During the fiscal year ended June 30, 2008, contributions totaling $15,906 were paid and expensed by the board. Employee contributions to the plan were $13,751 for the year ended June 30, 2008.

N. Conduit Debt Obligations

The board has participated in several issues of industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The board is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The principal balance outstanding as of June 30, 2008, totaled $127,562,404.

O. Related Party Transactions

The board's total payments to the EDC for expenses and group purchases for the year ended June 30, 2008, were $224,605.

P. Annual Budget Procedures

There is no requirement for the board to legally adopt a budget. However, an annual budget is prepared by management and approved by the Board of Directors. The budget is prepared using the cash basis of accounting and is primarily used as a cash management tool. The board members review the board's needs for the year as well as prior-year expenditures to arrive at the current-year budget. There is no requirement that the budget be amended for variances that are inconsequential and which occur as the result of normal operations. The encumbrance method of budgeting and accounting for expenditures is not used.

Q. Commitments and Contingencies

Under terms of an interlocal agreement among Montgomery County, Tennessee, the City of Clarksville, Tennessee, and the board, the sales price of property held for sale or lease will be split 90 percent to the city and ten percent to the board. Any revenue in excess of the first $10,000 per acre (per transaction) will be split 45 percent to the city, 45 percent to the county, and ten percent to the board. The splitting of the proceeds will remain in effect until such time as either the city annexes the land being purchased for expansion or the city has recovered its investment, which shall include interest paid. After such time as the city has either annexed the land being purchased or recovered its investment, the sale of the land shall be divided equally between the city and county after ten percent is deducted for the board. At June 30, 2008, there were no commitments or contracts for the sale of property. No amount is accrued for this commitment in these financial statements because the amount to be paid to the city or county, if any, is not currently determinable.

Effective December 14, 2006, the board was awarded a grant from the State of Tennessee FastTrack Infrastructure Development Program totaling $648,978 for costs associated with the rail spur connection to the Florim Corporation. The grant requires the grantee to provide matching funds of $483,616. At June 30, 2008, the board had accrued a liability of $384,940 for the rail spur connection.

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

R. Subsequent Events

On August 1, 2008, the board entered into a letter of agreement in which a developer would be willing to purchase or lease a 225-acre lot for the development of approximately two million square feet of Class A bulk warehouse, manufacturing, office, and flex distribution space thereon. Once the option is final, the developer will pay $5,000 initial consideration and $50,000 earnest money. The purchase price of the lot is $34,000 per acre. The option will expire five years after being finalized, at which time additional consideration of $5,000 will be due if the developer has not acquired all of the property.

On August 29, 2008, the board exercised the first purchase option described in Note VII. J. The board purchased 1,055.849 acres for $17,674,912. The funding for this purchase was provided by bonds issued by Montgomery County.

On September 12, 2008, the board entered into an agreement to sell 22.7 acres for $771,800. This sale was expected to close on October 31, 2008.

On September 24, 2008, the board entered into a purchase option. This option allows the board to purchase 86 acres for $20,000 per acre. This option was purchased for the initial consideration of $10,000. This option expired December 31, 2008. It is renewable for five months for an additional consideration of $3,000 per month. The extension expires May 31, 2009.

During September and October 2008, financial markets in both the United States and abroad experienced a material decline in investment values. Several of the largest mortgage and insurance companies, as well as commercial and investment banks, failed during this market upheaval. The United States government has taken legislative and fiscal measures to restore consumer confidence in the markets, but the impact of those actions cannot yet be measured. The effects of these matters, if any, on the board's future ability to collect outstanding accounts receivable, notes receivable, and grants receivable and to obtain buyers for properties currently held are not yet known. Accordingly, these statements do not include any adjustments relating to the aforementioned matters.

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

A. Significant Accounting Policies

1. Reporting Entity

The Clarksville-Montgomery County Public Library, for financial purposes, includes all of the funds for which the library is considered to be financially accountable. The library is a special purpose single-program government with only governmental activities. The library is a component unit of Montgomery County, Tennessee. The board is comprised of members that are appointed by the Montgomery County Commission. The county provides approximately 85 percent of the revenues of the library.

