OFFICIAL STATEMENT

NEW ISSUE
BOOK-ENTRY ONLY

RATING: Moody's "Aaa" (Insured)
Moody's "Aa3" (Underlying)
Insured: XLCA

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

$18,000,000
MONTGOMERY COUNTY, TENNESSEE
GENERAL OBLIGATION SCHOOL AND PUBLIC IMPROVEMENT BONDS, SERIES 2007
(ULT)

DATED: August 30, 2007

DUE: May 1, as shown below

Montgomery County, Tennessee (the "County") will issue its $18,000,000 General Obligation School and Public Improvement Bonds, Series 2007 (the "Bonds") in fully registered book-entry form, without coupons, and, when issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases of beneficial ownership interest in the Bonds will be made in book-entry form only, in denominations of $5,000 or multiples thereof through DTC Participants. Interest on the Bonds will be payable semiannually on May 1 and November 1 of each year, commencing on May 1, 2008, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by XL Capital Assurance Inc. ("XLCA").

XL CAPITAL ASSURANCE

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

Maturity (May 1)	Amount	Interest Rate	Yield	Maturity (May 1)	Amount	Interest Rate	Yield
2009	$600,000	5.000%	3.640%	2019	$900,000	4.250%	4.360%
2010	625,000	5.000	3.680	2020	1,100,000	4.250	4.400
2011	650,000	5.000	3.720	2021	1,100,000	4.375	4.440
2012	675,000	5.000	3.760	2022	1,100,000	4.375	4.490
2013	700,000	4.500	3.830	2023	1,100,000	4.375	4.530
2014	725,000	4.500	3.940	2024	1,100,000	4.500	4.560
2015	750,000	4.000	4.020	2025	1,100,000	4.500	4.600
2016	800,000	4.000	4.080	2026	1,100,000	4.500	4.630
2017	825,000	4.000	4.180	2027	1,100,000	4.625	4.660
2018	850,000	4.200	4.300	2028	1,100,000	4.625	4.700

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. Stephens Inc. has acted as Financial Advisor to the County in connection with the sale of the Bonds. The Bonds, in book-entry form, are expected to be available for delivery through The Depository Trust Company in New York, New York, on or about August 30, 2007.

Stephens Inc.
Nashville, Tennessee
Financial Advisor

August 15, 2007

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

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

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

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

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

Montgomery County, Tennessee
General Obligation School and Public Improvement Bonds, Series 2007
Dated August 30, 2007

Maturity (May 1)	Amount	Rate	Yield	Cusip No.*
2009	$600,000	5.000%	3.640%	613664 X97
2010	625,000	5.000	3.680	613664 Y21
2011	650,000	5.000	3.720	613664 Y39
2012	675,000	5.000	3.760	613664 Y47
2013	700,000	4.500	3.830	613664 Y54
2014	725,000	4.500	3.940	613664 Y62
2015	750,000	4.000	4.020	613664 Y70
2016	800,000	4.000	4.080	613664 Y88
2017	825,000	4.000	4.180	613664 Y96
2018	850,000	4.200	4.300	613664 Z20
2019	900,000	4.250	4.360	613664 Z38
2020	1,100,000	4.250	4.400	613664 Z46
2021	1,100,000	4.375	4.440	613664 Z53
2022	1,100,000	4.375	4.490	613664 Z61
2023	1,100,000	4.375	4.530	613664 Z79
2024	1,100,000	4.500	4.560	613664 Z87
2025	1,100,000	4.500	4.600	613664 Z95
2026	1,100,000	4.500	4.630	613664 2A8
2027	1,100,000	4.625	4.660	613664 2B6
2028	1,100,000	4.625	4.700	613664 2C4

* 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.

[This page is intentionally left blank]

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 School and Public Improvement Bonds, Series 2007.

TABLE OF CONTENTS

MONTGOMERY COUNTY, TENNESSEE

1 Millennium Plaza
Clarksville, Tennessee 37041

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	Ronnie D. Boyd
Circuit Court Clerk	Cheryl J. Castle
Clerk and Master	Ted Crozier
County Clerk	Kellie Jackson
Director of Accounts and Budgets	Betty Burchett
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

Citi
Tampa, Florida

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.................................	$18,000,000 General Obligation School and Public Improvement Bonds, Series 2007 (the "Bonds").
PURPOSE...........................	(i) acquisition of land and site development for a County Emergency Management System; (ii) the constructing, repairing, renovating and equipping of a County Emergency Management System; (iii) acquisition of land and site development for school purposes; (iv) constructing, improving, repairing, renovating and equipping of school buildings and facilities; (v) acquisition of land and site development for County government buildings; (vi) constructing, improving, repairing, renovating and equipping of County government buildings; (v) constructing, improving and repairing the roof to the Veterans Plaza; (vi) acquisition of land and site development for parks; (vii) acquisition and installation of lighting for parks; (viii) constructing, improving, repairing, renovating and equipping of Spur Trail; (ix) constructing, improving, repairing, renovating and equipping County government properties for compliance under the American Disabilities Act; (x) acquisition of vehicles for Planning & Zoning; (xi) acquisition and installation of equipment for the County's fire department, highway department, offices of the County Clerk and offices of the Circuit Court Clerk; (xii) acquisition and installation of data processing equipment; (xiii) payment of legal, fiscal, administrative, architectural and engineering costs incident to any of the foregoing; (xiv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (xv) payment of costs incurred in connection with the issuance and sale of the Bonds.
DATED DATE....................	August 30, 2007.
INTEREST DUE	Each May 1 and November 1, commencing May 1, 2008.
PRINCIPAL DUE	Each May 1, commencing May 1, 2009 through May 1, 2028, inclusive.
PROJECTED SETTLEMENT DATE.......	August 30, 2007.
OPTIONAL REDEMPTION	The Bonds maturing May 1, 2018 and thereafter are subject to optional redemption on May 1, 2017 and thereafter, as set forth herein.
SECURITY.........................	Unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
RATINGS	"Aaa", by Moody's Investors Service, Inc. ("Moody's") based on the understanding that the standard policy of XL Capital Assurance ("XLCA") insuring the payment of principal and interest on the Bonds

	will be issued upon delivery of the Bonds. Moody's has assigned an underlying rating of "Aa3" to the Bonds. The ratings reflect only the view of Moody's and neither the County nor the Financial Advisor makes any representation as to the appropriateness of such ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by Moody's if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the ratings may be obtained from Moody's.
BOND INSURANCE..........	Concurrently with the issuance of the Bonds, XLCA will issue its insurance policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.
TAX MATTERS................	Bass, Berry & Sims PLC will provide an unqualified opinion as to the tax exemption of the Bonds discussed under "TAX MATTERS" herein.
REGISTRATION AND PAYING AGENT..............	Deutsche Bank National Trust Company, Olive Branch, Mississippi.
FINANCIAL ADVISOR	Stephens Inc., Nashville, Tennessee.
UNDERWRITER..............	Citi, Tampa, Florida.

[This page is intentionally left blank]

OFFICIAL STATEMENT

MONTGOMERY COUNTY, TENNESSEE

$18,000,000
GENERAL OBLIGATION SCHOOL AND PUBLIC IMPROVEMENT BONDS, SERIES 2007 (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 $18,000,000 General Obligation School and Public Improvement Bonds, Series 2007 (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 July 9, 2007 (the "Resolution"), authorizing the execution, terms, issuance, and the sale of the Bonds.

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

This Official Statement includes descriptions of, among other matters, the Bonds, the Resolution, and the County. Such descriptions and information do not purport to be comprehensive or definitive. All references to the Resolution are qualified in their entirety by reference to the definitive document, including the form of the Bonds included in the Resolution. During the period of the offering of the Bonds, copies of the Resolution and any other documents described herein or in the Resolution may be obtained from the County. After delivery of the Bonds, copies of such documents will be available for inspection at the County 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 for the purpose of providing funds for the following purposes: (i) acquisition of land and site development for a County Emergency Management System; (ii) the constructing, repairing, renovating and equipping of a County Emergency Management System; (iii) acquisition of land and site development for school purposes; (iv) constructing, improving, repairing, renovating and equipping of school buildings and facilities; (v) acquisition of land and site development for County government buildings; (vi) constructing, improving, repairing, renovating and equipping of County government buildings; (v) constructing, improving and repairing the roof to the Veterans Plaza; (vi) acquisition of land and site development for parks; (vii) acquisition and installation of lighting for parks; (viii) constructing, improving, repairing, renovating and equipping of Spur Trail; (ix) constructing, improving, repairing, renovating and equipping County government properties for compliance under the American Disabilities Act; (x) acquisition of vehicles for Planning & Zoning; (xi) acquisition and installation of equipment for the County's fire department, highway department, offices of the County Clerk and offices of the Circuit Court Clerk; (xii) acquisition and installation of data processing equipment; (xiii) payment of legal, fiscal, administrative, architectural and engineering costs incident to any of the foregoing; (xiv) reimbursement to the appropriate fund of the County for prior expenditures for the foregoing costs, if applicable; and (xv) payment of costs incurred in connection with the issuance and sale of the Bonds.

The Bonds will be issued in fully registered, book-entry form, without coupons, in denominations of $5,000 or any integral multiple thereof. The Bonds will be dated the 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 May 1 and November 1 of each year (herein an “Interest Payment Date”), commencing May 1, 2008.

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

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

Any interest on any Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the County to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The County shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the County shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall not be more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the County of such Special Record Date and, in the name and at the expense of the County, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the County to punctually pay or duly provide for the payment of principal of and interest on the Bonds when due.

Optional Redemption

Bonds maturing May 1, 2009 through May 1, 2017 are not subject to redemption prior to maturity. Bonds maturing May 1, 2018 and thereafter shall be subject to redemption prior to maturity at the option of the

County on or after May 1, 2017 and thereafter as a whole or in part at any time, at the redemption price of par plus interest accrued to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Commissioners 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 and secured by unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.

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

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co.

(DTC's partnership nominee). Only one fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of the Bonds, and will be deposited with DTC.

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

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

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

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

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

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

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

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

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

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

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

Sources and Uses of Funds

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

Sources of Funds	
Par Amount	$18,000,000.00
Net Reoffering Premium	479.50
Total Sources	$18,000,479.50
Uses of Funds	
Deposit to Project Construction Fund	$17,800,377.75
Cost of Issuance, includes Underwriter's Discount (includes Bond Insurance Premium) and Expenses	200,101.75
Total Uses	$18,000,479.50

Ratings

The Bonds have been assigned a rating of "Aaa" by Moody’s Investors Service, Inc. ("Moody’s") based on the understanding that the standard policy of XL Capital Assurance ("XLCA") insuring the payment of principal and interest on the Bonds will be issued upon delivery of the Bonds. Moody's has assigned an underlying rating of "Aa3" to the Bonds. The ratings reflect only the view of Moody’s and neither the County nor the Financial Advisor makes any representation as to the appropriateness of such ratings.

There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely by Moody’s if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the secondary market price of the Bonds. Any explanation of the significance of the ratings may be obtained from Moody’s.

Bond Insurance

The following information has been supplied by the Insurer for inclusion in this Official Statement. No representation is made by Issuer/Underwriter as to the accuracy or completeness of the information.

The Insurer accepts no responsibility for the accuracy or completeness of this Official Statement or any other information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer and its affiliates set forth under this heading. In addition, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

General

XL Capital Assurance Inc. (the “Insurer” or “XLCA”) is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The Insurer is currently licensed to do insurance business in, and is subject to the insurance regulation and supervision by, all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Singapore.

The Insurer is an indirect wholly owned subsidiary of Security Capital Assurance Ltd (“SCA”), a company organized under the laws of Bermuda. Through its subsidiaries, SCA provides credit enhancement and protection products to the public finance and structured finance markets throughout the United States and internationally. XL currently beneficially owns approximately 46% of SCA’s outstanding shares.

The common shares of SCA are publicly traded in the United States and listed on the New York Stock Exchange (NYSE: SCA). **SCA is not obligated to pay the debts of or claims against the Insurer.**

Financial Strength and Financial Enhancement Ratings of XLCA

The Insurer's insurance financial strength is rated “Aaa” by Moody’s and “AAA” by Standard & Poor’s and Fitch, Inc. (“Fitch”). In addition, the Insurer has obtained a financial enhancement rating of “AAA” from Standard & Poor’s. These ratings reflect Moody’s, Standard & Poor’s and Fitch's current assessment of the Insurer's creditworthiness and claims-paying ability as well as the reinsurance arrangement with XL Financial Assurance Ltd. (“XLFA”) described under "Reinsurance" below.

The above ratings are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody’s, Standard & Poor’s or Fitch. Any downward revision or withdrawal of these ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

Reinsurance

The Insurer has entered into a facultative quota share reinsurance agreement with XLFA, an insurance company organized under the laws of Bermuda, and an affiliate of the Insurer. Pursuant to this reinsurance agreement, the Insurer expects to cede up to 75% of its business to XLFA. The Insurer may also cede reinsurance to third parties on a transaction-specific basis, which cessions may be any or a combination of quota share, first loss or excess of loss. Such reinsurance is used by the Insurer as a risk management device and to comply with statutory and rating agency requirements and does not alter or limit the Insurer's obligations under any financial guaranty insurance policy. With respect to any transaction insured by XLCA, the percentage of risk ceded to XLFA may be less than 75% depending on certain factors including, without limitation, whether XLCA has obtained third party reinsurance covering the risk. As a result, there can be no assurance as to the percentage reinsured by XLFA of any given financial guaranty insurance policy issued by XLCA, including the Policy.

Based on the audited financial statements of XLFA, as of December 31, 2006, XLFA had total assets, liabilities, redeemable preferred shares and shareholders' equity of $2,007,395,000, $874,028,000, $54,016,000 and $1,079,351,000, respectively, determined in accordance with generally accepted accounting principles in the United States ("US GAAP"). XLFA's insurance financial strength is rated "Aaa" by Moody's and "AAA" by S&P and Fitch Inc. In addition, XLFA has obtained a financial enhancement rating of "AAA" from S&P.

The ratings of XLFA or any other member of the SCA group of companies are not recommendations to buy, sell or hold securities, including the Bonds and are subject to revision or withdrawal at any time by Moody's, Standard & Poor's or Fitch.

Notwithstanding the capital support provided to the Insurer described in this section, the Bondholders will have direct recourse against the Insurer only, and XLFA will not be directly liable to the Bondholders.

Capitalization of the Insurer

Based on the audited financial statements of XLCA, as of December 31, 2006, XLCA had total assets, liabilities, and shareholder's equity of $1,224,735,000, $974,230,000, and $250,505,000, respectively, determined in accordance with U.S. GAAP.

Based on the unaudited statutory financial statements for XLCA as of December 31, 2006 filed with the State of New York Insurance Department, XLCA has total admitted assets of $429,073,000, total liabilities of $222,060,000, total capital and surplus of $207,013,000 and total contingency reserves of $20,876,000 determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities ("SAP").

Based on the audited statutory financial statements for XLCA as of December 31, 2005 filed with the State of New York Insurance Department, XLCA has total admitted assets of $328,231,000, total liabilities of $139,392,000, total capital and surplus of $188,839,000 and total contingency reserves of $13,031,000 determined in accordance with SAP.

Incorporation by Reference of Financials

For further information concerning XLCA and XLFA, see the financial statements of XLCA and XLFA, and the notes thereto, incorporated by reference in this Official Statement. The financial statements of XLCA and XLFA are included as exhibits to the periodic reports filed with the Securities and Exchange Commission (the "Commission") by SCA and may be reviewed at the EDGAR website maintained by the Commission. All financial statements of XLCA and XLFA included in, or as exhibits to, documents filed by SCA pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or prior to the date of this Official Statement, or after the date of this Official Statement but prior to termination of the offering of the Bonds, shall be deemed incorporated by reference in this Official Statement. Except for the financial statements of XLCA and XLFA, no other information contained in the reports filed with the Commission by SCA is incorporated by reference. Copies of the statutory quarterly and annual statements filed with the State of New York Insurance Department by XLCA are available upon request to the State of New York Insurance Department.

Regulation of the Insurer

The Insurer is regulated by the Superintendent of Insurance of the State of New York. In addition, the Insurer is subject to regulation by the insurance laws and regulations of the other jurisdictions in which it is licensed. As a financial guaranty insurance company licensed in the State of New York, the Insurer is subject to Article 69 of the New York Insurance Law, which, among other things, limits the business of each insurer to financial guaranty insurance and related lines, prescribes minimum standards of solvency, including minimum capital requirements, establishes contingency, loss and unearned premium reserve requirements, requires the maintenance of minimum surplus to policyholders and limits the aggregate amount of insurance which may be written and the maximum size of any single risk exposure which may be assumed. The Insurer is also required to file detailed annual financial statements with the New York Insurance Department and similar supervisory agencies in each of the other jurisdictions in which it is licensed.

The extent of state insurance regulation and supervision varies by jurisdiction, but New York and most other jurisdictions have laws and regulations prescribing permitted investments and governing the payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

THE FINANCIAL GUARANTY INSURANCE POLICIES ISSUED BY THE INSURER, INCLUDING THE INSURANCE POLICY, ARE NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

The principal executive offices of the Insurer are located at 1221 Avenue of the Americas, New York, New York 10020 and its telephone number at this address is (212) 478-3400.

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, 2007 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Issuer to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Issuer with each Nationally Recognized Municipal Securities Information Repository (the "Repositories") and any State Information Depository which may be established in Tennessee (the "SID"). If the Issuer is unable to provide the Annual Report to the Repositories and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories and the SID, if any, on or before such date. The notices of material events will be filed by the County with either the Repositories or with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the “Rule”). The County is currently in compliance in all material respects with regard to the Rule to provide Annual Reports or notices of material events.

Annual Report

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

1. "Summary of Outstanding Debt";
2. "Debt Statement";
3. "Debt Record";
4. "Population";
5. "Per Capita Debt Ratios";
6. "Debt Ratios";
7. "Debt Trend";
8. "Debt Service Requirements";
9. "Property Valuation and Property Tax";
10. "Top Taxpayers";
11. "Fund Balances";
12. "Local Sales Tax"; and
13. "Statement of Operating Revenues, Expenditures and Changes in Fund Balances – All Funds".

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

Reporting of Significant Events

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

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

2. If the County determines that knowledge of the occurrence of a Listed Event would be material (under applicable Federal securities laws), the County shall promptly file a notice of such occurrence either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolutions.

3. The following are the Listed Events:

   a. Principal and interest payment delinquencies;

   b. Non-payment related defaults;

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

   d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

   g. Modifications to rights of Bondholders;

   h. Bond calls;

   i. Defeasances;

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

   k. Rating changes.

Termination of Reporting Obligation

The County's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment/Waiver

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

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of the Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

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

Default

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

FUTURE ISSUES

The County is in the planning stages for improvements and expansion of existing schools with the possibility of funding a new elementary school in 2008 or 2009. Cost estimates are not available at this time.