2. Government-wide Financial Statements

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

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

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

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

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

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

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

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

Assets	Years
Furniture and equipment	5-10
Building improvements	10
Books	5

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

5. **Basis of Accounting**

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

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

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

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

6. **Donated Services**

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

7. **Donated Supplies and Equipment**

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

8. **Accrued Compensated Absences**

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

9. **Major Funding**

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

10. **Grant Accounting**

Grants are accounted for separately, and separate bank accounts are utilized for large grants. The library received no material grants during the audit period.

11. **Insurance Paid**

Insurance is expensed when recognized. Prepaid insurance is included on the balance sheet at June 30, 2008, for $10,228.

12. **Restricted/Unrestricted Resources Usage**

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

13. **Other Significant Accounting Policies**

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

B. Bank Deposit Information

Statement No. 40, "Deposit and Investment Risk Disclosures," of the Governmental Accounting Standards Board, states "If a government has no deposit or investment policy that addresses a specific type of risk that it is exposed to, the disclosure should indicate that fact." The library does not have an official investment policy. Therefore, to provide a safe temporary medium for investment of the library's idle funds, the library invests those idle funds under the provisions of Tennessee Code Annotated (TCA), Section 6-56-106. The library is a passive investor, in that investments are held until maturity. The city recognizes its investments may have one or more risks: (1) custodial credit risk, (2) concentrations of credit risk, (3) interest rate risk, and (4) foreign currency risk; however, because of the relative safety of the investments authorized in TCA, Sections 6-56-106 (a) 1-6 and 8, the exposure to risk is generally limited to interest rate risk.

State statutes authorize the library to invest in: (1) U.S. government securities and obligations guaranteed by the U.S. government; (2) deposit accounts at state and federally chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. During the current fiscal year, the library invested funds in regular demand deposits. At year end, the carrying amount of the library's cash deposits was $299,236, and the bank balances were $329,555. The cash deposits at year end were held by a bank that is a member of the Tennessee bank collateral pool.

C. Gracey Bequest Fund

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

D. **Memorial Fund**

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

E. **Component Unit**

The Clarksville-Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the library. The foundation's primary purpose is to provide assistance to the library through fund-raising activities and through the management, investment, and administration of the funds under the foundation's control. The funds raised by the foundation are not to be used for the funding of day-to-day operations of the library but for special programs, activities, and capital projects. The three-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal, and professional experience. Although the library doesn't control the timing or amount of receipts from the foundation, the majority of the resources that the foundation holds are restricted to library purposes. Because these resources can only be used by or for the benefit of the library, the foundation is considered a component unit of the library. The foundation is required to disburse between 25 percent and 75 percent of the annual interest or dividends earned on foundation investments during the previous year ending December 31. During the year ended June 30, 2008, the foundation distributed $201,000 to the library for capital purposes.

The foundation's year-end, December 31, differs from the library's year-end. The December 31, 2007, audited financial statements are included in the library's June 30, 2008, basic financial statements. The foundation's bylaws, adopted April 1, 2005, require the foundation's accounts to be audited annually.

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

F. Capital Assets

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

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
Depreciable Assets				
Furniture, Fixtures, Equipment and Software	$ 1,433,792	$ 0	$ 60,316	$ 1,373,476
Building Improvements	47,441	0	0	47,441
Library Resources	3,850,384	254,822	74,370	4,030,836
Total	$ 5,331,617	$ 254,822	$ 134,686	$ 5,451,753
Accumulated Depreciation				
Furniture, Fixtures, Equipment and Software	$ 1,156,240	$ 45,944	$ 60,316	$ 1,141,868
Building Improvements	38,827	2,522	0	41,349
Library Resources	2,838,591	338,395	74,370	3,102,616
Total	$ 4,033,658	$ 386,861	$ 134,686	$ 4,285,833
Capital Assets, Net of Accumulated Depreciation	$ 1,297,959	$ (132,039)	$ 0	$ 1,165,920

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

G. Debt Held by County/City

The proceeds of a note payable were used to finance the renovation of the building and related facilities utilized by the library. In January 1998, Montgomery County and the City of Clarksville each passed resolutions to make yearly repayments of the principal of this note. The total principal to be repaid each year is $68,750. Beginning July 1, 2004, the county verbally agreed to take over the payments entirely. During the fiscal year ended June 30, 2008, the note was paid in full.