LITIGATION

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

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Bass, Berry & Sims PLC, Bond Counsel. A copy of the opinion will be delivered with 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

Federal Taxes

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

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

The initial public offering prices of the Bonds maturing May 1, 2015 through May 1, 2028, inclusive (the "Discount Bonds") are less than the amounts payable at maturity. An amount not less than the difference between the initial public offering price of the Discount Bonds and the amount payable at maturity constitutes "original issue discount," which will be excludable from gross income for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the Bonds maturing May 1, 2009 through May 1, 2014, inclusive (the "Premium Bonds") are greater than the amounts payable at maturity with respect to such Bonds. The difference between (a) the amount payable at maturity of the Premium Bonds and (b) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds of such maturities are sold, will constitute the "original issue premium." Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of bond premium, the owner of a Premium Bond may realize a taxable gain upon its disposition even though the Premium Bond is sold or redeemed for an amount not greater than the owner's original acquisition cost.

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

State Taxes

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

FINANCIAL ADVISOR

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

UNDERWRITING

Citi, Tampa, Florida (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 $17,865,015.75, which is par, less underwriter's discount of $134,984.25 (includes bond insurance premium of $24,900.00). The reoffering prices for the Bonds resulted in a net reoffering premium of $479.50 which the Underwriter has retained as additional compensation.

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 Underwriter.

MISCELLANEOUS

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

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

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

[This page is intentionally left blank]

CERTIFICATE OF COUNTY MAYOR

I, Carolyn P. Bowers, do hereby certify that I am the duly qualified and acting County Mayor of Montgomery County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated August 15, 2007, issued in connection with the sale of the $18,000,000 General Obligation School and Public Improvement Bonds, Series 2007 and to the best of my knowledge, information, and belief (a) the descriptions and statements contained in said Official Statement were at the time of the acceptance of the winning bid true and correct in all material respects; and (b) that said Official Statement did not at the time of the acceptance of the winning bid and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

WITNESS my official signature this 15th day of August, 2007.

/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

(SEAL)

[This page is intentionally left blank]

APPENDIX A

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

[This page is intentionally left blank]

(Form of Opinion of Bond Counsel Relating to the Bonds)

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

(Closing Date)

We have acted as bond counsel to Montgomery County, Tennessee (the "Issuer") in connection with the issuance of $18,000,000 General Obligation School and Public Improvement Bonds, Series 2007, dated August 29, 2007 (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 (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 below, 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

[This page is intentionally left blank]

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 eighth 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 108,972 based on the 2004 estimated U.S. Census. 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 2006 U. S. Census estimate, the County is the eighth largest county in the state with a population of 147,114 reflecting a 46.4 percent increase since the 1990 census.

	County		Tennessee	
	Number	**% Change [1]**	**Number**	**% Change [1]**
1970 U. S. Census	62,721		3,926,018	
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2001 U. S. Census Estimate	135,581	34.9%	5,746,477	17.8%
2002 U. S. Census Estimate	136,731	36.1%	5,788,333	18.7%
2003 U. S. Census Estimate	139,033	38.3%	5,834,358	19.6%
2004 U. S. Census Estimate	141,406	40.7%	5,885,597	20.7%
2005 U. S. Census Estimate	146,845	46.1%	5,955,745	22.1%
2006 U. S. Census Estimate	147,114	46.4%	6,038,803	23.8%

Source: U.S. Bureau of Census

Income and Housing

In 2005, the County had a per capita personal income of $31,812, which was 102.7 percent of the State average of $30,969.

	County	Tennessee	Percent of State
Per Capita Income, 1990	$14,761	$16,692	88.60%
Per Capita Income, 1999	$22,413	$24,898	90.00%
Per Capita Income, 2000	$23,992	$26,096	91.94%
Per Capita Income, 2001	$24,910	$26,871	92.70%
Per Capita Income, 2002	$26,089	$27,499	94.87%
Per Capita Income, 2003	$27,476	$28,350	96.92%
Per Capita Income, 2004	$28,863	$29,641	97.38%
Per Capita Income, 2005	$31,812	$30,969	102.72%

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

Median Household Income 1989 (1)	$25,568
Median Household Income, 2004 (2)	$42,959
Median Family Housing Value, 2000 (3)	$85,100
Total Residential Parcels, 2006 (4)	51,641

Source: (1) Tennessee Statistical Abstract 2000 based on U.S. Census Bureau Information
Source: (2) U.S. Census Bureau estimate
Source: (3) State of Tennessee Department of Economic and Community Development
Source: (4) State of Tennessee Board of Equalization

ECONOMIC DATA

Economic Base

The economic base and the quality of life in Montgomery County is reflected in the various awards and rankings received by the County and the City of Clarksville. It was ranked as 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; *3rd Fastest Growing City in Tennessee During the 90's (Behind Nashville and Memphis)* U.S. Census April 2001.

Major Employers

During a three-year period from 2001 to 2004, the County experienced a job creation rate of 5.5%. This occurred in the real estate sector, which grew 22% followed by the Services sector, 126%; and retail/wholesale trade, 28%. (Source: Tennessee Bureau of Economic Analysis). The growth in the above areas as well as increased employment opportunities in the Region has expanded employment. A diversified employment base of military, industries, state and local governments, health care, higher education and retail trade supports the economic base of the County. Based on May 2007 statistics provided by the Tennessee Department of Employment Security, the County has a resident labor force of 68,050**,** which does not include military personnel (soldiers).

Fort Campbell Military Base, located on the Tennessee **-** Kentucky line, with about 60% of the base being in Tennessee, is the largest employer in the area with approximately 4,000 civilians. There are no readily available statistics indicating the number of employees working in the County or in Stewart County in Tennessee or Christian and Trigg County in Kentucky. Also, there is no breakdown of employee's residence. From discussions with various parties in the County, as well as individuals located on the Base, a large number of the employees reside in Montgomery County; however, the number of civilian employees would be less than 10% of the County's total labor force and, most likely, less than 10% of the County's total employment.

Military personnel are not included in employment statistics as reported by 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 21,000 diversified jobs in the County.

Major County Employers

Employer		**Number of Employees (2007)**	**Products /Services**
Fort Campbell Military Base*			Major Defense Installation
Department of Army Civilians - GS grade	2,172		Civilians employed by U.S. Army
Post Exchange	663		Retail Store for Active & Retired Military Personnel
Base School System for K - 12 Grades	707		Education for Children Living on the Base
Welfare and Recreation	713		Programs for Military Personnel & Families
Total Civilian Staff		4,255	Military Support Staff
Montgomery County			
School System	3691		Education and Schools
General Government	930		County Services
Total Montgomery County Government		4,621	
Convergys Corp.		1,400	Telemarketing Call Center
Trane Company		1,400	Air Condition & Heating Equipment
Gateway Health System (Hospital)		1,200	Medical Services
Quebecor Printing		1,000	Magazine Printing
City of Clarksville		989	Municipal Services
Austin Peay State University		732	Higher Education
Larson Enterprises (McDonalds)		637	Restaurants
Josten's Printing & Publication		600	Yearbook Printing
Bosch Braking Systems		500	Anti-lock Brakes
State of Tennessee		498	State Government Services
Leticia Corp. (Maui Cup)		425	Paper Cups
DPL, Inc. (StarTek, Inc.)		400	Computer Software & Hardware

Bridgestone Metalpha USA Inc.	400	Metal Cord
Wal-Mart Super Center	379	Retail Store
Premier Medical Group	350	Health Care
Hendrickson Trailer Suspension System	320	Tractor Trailer Air-Ride Suspension Systems
Precision Printing & Packaging	302	Metalized Paper Labels
Florim USA	287	Ceramic & Porcelain Tile Manufacturing
Zinifex Limited (Pasminco)	242	Zinc, Sulfuric Acid, Cadmium
Cumberland Electric Co-op	215	Electricity Supplier
Progressive Directions, Inc.	215	Health Care
Carreca Enterprises (Pizza Hut)	210	Restaurants

* Not all of the employees at Fort Campbell live in Montgomery County.

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

Employment Base

Employment in the County increased by 7.7 percent from 2001 to 2005. The largest employment industries in 2005 were Services with 35.3 percent; Trade (Wholesale and Retail) with 16.7 percent; Government and Government Enterprises with 14.7 percent; and Manufacturing with 10 percent.

Labor Force, Employment and Unemployment Data

The labor force within the County has increased from 40,340 to 68,050 reflecting 71.5 percent increase since 1990. The unemployment rate in the County has decreased from 5.7 to 4.1 percent in the same time frame. The County's current unemployment of 4.1 percent is compared to a State average of 4.2 percent and a United States average of 4.3 percent.

Year	Total Labor Force	Unemployment	Employment	Unemployment 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(1)	68,050	2,770	65,280	4.1%	4.2%	4.3%

(1) 2007 numbers are only for the month of May.

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. The newest four-year marketing program started in 2005, "Aspire Clarksville III 2005-2008", set a goal of $2 million and 4.000 new jobs.

Fort Campbell Military Base

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

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

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

Over 29,000 soldiers and 56,000 family members call Fort Campbell home. 4,255 civilians also work at the Base, making it one of the largest employers in the State of Tennessee. 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 economic impact for the four county area includes a payroll of over $1.3 billion. In addition to the financial impact, military retirees make Montgomery County and adjoining counties home. The estimated number of retirees in the area is 55,305 with total family members amounting to 77,712 for a total of military related individuals at 130,017.

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

Health Care Services

Clarksville is quickly becoming a regional medical hub for the area. The Gateway Health System operates as a private, not-for-profit, 206-bed hospital under the direction of an independent board of directors. Gateway Health System encompasses Gateway Medical Center, Gateway Home Care, and Gateway Health Foundation. Approximately 200 physicians provide services in the hospital, with over 1,100 other personnel employed in the hospital.

Gateway Health System is partnering with Community Health Systems 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.

Other health care facilities include the following:

1	Clinic with 46 beds
7	Nursing Homes with 578 beds
3	Assisted Living Homes
59	Dentists
184	Physicians and Surgeons representing 37 medical specialties

Retail Trade

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

From 1990 to 2006, sales subject to state sales tax have increased from $561 million to over $1.99 billion reflecting a percentage increase of 253%.

Tourism, Restaurants and Lodging

As all other economic areas in the County have flourished, the tourism, restaurants and lodging business have expanded in sales and number of establishments. There are 35 hotels/motels and bed & breakfast facilities with more than 2,100 rooms in the County and more than 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 Fall 2006 enrollment of over 9,105. 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

Source: State of Tennessee Department of Education

[The Remainder of This Page is Intentionally Left Blank.]

GREATER NASHVILLE REGION

Population for Region

The population of the Region is 26.2 percent of the state total population based on the 2006 U.S. Census estimate. The County's population in 2006 represents 9.6 percent of the Region's total population of 1,563,940 which is an increase from 8.9 percent in 1990. The growth of the County was 46.5 percent from 1990 to 2006, which was more than the state's growth of 23.8 percent. The County is the fourth largest in the Region after Davidson, Rutherford, and Williamson Counties.

County	1990	2006	Growth Percent	Percent of Region
Cheatham	27,140	38,603	42.2%	2.5%
Davidson	510,786	575,261	12.6%	37.6%
Dickson	35,061	45,894	30.9%	3.0%
Houston	7,018	7,988	13.8%	0.5%
Humphreys	15,813	18,212	15.2%	1.2%
Montgomery	**100,498**	**147,202**	**46.5%**	**9.6%**
Robertson	41,494	60,379	45.5%	3.9%
Rutherford	118,570	218,292	84.1%	14.3%
Stewart	9,479	12,969	36.8%	0.8%
Sumner	103,281	145,009	40.4%	9.5%
Trousdale	5,920	7,677	29.7%	0.5%
Williamson	81,021	153,595	89.6%	10.0%
Wilson	67,675	100,508	48.5%	6.6%
Total for Region	1,123,756	1,563,940	39.2%	100.0%
State of Tennessee	4,877,203	6,038,803	23.8%	
Region % of State	23.0%	26.2%		

Source: U.S. Bureau of the Census

[The Remainder of This Page is Intentionally Left Blank.]

Labor Force, Employment and Unemployment Data for Region

For the month of May 2007, the County employees represent 8.1 percent of the Region's total available labor force with an unemployment rate of 4.1%. The Region employs 27.7% of the state labor force and has an unemployment rate of 3.6 % while the State has a rate of 4.2% as presented in the table below.

County	Labor	Employment		Unemployment	
	Force	Number	% of Region	Number	Rate
Cheatham	21,320	20,610	2.6%	710	3.3%
Davidson	318,320	307,190	38.2%	11,130	3.5%
Dickson	23,820	22,960	2.9%	860	3.6%
Houston	3,770	3,590	0.4%	180	4.8%
Humphreys	8,950	8,530	1.1%	410	4.6%
Montgomery	**68,050**	**65,280**	**8.1%**	**2,770**	**4.1%**
Robertson	33,240	31,910	4.0%	1,330	4.0%
Rutherford	124,580	120,240	14.9%	4,330	3.5%
Stewart	6,050	5,730	0.7%	320	5.3%
Sumner	79,620	76,560	9.5%	3,060	3.8%
Trousdale	3,830	3,650	0.5%	180	4.7%
Williamson	86,310	83,080	10.3%	3,240	3.8%
Wilson	57,070	55,120	6.9%	1,940	3.4%
Total for Region	834,930	804,450	100.0%	30,460	3.6%
State of Tennessee	3,030,600	2,902,000		128,600	4.2%
Region % of State	27.5%	27.7%			

Source: Tennessee Department of Employment Security for May 2007.

[The Remainder of This Page is Intentionally Left Blank.]

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's does not currently have any other post-employment benefit plans with employees outside of its normal pension plan obligations. The benefits of post-employment obligations will be reviewed by the County in the future allowing for any improvements or changes to the present plan.

[The Remainder of This Page is Intentionally Left Blank.]

GENERAL FINANCIAL INFORMATION
SUMMARY OF OUTSTANDING DEBT

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 06/30/07
	Bonds				
$14,864,029	GO Refunding Bonds, Series 1998	8/1/98	5/1/08	4.00% - 5.25%	$1,545,000
68,725,000	GO Public Improvement & Ref. Bonds, Series 2001	12/1/01	5/1/21	4.00% - 5.50%	20,755,000
25,000,000	GO Public Improvement Bonds, Series 2003	6/1/03	6/1/23	2.00% - 5.00%	24,400,000
81,640,000	GO Refunding Bonds, Series 2003	6/1/03	6/1/15	3.00% - 4.75%	59,290,000
43,240,000	GO Refunding Bonds, Series 2004	3/15/04	3/15/20	2.00% - 5.00%	43,050,000
22,000,000	GO Public Improvement Bonds, Series 2004	11/1/04	4/1/25	2.10% - 5.00%	21,800,000
40,000,000	GO School and Public Improvement Bonds, Series 2005	12/1/05	4/1/26	4.00% - 5.00%	39,900,000
2,470,731	Qualified Zone Academy (School) Bonds		2016	0.00%	1,588,327
63,945,000	General Obligation School Refunding Bonds, Series 2006	8/11/06	4/1/26	4.00% - 5.00%	63,945,000
	Sub-Total				$276,273,327
	Notes				
$825,000	Library Equipment Notes	7/3/96	7/3/08	5.21%	$137,500
5,585,000	Refunding Capital Outlay Notes-Courts Center	3/15/04	5/1/11	4.00% - 5.00%	4,510,000
1,152,858	Building Improvements and Equipment	6/30/05	6/30/08	3.49%	384,195
150,000	Radio Trunking System	6/30/05	6/30/08	3.49%	50,000
	Sub-Total				$5,081,695
	Total Outstanding Debt				$281,355,022

DEBT STATEMENT

(as of June 30, 2007)

Outstanding Debt	
Total Outstanding Debt	$281,355,022
Plus: General Obligation Public Improvement Bonds, Series 2007	18,000,000
Gross Direct Debt	$299,355,022
Less: Estimated Debt Service Fund Balance as of June 30, 2007	(23,801,286)
Net Direct Debt	$275,553,736
Net Overlapping Debt (as of June 30, 2007)	
City of Clarksville	$46,576,100
Total Net Overlapping Debt	$46,576,100
Overall Net Debt	$322,129,836

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, 2006 and County Finance Department.

POPULATION OF THE COUNTY

	County		Tennessee	
	Number	**% Change [1]**	**Number**	**% Change [1]**
1970 U. S. Census	62,721		3,926,018	
1980 U. S. Census	83,342	32.9%	4,591,023	16.9%
1990 U. S. Census	100,498	20.6%	4,877,203	6.2%
2000 U. S. Census	134,768	34.1%	5,689,283	16.7%
2001 U. S. Census Estimate	135,581	34.9%	5,746,477	17.8%
2002 U. S. Census Estimate	136,731	36.1%	5,788,333	18.7%
2003 U. S. Census Estimate	139,033	38.3%	5,834,358	19.6%
2004 U. S. Census Estimate	141,406	40.7%	5,885,597	20.7%
2005 U. S. Census Estimate	146,845	46.1%	5,955,745	22.1%
2006 U. S. Census Estimate	147,114	46.4%	6,038,803	23.8%

Source: U.S. Bureau of Census

PER CAPITA PRINCIPAL PAYMENTS [2]

Outstanding Debt	$1,912.50
Gross Direct Debt	2,034.85
Net Direct Debt	1,873.06
Total Net Overlapping Debt	316.60
Overall Net Debt	2,189.66

DEBT RATIOS

	Assessed Value	**Estimated Actual Value**
Outstanding Debt to	11.63%	3.36%
Gross Direct Debt to	12.37%	3.58%
Net Direct Debt to	11.39%	3.30%
Total Net Overlapping Debt to	1.92%	0.56%
Overall Net Debt to	13.31%	3.85%

DEBT TREND

Form of Debt	**06/30/06**	**06/30/05**	**06/30/04**	**06/30/03**	**06/30/02**
Bonded Debt	$221,875,808	$190,662,289	$176,904,770	$183,082,030	$80,557,955
Loan Agreements	24,595,000	24,595,000	24,595,000	25,710,791	118,030,000
Notes Payable	7,168,587	9,433,457	10,720,569	11,473,887	18,377,091
Capitalized Leases		295,997	185,748	300,905	410,138
Gross Direct Debt	$253,639,395	$224,986,743	$212,406,087	$220,567,613	$217,375,184
Less: Self Supported Debt		($140,808)	($582,975)	($1,020,370)	($1,619,912)
Less: Debt Serv. Fund Bal.	(17,800,772)	(19,398,846)	(20,201,039)	(23,230,858)	(27,539,101)
Net Direct Debt	$235,838,623	$205,447,089	$191,622,073	$196,316,385	$188,216,171

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

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

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2002-2006.