H. Pension Information

1. Plan Description

Employees of the library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefits pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service.

Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, became vested after five years of service and members joining the system prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

2. **Funding Policy**

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

The library is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008, was 14.09 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the library is established and may be amended by the TCRS Board of Trustees.

3. **Annual Pension Cost**

For the year ended June 30, 2008, the library's annual pension cost of $88,379 to TCRS was equal to the library's required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed at July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended		Annual Pension Cost (APC)	Perentage of APC Contributed		Net Pension Obligation
6-30-08	$	88,379	100%	$	0
6-30-07		89,726	100		0
6-30-06		77,167	100		0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.46 percent funded. The actuarial accrued liability for benefits was $1.35 million, and the actuarial value of assets was $1.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.17 million. The covered payroll (annual payroll of active employees covered by the plan) was $.64 million, and the ratio of the UAAL to the covered payroll was 26.56 percent.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

I. <u>Material Related Party Transactions</u>

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

J. **<u>Significant Subsequent Events</u>**

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

K. **<u>Significant Contingent Liabilities</u>**

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

L. **<u>Risk Management</u>**

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

M. **<u>Customer Receivables</u>**

There were customer receivables of $188,780 and uncollectible amounts of $94,390, which include uncollectible, waived, or returned items. Gross customer receivables include not only fines and fees receivable, but also an amount due the library for lost books. When a book is returned, the amount due the library is reduced by the cost of the book, but the library receives no cash in this situation. The estimate of uncollectible, waived, and returned items is based on statistical information tracked by the library of amounts due and amounts collected by month.

IX. <u>OTHER NOTES – DISCRETELY PRESENTED BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM</u>

A. **<u>Summary of Significant Accounting Policies</u>**

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

1. <u>Financial Reporting Entity</u>

Bi-County, a component unit of Montgomery County, provides landfill and collection services for Montgomery and Stewart counties. The board members of Bi-County are appointed by the joint participants; however, Montgomery County appoints a voting majority of the board members. Bi-County is treated as a discrete component unit of Montgomery County since Montgomery County may unilaterally control the operations of Bi-County. The financial reporting entity of Bi-County only includes the assets and operations of Bi-County and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

2. Government-wide Financial Statements

The government-wide financial statements include a statement of net assets and a statement of activities. These statements present summaries of governmental and business-type activities for Bi-County.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of Bi-County's assets and liabilities, including capital assets, infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of Bi-County's activities. Direct expenses are those that are specifically associated with a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that have been obtained to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each function of Bi-County is self-financed or draws from general revenues.

3. Basis of Accounting

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

Bi-County utilizes the accrual basis of accounting. Its revenues are recognized when earned, and its expenses are recognized when incurred.

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

4. Budgetary Control

Bi-County, as a component unit of Montgomery County, is required by state statute to adopt an annual budget. Expenditures may not legally exceed appropriations authorized by the Bi-County Board of Directors, and any authorized revisions. Appropriations lapse at the end of each year.

The budgetary level of control is at the major category level. Management may make revisions within major categories except for certain line items such as salaries, but only the governing body may transfer appropriations between major categories.

Bi-County's budgetary basis of accounting is consistent with generally accepted accounting principles.

5. Inventories

Inventories consist of expendable supplies, primarily fuel held for consumption, and are valued at cost on the average cost method. The cost thereof is expensed at the time individual items or quantities are used and not at the time purchased.