DEBT SERVICE REQUIREMENTS
(as of June 30, 2007)

		Principal Requirements					Interest Requirements				
Year No.	Year Ended June 30	Total Outstanding Bonds and QZAB Bonds Principal	Total Outstanding Notes Principal	Plus 2007 Bonds Principal	Total Principal Requirements	Percent Principal Retired	Total Outstanding Bonds Interest	Total Outstanding Notes Interest	Plus 2007 Bonds Interest	Total Interest Requirements	Total Debt Service Requirements
	2008	$11,371,481	$1,562,945		$12,934,426		$12,690,381	$235,426	$536,861	$13,462,669	$26,397,095
1	2009	10,976,481	1,168,750	$600,000	12,745,231		12,216,744	174,291	801,950	13,192,985	25,938,216
2	2010	11,576,481	1,150,000	625,000	13,351,481		11,784,944	117,500	771,950	12,674,394	26,025,875
3	2011	12,341,481	1,200,000	650,000	14,191,481		11,290,194	60,000	740,700	12,090,894	26,282,375
4	2012	14,126,481		675,000	14,801,481		10,749,331		708,200	11,457,531	26,259,012
5	2013	15,861,481		700,000	16,561,481	28.26%	10,108,831		674,450	10,783,281	27,344,762
6	2014	16,841,481		725,000	17,566,481		9,387,181		642,950	10,030,131	27,596,612
7	2015	17,826,481		750,000	18,576,481		8,617,556		610,325	9,227,881	27,804,362
8	2016	17,636,479		800,000	18,436,479		7,798,506		580,325	8,378,831	26,815,310
9	2017	18,720,000		825,000	19,545,000		6,974,706		548,325	7,523,031	27,068,031
10	2018	19,610,000		850,000	20,460,000	59.85%	6,087,669		515,325	6,602,994	27,062,994
11	2019	20,245,000		900,000	21,145,000		5,159,063		479,625	5,638,688	26,783,688
12	2020	19,660,000		1,100,000	20,760,000		4,211,700		441,375	4,653,075	25,413,075
13	2021	19,980,000		1,100,000	21,080,000		3,262,100		394,625	3,656,725	24,736,725
14	2022	10,980,000		1,100,000	12,080,000		2,296,200		346,500	2,642,700	14,722,700
15	2023	10,980,000		1,100,000	12,080,000	88.96%	1,773,425		298,375	2,071,800	14,151,800
16	2024	10,080,000		1,100,000	11,180,000		1,259,113		250,250	1,509,363	12,689,363
17	2025	10,080,000		1,100,000	11,180,000		779,388		200,750	980,138	12,160,138
18	2026	7,380,000		1,100,000	8,480,000		332,100		151,250	483,350	8,963,350
19	2027			1,100,000	1,100,000				101,750	101,750	1,201,750
20	2028			1,100,000	1,100,000	100.00%			50,875	50,875	1,150,875
		$276,273,327	$5,081,695	$18,000,000	$299,355,022		$126,779,131	$587,217	$9,846,736	$137,213,085	$436,568,107

Sources: Annual Financial Report for Fiscal Year ending June 30, 2006 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.

[The Remainder of This Page Intentionally Left Blank]

PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year Tax Year	2007-2008 2007	2006-2007 2006	2005-2006 2005	2004-2005 2004	2003-2004 2003
		Current Value Update [2]			Re-Appraisal [1]
ESTIMATED ACTUAL VALUES					
Residential & Farm	$5,833,047,600	$5,499,029,300	$4,836,197,517	$4,235,244,600	$4,049,422,800
Commercial & Industrial	1,826,677,000	1,745,147,700	1,536,298,095	1,373,929,500	1,358,438,800
Personal Tangible Property	556,224,067	512,740,307	492,838,997	475,342,170	499,168,000
Public Utilities	146,045,251 [3]	146,045,251	141,678,810	135,678,627	130,600,611
Total Estimated Actual Values	$8,361,993,918	$7,902,962,558	$7,007,013,419	$6,220,194,897	$6,037,630,211
Annual Percentage Change	5.81%	12.79%	12.65%	3.02%	4.40%
Estimated Per Capita Amount	$56,840	$53,720	$47,630	$42,359	$42,697
ASSESSED VALUES					
Residential & Farm (at 25%)	$1,458,261,900	$1,374,757,325	$1,129,977,550	$1,058,811,150	$1,012,355,700
Commercial & Industrial (at 40%)	730,670,800	698,059,080	574,329,680	549,571,800	543,375,520
Personal Tangible Property (at 30%)	166,867,220	153,822,092	138,182,198	142,602,651	149,750,400
Public Utilities (at 30%-55%)	63,876,907 [3]	63,876,907	57,919,178	59,343,112	57,067,423
Total Assessed Values	$2,419,676,827	$2,290,515,404	$1,900,408,606	$1,810,328,713	$1,762,549,043
Annual Percentage Change	5.64%	20.53%	4.98%	2.71%	16.16%
Estimated Per Capita Amount	$16,448	$15,570	$12,918	$12,328	$12,464
Appraisal Ratio	100.00%	100.00%	93.46%	100.00%	100.00%
Assessed Values to Actual Values	28.94%	28.98%	27.12%	29.10%	29.19%
Property Tax Rate					
General	$0.970	$0.97	$1.11	$1.02	$0.84
Highway/Public Works	0.130	0.13	0.15	0.14	0.14
General Purpose School	1.020	1.02	1.16	1.12	1.11
General Debt Service	0.897	1.02	0.82	0.82	0.82
Gen. Pur. Capital Projects	0.055				
Schools Capital Projects	0.068				
Total Property Tax Rate	$3.140	$3.14	$3.24	$3.10	$2.91
Taxes Levied					
Total Taxes Levied	$75,977,852	$71,922,184	$61,573,239	$56,120,190	$51,290,177
Collections					
Current Fiscal Year	In Process	$67,262,732	$58,371,944	$53,424,843	$48,095,819
Percent Collected Current FY	In Process	93.52%	94.80%	95.20%	93.77%
As of 6/30/07:					
Amount Uncollected	In Process	$4,659,452	$606,802	$262,906	$114,347
Percent Collected	In Process	93.52%	99.01%	99.53%	99.78%
Percent Uncollected	In Process	6.48%	0.99%	0.47%	0.22%

[1] The next re-appraisal is scheduled for 2009.

[2] If the County's overall level of appraisal has fallen to below 90% of fair market value, property values will be updated county-wide by what is known as a Current Value Update or CVU. In addition, even if the level of overall appraisal has not fallen below the 90% threshold, any subclass of properties (residential, farm, commercial, etc.) that is found to be more than 10% below the county's overall ratio will have its values raised to reflect that overall county level.

[3] 2006 public utilities values used as 2007 values are not yet available.

Sources: State Board of Equalization Tax Aggregate Reports of Tennessee, Property Assessor's office and County Trustee of Montgomery County, TN and Comprehensive Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2002 - 2006.

SELECTED FINANCIAL INFORMATION REGARDING THE COUNTY

General

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

Revenues received from ad valorem taxes levied on all taxable property within the boundaries of the County securing the payment of principal of and interest on the Obligations are deposited in the Debt Service Funds of the County. Such tax collections for the Obligations will be used exclusively to pay the principal of and interest on the Obligations. Included as APPENDIX C to this Official Statement are the General Purpose Financial Statements and notes thereto for the fiscal year ended June 30, 2006. Potential purchasers should read APPENDIX C in its entirety for more complete information concerning the County's financial position.

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

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

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

For additional information regarding these funds, see Notes to the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 2006 in APPENDIX C hereto.

TOP TAXPAYERS

Business	Type of Business	2007 Assessed Value	Assessed Value as a % of 2007 Total Assessment
Industrial Dev. Board (Bridgestone)	Auto Parts Manufacturer	$24,782,735	1.02%
Cumberland Electric Membershop Corp	Utility	24,711,786 [1]	1.02%
BellSouth Telecommunications	Telecommunications	18,484,922 [1]	0.76%
Quebecor	Printing	17,133,270	0.71%
Tinytown Village/Billy Mace	Real Estate	16,848,230	0.70%
Robert Bosche Corp.	Brake Manufacturer	16,391,305	0.68%
Trane Company	Heating & Cooling Equipment	15,593,726	0.64%
Governor's Square	Retail Shopping Mall	15,364,024	0.63%
Clarksville Health System	Hospital	14,638,250	0.60%
Wal-Mart	Retail Shopping	13,301,882	0.55%

(1) 2006 Public Utility values are used as 2007 values are not yet available.

Sources: Montgomery County Trustee and Assessor of Property

FUND BALANCES

	06/30/06	06/30/05	06/30/04	06/30/03	06/30/02
GOVERNMENTAL FUNDS					
General Government Fund	$9,764,561	$7,936,161	$7,318,465	$7,743,564	$7,458,412
Special Revenue Funds	1,763,197	1,607,718 [2]	50,076	16,501	734,532
Highway/Public Works		[4]	1,338,908	744,224 [1]	
Education Funds	18,427,366	15,636,154	14,098,350	10,410,413	9,036,849
Debt Service Funds	17,800,772	19,398,846	20,201,039	23,230,858	27,539,101
Capital Project - Gen. Government	31,140,422	19,818,656	11,986,301	30,436,815	39,051,111
Capital Project-Education	1,651,318	217,210	465,335	(2,386,278)	3,674,293
Total Governmental Funds	$80,547,636	$64,614,745	$55,458,474	$70,196,097	$87,494,298
FIDUCIARY FUNDS					
Trust and Agency					
TOTAL ALL FUNDS	$80,547,636	$64,614,745	$55,458,474	$70,196,097	$87,494,298

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

(2) 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, 2002 - 2006.

LOCAL SALES TAX

	06/30/06	06/30/05	06/30/04	06/30/03	06/30/02
Rate (Percent of retail sales)	2.50%	2.50%	2.50%	2.50%	2.50%
Distribution					
General Debt Service Fund	$2,676,472	$2,542,043	$2,360,088	$2,184,778	$2,084,923
General Purpose School Fund	28,817,756	27,430,470	25,347,607	23,495,782	22,409,667
Cities Portion	10,163,209	9,828,188	8,724,049	8,203,728	7,794,879
Total Amount Collected	$41,657,437	$39,800,701	$36,431,744	$33,884,288	$32,289,469
% of Increase	4.67%	9.25%	7.52%	4.94%	2.06%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2002 - 2006.

WHEEL TAX

	06/30/06	06/30/05	06/30/04	06/30/03	06/30/02
Rate Per Vehicle	$30.50	$30.50	$30.50	$30.50	$30.50
General Purpose School Fund	$3,390,834	$3,256,891	$3,151,767	$2,974,078	$2,952,045
Total Amount Collected	$3,390,834	$3,256,891	$3,151,767	$2,974,078	$2,952,045
% of Increase	4.11%	3.34%	5.97%	0.75%	3.01%

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending June 30, 2002 - 2006.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
All Fund Types
Fiscal Year ended June 30

	2006	2005	2004	2003	2002
REVENUES					
Total Local Taxes	$112,085,676	$105,696,655	$95,689,926	$90,521,589	$87,925,631
Licenses & Permits	682,010	669,958	736,692	543,245	445,535
Fines	1,180,709	1,113,438	974,871	931,652	888,910
Charges for Current Services	9,465,080	8,525,485	7,744,616	12,676,747	11,542,253
Other Local Revenues	5,578,851	4,719,169	3,756,243	3,596,891	4,478,856
Fees Received from County Officials	6,912,755	6,560,759	6,180,812 (2)		
State of Tennessee	95,026,879	88,383,213	80,023,508	78,612,755	73,850,995
Federal Government	25,311,910	21,394,143	17,555,176	13,391,874	13,100,896
Other Governments	25,486,925	8,691,516	15,134,417	8,082,042	385,717
Other Sources:					
Proceeds from Debt Issues	40,000,000	23,302,585	1,688,534	27,540,750	79,060,805
Proceeds from Refunding Bonds			48,825,000	81,640,000	5,020,000
Premiums on Bonds Sold	1,010,319	1,111,181	4,668,894	7,665,825	1,258,022
Other Loan Proceeds		200,372	1,178,460	1,292,272	4,971,553
Insurance Recovery	201,358				
Proceeds from Sale of Cap. Assets			5,000		
Operating Transfers	5,975,295	9,725,599	995,465 (2)	28,400,338	40,195,322 (1)
Total Revenues & Other Sources	$328,917,767	$280,094,073	$285,157,614	$354,895,980	$323,124,495
EXPENDITURES					
General Government	$48,494,402	$41,321,924	$36,223,046	$35,874,476	$30,113,649
Highway & Streets	6,180,581	6,405,852	5,603,724	5,973,401	5,712,443
Education	190,510,312	168,542,984	152,588,784	132,456,463	127,329,549
Debt Service	22,452,511	20,713,798	19,499,479	24,777,513	29,763,808
Capital Projects	29,208,566	16,837,971	22,024,817	42,688,577	54,283,977
Distribution to Cities	10,163,209	9,828,188	8,724,049	8,203,728	7,794,879
Escrow Agent for Refunded Bonds			54,171,377	88,210,000	5,362,934
Discounts on Debt Issued			64,496		
Operating Transfers	5,975,295	9,725,599	995,465 (2)	28,400,338	40,532,571 (1)
Total Expenditures & Other Uses	$312,984,876	$273,376,316	$299,895,237	$366,584,496	$300,893,810
Excess of Revenues & Other Sources Sources Over (Under) Expenditures	$15,932,891	$6,717,757	($14,737,623)	($11,688,516)	$22,230,685
Fund Balance July 1	64,614,745	55,458,474	70,196,097	87,494,298	65,263,613
Prior Period Adj.\Residual Transfers		2,438,514		(5,609,685)	
Fund Balance, June 30	$80,547,636	$64,614,745	$55,458,474	$70,196,097	$87,494,298

(1) Primarily transfers for capital projects.

(2) Fees received from County Officials has been created as a separate revenue item. It was treated as an operating transfer from Constitutional Officers Fees Fund to the General Fund in previous years.

Sources: Annual Financial Reports as prepared and presented by The Division of County Audit for the fiscal years ending

[This page is intentionally left blank]

APPENDIX C

General Purpose Financial Statements Excerpted from the
Annual Financial Report of the County for the
Fiscal Year Ended June 30, 2006

[This page is intentionally left blank]

ANNUAL FINANCIAL REPORT

MONTGOMERY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

EUGENE HAMPTON II, CPA, CGFM
Auditor 4

RACHELLE CABADING, CFE
KATIE ARMSTRONG, CFE
STEPHANIE GORDON, CFE
TERA HAYNES, CFE
WENDY HEATH, CFE
State Auditors

This financial report is available at www.comptroller.state.tn.us

[This page is intentionally left blank]

FINANCIAL SECTION

[This page is intentionally left blank]

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

INDEPENDENT AUDITOR'S REPORT

March 30, 2007

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, 2006, which collectively comprise Montgomery County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Emergency Communications District of Montgomery County, which represent .5 percent and .9 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; the discretely presented Bi-County Solid Waste Management System, which represent 5.9 percent and 3.5 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; the discretely presented Clarksville-Montgomery County Industrial Development Board, which represent six percent and 1.3 percent, respectively, of the assets and revenues of the aggregate discretely presented component units; and the discretely presented Clarksville-Montgomery County Public Library which represent 1.4 percent and two 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 Bi-County Solid Waste Management System, the Clarksville-Montgomery County Industrial Development Board, and the Clarksville-Montgomery County Public Library is based on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors and except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Montgomery County, Tennessee, as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2007, on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 101 through 105 is not a required part of the basic financial statements but is 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.

As described in Note V.B., Montgomery County has implemented Governmental Accounting Standards Board Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

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,

John G. Morgan

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

[This page is intentionally left blank]

Montgomery County, Tennessee
Statement of Net Assets
June 30, 2006

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District	Clarksville-Montgomery County Public Library
ASSETS						
Cash	$ 100,775	$ 443,706	$ 10,672,111	$ 1,519,998	$ 586,974	$ 2,698,755
Equity in Pooled Cash and Investments	70,065,650	15,303,010	0	0	0	0
Accounts Receivable	4,546,817	777,465	243,792	40,585	151,724	135,785
Allowance for Uncollectibles	(939,554)	0	0	0	0	(110,876)
Property Taxes Receivable	46,008,824	25,086,399	0	0	0	0
Allowance for Uncollectible Property Taxes	(1,209,242)	(666,128)	0	0	0	0
Due from Other Governments	1,928,542	7,923,645	75,000	0	0	0
Due from Primary Government	0	43,065	0	0	0	0
Due from Component Units	1,106	0	0	0	0	0
Prepaid Items	833,000	50,000	6,500	1,046,238	294,770	24,158
Notes Receivable	200,000	0	0	0	0	0
Deferred Charges - Debt Issuance Costs	1,051,271	0	0	0	0	0
Inventories	37,328	577,832	20,730	14,136,838	0	0
Capital Assets:						
Assets Not Depreciated:						
Land	23,438,586	9,744,219	677,992	0	0	0
Construction in Progress	188,580	13,925,113	0	0	0	0
Assets Net of Accumulated Depreciation:						
Buildings and Improvements	85,993,252	160,795,868	0	0	0	1,186,280
Other Capital Assets	5,656,526	8,728,084	4,889,931	16,953	238,653	0
Infrastructure	19,190,356	0	0	0	0	0
Total Assets	$ 257,091,817	$ 242,732,278	$ 16,586,056	$ 16,760,612	$ 1,272,121	$ 3,934,102

(Continued)

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

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District	Clarksville-Montgomery County Public Library
LIABILITIES						
Accounts Payable	$ 4,660,672	$ 1,434,980	$ 146,900	$ 662,135	$ 294,782	$ 7,579
Accrued Payroll	1,346	0	155	0	15,128	59
Payroll Deductions Payable	156,302	932,446	23,747	0	0	0
Cash Overdraft	47,458	0	0	0	0	0
Due to Litigants, Heirs, and Others	6,978	0	0	0	0	0
Accrued Interest Payable	2,099,120	0	0	0	0	0
Matured Bonds Payable	1,135,000	0	0	0	0	0
Matured Interest on Bonds	601,178	0	0	0	0	0
Other Current Liabilities	139,000	24,694	0	386,079	0	31,192
Due to Component Units	43,065	0	0	0	0	0
Deferred Revenue - Current Taxes	43,814,180	23,870,720	0	0	0	0
Noncurrent Liabilities:						
Due Within One Year	15,108,773	2,387,264	10,153	29,366	26,245	0
Due in More Than One Year (net of unamortized premiums and deferred amount on refunding)	245,544,814	2,015,342	7,087,108	203,998	0	0
Total Liabilities	$ 313,357,886	$ 30,665,446	$ 7,268,063	$ 1,281,578	$ 336,155	$ 38,830

(Continued)

Exhibit A

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

	Primary Government	Component Units				
	Governmental Activities	Montgomery County School Department	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District	Clarksville-Montgomery County Public Library
NET ASSETS						
Invested in Capital Assets,						
Net of Related Debt	$ 56,476,837	$ 0	$ 5,557,770	$ 0	$ 0	$ 0
Invested in Capital Assets	0	193,182,202	0	16,953	238,653	1,186,280
Restricted for:						
Capital Projects	25,544,964	1,636,159	0	0	0	0
Debt Service	20,703,367	0	0	0	0	0
Highway	1,961,048	0	0	0	0	0
Central Cafeteria	0	3,272,302	0	0	0	0
Other Purposes	329,342	1,208,252	0	0	0	2,603,700
Unrestricted	(161,281,627)	12,767,917	3,760,223	15,462,081	697,313	105,292
Total Net Assets	$ (56,266,069)	$ 212,066,832	$ 9,317,993	$ 15,479,034	$ 935,966	$ 3,895,272