6. Property, Plant, and Equipment

All property, plant, and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant, and equipment are valued at their estimated fair value on the date donated. Bi-County does not have a material amount of donated assets. Property items with cost or value of less that $5,000 are recorded as a current year expense, and therefore, are not included on the balance sheet, except that all real property is recorded as a capital asset. No interest costs were capitalized during the year ended June 30, 2008.

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

Assets	Years
Building and Improvements	15-30
Equipment and Vehicles	5-10
Cell Construction	5

7. <u>Compensated Absences</u>

Bi-County's policy is to permit employees to accumulate a limited amount of earned but unused vacation benefits, as well as unused compensatory time, which will be paid to employees upon separation from service. Compensatory time is to be paid within 45 days of being accrued. The granting of sick leave has no guaranteed payment attached, either through official policy or custom, and is therefore not required to be accrued or recorded.

8. <u>Interfund Transactions</u>

All interfund transactions are accounted for as transfers. Nonrecurring or nonroutine transfers of equity are considered residual equity transfers, and all other transfers are treated as operating transfers.

9. <u>Cash and Cash Equivalents</u>

Cash and cash equivalents include cash on hand and on deposit with the Montgomery County Trustee.

10. <u>Management Estimates</u>

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 form those estimates.

11. <u>Concentration of Credit Risk</u>

Financial instruments that potentially subject Bi-County to concentrations of credit risk consist principally of cash deposits. The Montgomery County Trustee generally limits Bi-County's exposure to this credit risk by maintaining cash deposits only in financial institutions covered by FDIC insurance and/or members of the state collateral pool.

12. <u>Classification of Proprietary Fund Revenue</u>

Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the fund. The principal operating revenues for the proprietary fund are charges for services and user fees. Operating expenses are the costs of providing services and include administrative expenses and depreciation. Other revenues and expenses are classified as non-operating in the financial statements.

13. Other Significant Accounting Policies

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

B. Deposits and Investments

1. Deposits

Cash deposits are carried at cost, which approximates market value. The carrying amount of deposits is $10,960,643. At June 30, 2008, the deposits of Bi-County totaled $11,135,797 and were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of the Montgomery County Trustee, that exceed FDIC insurance limits, are further insured by securities set aside as collateral and pledged to the state treasurer of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board. These securities are held at the Federal Reserve Branch in Nashville, Tennessee, for the State of Tennessee. Interest income of $477,405 earned by these deposits has been recorded or disclosed in these financial statements. Interest earned by the combined county funds is allocated by direction of the County Commissioners.

2. Investments

Bi-County is 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. These investments may not have maturity greater than two years. Bi-County may make investments with longer maturities if it follows various restrictions set out in state law. Bi-County is also authorized to make investments in the State Pooled Investment Fund and in repurchase agreements.

C. Retirement Commitments

Plan Description

Certain employees of Bi-County (as employees of Montgomery County) are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefits 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 the system prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2008, was 14.34 percent of annual covered payroll. The contribution requirements for Montgomery County are established and may be amended by the TCRS Board of Trustees.

Annual Pension Costs and Actuarial Information

Pension costs and actuarial information for Bi-County Solid Waste Management System cannot be separately stated. Bi-County is a component unit of Montgomery County, and aggregated pension information is reported for all Montgomery County employees in the June 30, 2008, Montgomery County Annual Financial Report.

D. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require Bi-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, Bi-County 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. Closure/postclosure costs are calculated from an engineering evaluation. The $9,091,000 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date. The landfill will recognize an additional estimated cost of closure and postclosure care of $9,219,500 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2008. Bi-County expects to close the landfill in the year 2015. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Also, expansion of the landfill property could change these estimates.

Montgomery and Stewart counties have executed a "Contract in-Lieu-of Performance Bond" for $18,310,500 to provide financial assurance to the State of Tennessee for the estimated operation, closure, and postclosure costs.

Change in Long-term Obligation for Closure and Postclosure Costs:

Accrued liability at July 1, 2007	$ 7,805,600
Current year accrual	1,285,400
Accrued liability at June 30, 2008	$ 9,091,000

These calculations are based upon a closure/postclosure study conducted in June 2000, but estimated costs have been updated for inflation by the State of Tennessee, Department of Environment and Conservation.

E. Accounts Receivable

Accounts receivable at June 30, 2008, consist of the following categories of receivables:

	Proprietary Fund
Customer Receivables	$ 450,047
Other	70,428
Total Accounts Receivable	$ 520,475

Loans Receivable – consist of an advance from Bi-County of $6,500, which is pooled with other Montgomery County funds to establish the account for workers' compensation self-insurance.

The paying agent, Brentwood Services, holds this money on behalf of Bi-County, and Montgomery County maintains records to account for the Bi-County portion.

F. Schedule of Changes in Property, Plant, and Equipment

	Balance 7-1-07	Additions	Transfers or Retirements	Balance 6-30-08
Enterprise Assets-Landfill				
Land - Held for Expansion	$ 616,156	$ 0	$ 0	$ 616,156
Land	43,849	0	0	43,849
Construction in Progress	0	15,000	0	15,000
Total Capital Assets Not Depreciated	$ 660,005	$ 15,000	$ 0	$ 675,005
Capital Assets Depreciated:				
Buildings and Improvements	$ 2,465,589	$ 0	$ 40,528	$ 2,425,061
Machinery and Equipment	6,237,262	158,795	0	6,396,057
Other Property	845,863	0	0	845,863
Total Capital Assets Depreciated	$ 9,548,714	$ 158,795	$ 40,528	$ 9,666,981
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 558,842	$ 69,757	$ 15,373	$ 613,226
Machinery and Equipment	3,298,734	399,214	3,733	3,694,215
Other Property	842,224	672	277	842,619
Total Accumulated Depreciation	$ 4,699,800	$ 469,643	$ 19,383	$ 5,150,060
Total Capital Assets Depreciated, Net	$ 4,848,914	$ (310,848)	$ 21,145	$ 4,516,921
Total Enterprise Assets, Net	$ 5,508,919	$ (295,848)	$ 21,145	$ 5,191,926
Governmental Assets				
Capital Assets Not Depreciated:				
Land	$ 17,987	$ 0	$ 0	$ 17,987
Capital Assets Depreciated:				
Buldings and Improvements	$ 280,743	$ 0	$ 0	$ 280,743
Machinery and Equipment	1,823,075	6,900	52,998	1,776,977
Total Capital Assets Depreciated	$ 2,103,818	$ 6,900	$ 52,998	$ 2,057,720
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 177,385	$ 7,196	$ 33	$ 184,548
Machinery and Equipment	1,066,167	100,772	48,394	1,118,545
Total Accumulated Depreciation	$ 1,243,552	$ 107,968	$ 48,427	$ 1,303,093
Total Capital Assets Depreciated, Net	$ 860,266	$ (101,068)	$ 4,571	$ 754,627
Total Governmental Assets, Net	$ 878,253	$ (101,068)	$ 4,571	$ 772,614

G. Contingent Liabilities

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

H. Sources of Revenue

Bi-County receives a substantial amount of its charges for services (tipping fees) from Cheatham County and three haulers: Clarksville Disposal, Red River Services, and Waste Industries. Bi-County also collects a user fee from each household in Montgomery and Stewart counties. A major reduction in revenue from any of the above sources, should this occur, may have a significant effect on the future operation of Bi-County.

I. Related Parties

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

J. Subsequent Events

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

K. Risk Management

Bi-County 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. Bi-County through its primary government, Montgomery County, has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

Bi-County Solid Waste Management System, along with other Montgomery County component units, has chosen to establish a combined Self-Insurance Fund for risks associated with the employees' health insurance plan.

L. Operating Leases

Bi-County has convenience centers in 18 locations in Montgomery and Stewart counties. These convenience centers are located on leased property. The lease payments for this year were $25,800, and are included in the contracted services category on the statement of revenue and expenditures.