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, 2006

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government	Component Units				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Montgomery County School Department	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District	Clarksville-Montgomery County Public Library
Primary Government:										
Governmental Activities:										
General Government	$ 9,186,681	$ 2,597,694	$ 16,380	$ 0	$ (6,572,607)	$ 0	$ 0	$ 0	$ 0	$ 0
Finance	4,234,911	3,306,483	35,295	0	(893,133)	0	0	0	0	0
Administration of Justice	5,197,747	4,176,860	748,248	0	(272,639)	0	0	0	0	0
Public Safety	22,125,115	1,397,516	813,693	2,662,251	(17,251,655)	0	0	0	0	0
Public Health and Welfare	8,731,874	4,750,401	1,344,541	252,236	(2,384,696)	0	0	0	0	0
Social, Cultural, and Recreational Services	1,646,698	3,288	0	0	(1,643,410)	0	0	0	0	0
Agriculture and Natural Resources	409,912	0	0	0	(409,912)	0	0	0	0	0
Other Operations	3,380,109	0	0	0	(3,380,109)	0	0	0	0	0
Highways/Public Works	6,048,666	42,547	2,869,186	284,459	(2,852,474)	0	0	0	0	0
Education	42,712,560	17,680,589	0	0	(25,031,971)	0	0	0	0	0
Interest on Long-term Debt	10,506,471	0	0	0	(10,506,471)	0	0	0	0	0
Other Debt Service	532,159	0	373,937	0	(158,222)	0	0	0	0	0
Total Primary Government	$ 114,712,903	$ 33,955,378	$ 6,201,280	$ 3,198,946	$ (71,357,299)	$ 0	$ 0	$ 0	$ 0	$ 0
Component Units:										
Montgomery County School Department	$ 175,433,950	$ 5,301,062	$ 17,253,638	$ 24,961,051	$ 0	$ (127,918,199)	$ 0	$ 0	$ 0	$ 0
Bi-County Solid Waste Management System	7,929,401	7,087,742	123,550	0	0	0	(718,109)	0	0	0
Industrial Development Board	653,037	86,887	0	0	0	0	0	(566,150)	0	0
Emergency Communications District	1,974,625	1,616,400	0	0	0	0	0	0	(358,225)	0
Clarksville-Montgomery County Public Library	1,840,524	290,637	1,440,000	2,448,817	0	0	0	0	0	2,338,930
Total Component Units	$ 187,831,537	$ 14,382,728	$ 18,817,188	$ 27,409,868	$ 0	$ (127,918,199)	$ (718,109)	$ (566,150)	$ (358,225)	$ 2,338,930

(Continued)

Exhibit B

Montgomery County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government	Component Units				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Montgomery County School Department	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District	Clarksville-Montgomery County Public Library
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					$ 23,528,678	$ 21,034,816	$ 0	$ 0	$ 0	$ 0
Property Taxes Levied for Debt Service					15,294,961	0	0	0	0	0
Local Option Sales Tax					2,687,413	28,933,869	0	0	0	0
Other Local Taxes					4,706,819	3,855,700	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs					1,838,968	93,098,745	0	2,293,676	348,270	0
Interest Income					3,717,249	4,224	267,624	22,010	15,460	75,711
Gain (Loss) On Disposal of Capital Assets					0	0	(12,967)	434,073	(5,658)	0
Miscellaneous					889,109	80,956	0	0	894	15,093
Total General Revenues					$ 52,663,197	$ 147,008,310	$ 254,657	$ 2,749,759	$ 358,966	$ 90,804
Change in Net Assets					$ (18,694,102)	$ 19,090,111	$ (463,452)	$ 2,183,609	$ 741	$ 2,429,734
Insurance Recovery					0	0	122,881	0	0	0
Net Assets, July 1, 2005					(37,571,967)	192,976,721	9,658,564	13,295,425	935,225	1,465,538
Net Assets, June 30, 2006					$ (56,266,069)	$ 212,066,832	$ 9,317,993	$ 15,479,034	$ 935,966	$ 3,895,272

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, 2006

	Major Funds			Nonmajor Funds	
	General	General Debt Service	Other Capital Projects #4	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS					
Cash	$ 32,010	$ 0	$ 0	$ 68,765	$ 100,775
Equity in Pooled Cash and Investments	8,647,351	18,815,775	23,198,387	9,978,499	60,640,012
Inventories	37,328	0	0	0	37,328
Accounts Receivable	3,958,113	217,305	98,196	234,386	4,508,000
Allowance for Uncollectibles	(939,554)	0	0	0	(939,554)
Due from Other Governments	853,115	456,589	0	618,838	1,928,542
Due from Other Funds	58,182	943	0	1,330,428	1,389,553
Due from Component Units	0	1,106	0	0	1,106
Property Taxes Receivable	22,422,241	20,580,616	0	3,005,967	46,008,824
Allowance for Uncollectible Property Taxes	(614,578)	(511,960)	0	(82,704)	(1,209,242)
Notes Receivable - Current	0	200,000	0	0	200,000
Total Assets	$ 34,454,208	$ 39,760,374	$ 23,296,583	$ 15,154,179	$ 112,665,344
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 797,604	$ 265	$ 0	$ 784,932	$ 1,582,801
Accrued Payroll	1,346	0	0	0	1,346
Payroll Deductions Payable	128,050	0	0	27,494	155,544
Cash Overdraft	0	0	0	47,458	47,458
Due to Other Funds	0	0	531,703	856,907	1,388,610
Due to Litigants, Heirs, and Others	0	0	0	6,978	6,978
Matured Bonds Payable	0	1,135,000	0	0	1,135,000
Matured Interest on Bonds	0	601,178	0	0	601,178
Deferred Revenue - Current Property Taxes	21,281,800	19,680,180	0	2,852,200	43,814,180
Deferred Revenue - Delinquent Property Taxes	421,035	311,035	0	56,897	788,967
Other Deferred Revenues	2,059,812	231,944	0	382,574	2,674,330
Total Liabilities	$ 24,689,647	$ 21,959,602	$ 531,703	$ 5,015,440	$ 52,196,392
Fund Balances					
Reserved for Encumbrances	$ 0	$ 0	$ 0	$ 159,791	$ 159,791
Reserved for Alcohol and Drug Treatment	107,610	0	0	0	107,610
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	0	990,079	0	0	990,079
Reserved for Drug Court	38,492	0	0	0	38,492
Reserved for Sexual Offender Registration	5,510	0	0	0	5,510
Reserved for Courtroom Security	2,214	0	0	0	2,214
Reserved for Computer System - Register	142,154	0	0	0	142,154
Reserved for Automation Purposes - Sheriff	24,146	0	0	0	24,146
Reserved for Fraud and Crimes Prosecution Act	34,371	0	0	0	34,371
Reserved for Other General Purposes	1,431	0	0	0	1,431
Unreserved, Reported In:					
General Fund	9,408,633	0	0	0	9,408,633
Special Revenue Funds	0	0	0	1,763,197	1,763,197
Debt Service Funds	0	16,810,693	0	0	16,810,693
Capital Projects Funds	0	0	22,764,880	8,215,751	30,980,631
Total Fund Balances	$ 9,764,561	$ 17,800,772	$ 22,764,880	$ 10,138,739	$ 60,468,952
Total Liabilities and Fund Balances	$ 34,454,208	$ 39,760,374	$ 23,296,583	$ 15,154,179	$ 112,665,344

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, 2006

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)			$	60,468,952
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.				
Add: land	$	23,438,586		
Add: construction in progress		188,580		
Add: infrastructure net of accumulated depreciation		19,190,356		
Add: buildings and improvements net of accumulated depreciation		85,993,252		
Add: other capital assets net of accumulated depreciation		5,656,526		134,467,300
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.				3,463,297
(3) Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.				3,197,355
(4) Debt issuance costs are expensed when paid in the governmental funds. The unamortized portion of these charges are reflected on the statement of net assets.				
Add: deferred amount on refunding	$	4,658,704		
Add: deferred charges - debt issuance costs		1,051,271		
Less: other deferred revenue - premium on debt		(5,886,782)		(176,807)
(5) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.				(2,099,120)
(6) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.				
Less: bonds payable	$	(220,111,000)		
Less: notes payable		(7,157,505)		
Less: other loans payable		(26,359,808)		
Less: claims and judgments net of internal service funds claims		(457,452)		
Less: compensated absences		(1,501,281)		(255,587,046)
Net assets of governmental activities (Exhibit A)			$	(56,266,069)