None of these are considered to be capital leases, and a schedule of future required minimum rental payments is not presented. None of theses leases are noncancelable, and each can be renewed or canceled by either party.

M. Changes in Long-term Debt

	Balance 7-1-07	Additions	Balance 6-30-08
Accrued Compensated Absences	$ 103,394	$ 22,252	$ 125,646
	$ 103,394	$ 22,252	$ 125,646

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REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit F-1

Montgomery County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 27,709,312	$ 26,902,454	$ 26,403,291	$ 1,306,021
Licenses and Permits	653,510	691,950	722,433	(68,923)
Fines, Forfeitures, and Penalties	1,280,394	1,229,550	1,410,744	(130,350)
Charges for Current Services	4,873,837	4,615,505	4,674,678	199,159
Other Local Revenues	4,583,523	2,661,745	4,176,303	407,220
Fees Received from County Officials	7,913,066	7,885,430	7,932,580	(19,514)
State of Tennessee	5,453,525	4,797,884	4,792,498	661,027
Federal Government	919,109	715,011	1,621,145	(702,036)
Other Governments and Citizens Groups	1,897,603	923,415	1,775,366	122,237
Total Revenues	$ 55,283,879	$ 50,422,944	$ 53,509,038	$ 1,774,841
Expenditures				
General Government				
County Commission	$ 172,384	$ 169,681	$ 197,039	$ 24,655
Board of Equalization	1,483	3,609	4,290	2,807
Beer Board	2,688	1,686	3,227	539
Other Boards and Committees	2,476	1,897	2,314	(162)
County Mayor/Executive	386,586	306,880	394,820	8,234
Personnel Office	262,354	152,097	218,242	(44,112)
County Attorney	38,824	24,000	43,000	4,176
Election Commission	358,462	330,376	402,720	44,258
Register of Deeds	382,940	299,674	395,904	12,964
Planning	320,660	320,660	320,660	0
Building	33,315	0	36,776	3,461
Codes Compliance	476,484	391,008	522,850	46,366
Geographical Information Systems	54,390	80,000	84,896	30,506
County Buildings	1,239,726	1,057,555	1,318,503	78,777
Other Facilities	1,122,976	992,327	1,124,316	1,340
Other General Administration	417,800	437,120	454,700	36,900
Preservation of Records	98,628	93,675	113,723	15,095
Finance				
Accounting and Budgeting	452,269	358,054	469,814	17,545
Purchasing	252,595	190,252	261,734	9,139
Property Assessor's Office	749,152	610,685	752,605	3,453
Reappraisal Program	112,994	113,167	118,537	5,543
County Trustee's Office	414,253	342,320	431,112	16,859
County Clerk's Office	1,314,809	1,096,131	1,465,337	150,528
Data Processing	1,169,611	1,157,807	1,328,770	159,159
Other Finance	44,223	39,300	44,600	377
Administration of Justice				
Circuit Court	1,632,384	1,281,814	1,766,920	134,536
General Sessions Court	1,583,814	1,465,205	1,708,944	125,130
Drug Court	42,629	0	50,000	7,371

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Administration of Justice (Cont.)				
Chancery Court	$ 430,936	$ 327,957	$ 448,949	$ 18,013
District Attorney General	44,334	71,650	71,650	27,316
Judicial Commissioners	204,115	149,720	209,503	5,388
Other Administration of Justice	620,221	631,693	653,834	33,613
Probation Services	751,757	614,823	785,539	33,782
Public Safety				
Sheriff's Department	6,249,365	5,037,107	6,780,881	531,516
Special Patrols	1,447,071	1,482,575	1,483,226	36,155
Traffic Control	0	5,000	5,000	5,000
Administration of the Sexual Offender Registry	3,883	8,524	8,524	4,641
Jail	9,891,292	8,814,549	11,057,670	1,166,378
Workhouse	1,364,802	1,186,592	1,432,945	68,143
Correctional Incentive Program Improvements	446,263	447,617	493,540	47,277
Juvenile Services	242,294	237,468	241,876	(418)
Fire Prevention and Control	124,594	168,079	186,841	62,247
Civil Defense	340,164	297,825	366,763	26,599
Other Emergency Management	560,757	748,315	1,358,355	797,598
County Coroner/Medical Examiner	171,270	135,000	150,730	(20,540)
Public Health and Welfare				
Local Health Center	249,835	260,254	260,254	10,419
Rabies and Animal Control	344,789	263,457	349,955	5,166
Ambulance/Emergency Medical Services	6,225,431	5,048,358	6,568,786	343,355
Nursing Home	13,528	0	15,000	1,472
Other Local Health Services	1,635,023	1,634,662	1,634,662	(361)
Regional Mental Health Center	10,000	10,000	10,000	0
Appropriation to State	152,852	152,852	152,852	0
Other Local Welfare Services	72,450	84,825	85,825	13,375
Other Public Health and Welfare	24,000	23,750	24,000	0
Social, Cultural, and Recreational Services				
Libraries	1,651,981	1,527,251	1,651,932	(49)
Parks and Fair Boards	42,417	54,070	54,070	11,653
Other Social, Cultural, and Recreational	31,431	7,921	30,749	(682)
Agriculture and Natural Resources				
Agriculture Extension Service	302,878	312,552	323,686	20,808
Forest Service	2,000	2,000	2,000	0
Soil Conservation	48,950	36,549	48,191	(759)
Other Operations				
Tourism	1,018,984	930,000	930,000	(88,984)
Industrial Development	467,700	467,700	467,700	0
Airport	55,448	55,448	55,448	0
Veterans' Services	295,356	308,937	315,173	19,817
Other Charges	1,977,761	1,393,610	2,473,610	495,849

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Other Operations (Cont.)				
Contributions to Other Agencies	$ 86,524	$ 125,358	$ 125,358	$ 38,834
Employee Benefits	379,494	8,886,570	396,601	17,107
Miscellaneous	182,044	18,700	184,494	2,450
Highways				
Litter and Trash Collection	114,984	141,157	141,155	26,171
Total Expenditures	$ 51,419,887	$ 53,427,455	$ 56,073,680	$ 4,653,793
Excess (Deficiency) of Revenues Over Expenditures	$ 3,863,992	$ (3,004,511)	$ (2,564,642)	$ 6,428,634
Other Financing Sources (Uses)				
Insurance Recovery	$ 17,295	$ 0	$ 17,295	$ 0
Transfers In	56,193	3,004,511	2,098,865	(2,042,672)
Transfers Out	(554,700)	0	0	(554,700)
Total Other Financing Sources (Uses)	$ (481,212)	$ 3,004,511	$ 2,116,160	$ (2,597,372)
Net Change in Fund Balance	$ 3,382,780	$ 0	$ (448,482)	$ 3,831,262
Fund Balance, July 1, 2007	16,144,917	6,267,384	6,267,384	9,877,533
Fund Balance, June 30, 2008	$ 19,527,697	$ 6,267,384	$ 5,818,902	$ 13,708,795

Exhibit F-2

Montgomery County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	$ 108,665	$ 125,967	$ 17,302	86.26 %	$ 49,014	35.30 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit F-3

Montgomery County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Clarksville-Montgomery County Library
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan 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)
6-30-07	$ 1,185	$ 1,355	$ 170	87.46 %	$ 640	26.56%

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial method was a change made during the year; therefore, only the most current year is presented.

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MONTGOMERY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

A. BUDGETARY INFORMATION

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

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Major Category	Amount Overspent
Other Boards and Committees	$ 162
Personnel Office	44,112
Juvenile Services	418
County Coroner/Medical Examiner	20,540
Other Local Health Services	361
Libraries	49
Other Social, Cultural, and Recreational	682
Soil Conservation	759
Tourism	88,984
Transfers Out	554,700

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

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