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, 2006

	Major Funds			Nonmajor Funds	
	General	General Debt Service	Other Capital Projects #4	Other Govern-mental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 24,282,334	$ 19,640,971	$ 0	$ 3,319,349	$ 47,242,654
Licenses and Permits	682,010	0	0	0	682,010
Fines, Forfeitures, and Penalties	1,163,724	0	0	16,985	1,180,709
Charges for Current Services	4,388,034	0	0	7,293	4,395,327
Other Local Revenues	3,002,529	289,413	777,695	552,972	4,622,609
Fees Received from County Officials	6,912,755	0	0	0	6,912,755
State of Tennessee	4,868,187	0	0	3,063,122	7,931,309
Federal Government	3,126,059	0	0	252,236	3,378,295
Other Governments and Citizens Groups	201,680	385,837	0	2,850	590,367
Total Revenues	$ 48,627,312	$ 20,316,221	$ 777,695	$ 7,214,807	$ 76,936,035
Expenditures					
Current:					
General Government	$ 4,102,097	$ 0	$ 0	$ 428,867	$ 4,530,964
Finance	3,208,714	0	0	388,545	3,597,259
Administration of Justice	3,809,288	0	0	7,027	3,816,315
Public Safety	17,341,376	0	0	327,819	17,669,195
Public Health and Welfare	6,543,328	0	0	418,233	6,961,561
Social, Cultural, and Recreational Services	1,502,153	0	0	43,945	1,546,098
Agricultural and Natural Resources	307,573	0	0	0	307,573
Other Operations	9,798,225	0	0	267,212	10,065,437
Highways	105,571	0	0	6,075,010	6,180,581
Debt Service:					
Principal on Debt	0	11,017,250	0	200,372	11,217,622
Interest on Debt	0	10,470,051	0	6,826	10,476,877
Other Debt Service	0	426,994	330,956	62	758,012
Capital Projects	0	0	17,074,997	12,133,569	29,208,566
Total Expenditures	$ 46,718,325	$ 21,914,295	$ 17,405,953	$ 20,297,487	$ 106,336,060
Excess (Deficiency) of Revenues Over Expenditures	$ 1,908,987	$ (1,598,074)	$ (16,628,258)	$ (13,082,680)	$ (29,400,025)
Other Financing Sources (Uses)					
Bonds Issued	$ 0	$ 0	$ 40,000,000	$ 0	$ 40,000,000
Premiums on Debt Issued	0	0	1,010,319	0	1,010,319
Insurance Recovery	9,108	0	0	88,169	97,277
Transfers In	0	0	0	5,622,203	5,622,203
Transfers Out	(89,695)	0	(1,617,181)	(3,915,327)	(5,622,203)
Total Other Financing Sources (Uses)	$ (80,587)	$ 0	$ 39,393,138	$ 1,795,045	$ 41,107,596
Net Change in Fund Balances	$ 1,828,400	$ (1,598,074)	$ 22,764,880	$ (11,287,635)	$ 11,707,571
Fund Balance, July 1, 2005	7,936,161	19,398,846	0	21,426,374	48,761,381
Fund Balance, June 30, 2006	$ 9,764,561	$ 17,800,772	$ 22,764,880	$ 10,138,739	$ 60,468,952

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, 2006

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)		$ 11,707,571
(1)	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
	Add: capital assets purchased in the current period	$ 2,584,320	
	Less: current year depreciation expense	(3,810,800)	(1,226,480)
(2)	The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		(25,575)
(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, 2005	$ (3,233,225)	
	Add: deferred delinquent property taxes and other deferred June 30, 2006	3,463,297	230,072
(4)	The issuance of long-term debt (e.g., notes, bonds) 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.		
	Less: debt issued	$ (40,000,000)	
	Add: principal payment on notes	2,230,769	
	Add: principal payment on bonds	8,610,000	
	Add: principal payment on other loans	176,481	
	Add: principal payment on capital leases	200,372	(28,782,378)
(5)	Governmental funds report the effect of issuance costs, premiums, discounts, and similar items related to long-term debt issuance when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment reflects debt issuance cost expensed during the year recorded in the statement of activities.		
	Add: debt issuance cost during year	$ 328,456	
	Add: premium amortized during year	423,963	
	Less: premium on debt issued during year	(1,010,319)	
	Less: deferred charges on refunding amortized during the year	(36,858)	
	Less: debt issuance cost amortized during year	(65,745)	$ (360,503)
(6)	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	$ (102,499)	
	Change in claims and judgments payable	(457,452)	
	Change in compensated absences	(218,099)	(778,050)
(7)	Internal service funds are used by management to charge the cost of liability, workers' compensation, and employee dental benefits to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		541,241
	Change in net assets of governmental activities (Exhibit B)		$ (18,694,102)

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, 2006

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 9,425,638
Accounts Receivable	37,874
Due from Other Funds	182,530
Prepaid Items	833,000
Total Assets	$ 10,479,042
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 3,077,871
Payroll Deductions Payable	758
Claims and Judgments Payable	2,058,232
Due to Other Funds	182,530
Due to Component Units	43,065
Total Current Liabilities	$ 5,362,456
Noncurrent Liabilities:	
Claims and Judgments Payable	$ 1,919,231
Total Noncurrent Liabilities	$ 1,919,231
Total Liabilities	$ 7,281,687
NET ASSETS	
Unrestricted	$ 3,197,355
Total Net Assets	$ 3,197,355

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, 2006

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Current Services	$ 24,159,348
Total Operating Revenues	$ 24,159,348
Operating Expenses	
Risk Management	$ 290,660
Other Charges	397,743
Employee Benefits	23,245,043
Total Operating Expenses	$ 23,933,446
Operating Income (Loss)	$ 225,902
Nonoperating Revenues (Expenses)	
Investment Income	$ 264,280
Miscellaneous Refunds	51,059
Total Nonoperating Revenues (Expenses)	$ 315,339
Changes in Net Assets	$ 541,241
Net Assets, July 1, 2005	2,656,114
Nets Assets, June 30, 2006	$ 3,197,355

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, 2006

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	$	24,612,520
Other Self-Insured Claims		(21,348,568)
Other Receipts (Payments)		51,059
Net Cash Provided By (Used In) Operating Activities	$	3,315,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	$	264,280
Net Cash Provided By (Used In) Investing Activities	$	264,280
Net Increase (Decrease) in Cash	$	3,579,291
Cash, July 1, 2005		5,846,347
Cash, June 30, 2006	$	9,425,638
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	225,902
Miscellaneous Refunds		51,059
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
(Increase) Decrease in Accounts Receivable		(27,444)
(Increase) Decrease in Due from Other Funds		1,692
(Increase) Decrease in Due from Component Units		22,198
(Increase) Decrease in Prepaid Items		416,500
Increase (Decrease) in Accounts Payable		3,023,861
Increase (Decrease) in Payroll Deductions Payable		(25)
Increase (Decrease) in Due to Component Units		40,226
Increase (Decrease) in Claims and Judgments Payable		(438,958)
Net Cash Provided By (Used In) Operating Activities	$	3,315,011

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, 2006

	Agency Funds
ASSETS	
Cash	$ 6,203,158
Equity in Pooled Cash and Investments	284,972
Accounts Receivable	3,228
Due from Other Governments	1,718,588
Total Assets	$ 8,209,946
LIABILITIES	
Accounts Payable	$ 928
Due to Other Funds	943
Due to State of Tennessee	1,521
Due to Other Taxing Units	1,718,545
Due to Litigants, Heirs, and Others	6,196,439
Due to Joint Ventures	291,570
Total Liabilities	$ 8,209,946

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

MONTGOMERY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

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

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

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

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

Administrative Offices:

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

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

Montgomery County Nursing Home
Montgomery County Director of Accounts and Budgets
P.O. Box 368
Clarksville, TN 37040

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 most debt for the discretely presented Montgomery County School Department. Net debt issues ($24,869,820) were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

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

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

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

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

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

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

Montgomery County reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
>
> **Other Capital Projects #4 Fund** – This fund is used to account for debt proceeds that will be transferred to other funds as capital projects progress.

Additionally, Montgomery County reports the following fund types:

> **Special Revenue Funds** – These funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.
>
> **Internal Service Funds** – These funds, the Self-Insurance Fund, the Workers' Compensation Fund, and the Unemployment Compensation Fund, are used to account for risk management activities for

employees' health insurance, workers' compensation, on the job injury, and unemployment compensation provided to other departments on a cost-reimbursement basis.

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

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

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their proprietary funds, subject to the same limitations. Montgomery County has elected not to follow subsequent private-sector guidance.

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

2. <u>Receivables and Payables</u>

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 one 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 $3,977,463 are discussed in Note V.A. Risk Management.

3. <u>Inventories and Prepaid Items</u>

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. <u>Capital Assets</u>

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 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 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, 2006, Montgomery County had $172,429,102 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 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, 2006:

Fund/Purpose	Amount
General:	
Insurance	$ 10,000
Mobile Data Terminals	10,057
Veterans' Services	10,325
Child Advocacy Center	26,665
Animal Shelter	5,075
Register's Office	1,000
Legacy 2000	2,546
Highway/Public Works:	
Insurance	5,000
General Debt Service:	
Variable Loan Program	3,895,627
General Purpose School (School Department):	
Workers' Compensation	952,818

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, County Mayor/Executive, County Attorney, 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 Community Development/Industrial Park Fund had a fund deficit of $500 at June 30, 2006. This fund deficit resulted from issuing checks in excess of fund balance.

The discretely presented Education Capital Projects Fund had a fund deficit of $18,494,222 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction projects of $20,145,540 being reserved as encumbrances. Funding for these future expenditures should be received subsequent to year-end.

C. Cash Overdrafts

The General Capital Projects Fund and the Community Development/Industrial Park Fund had cash overdrafts of $43,458 and $4,000, respectively, at June 30, 2006. These cash overdrafts resulted from issuing checks that exceeded cash on deposit with the county trustee. The cash overdraft in the General Capital Projects Fund was liquidated subsequent to June 30, 2006.

D. Expenditures Exceeded Appropriations

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

Fund/Category	Amount
Primary Government:	
General:	
Planning	$ 6,736
Reappraisal Program	3,905
Judicial Commissioners	4,134
Rabies and Animal Control	1,995
Ambulance/Emergency Medical Services	78,310
Parks and Fair Boards	3,033
Other Social, Cultural, and Recreational	45
Soil Conservation	67
Highway/Public Works:	
Principal on Debt:	
Highways and Streets	129,756
Interest on Debt:	
Highways and Streets	1,826
Discretely Presented School Department:	
General Purpose School:	
Principal on Debt:	
Education	443
School Federal Projects:	
Instruction:	
Alternative Instruction Program	2,207
Extended School Program	
Instruction:	
Regular Instruction Program	6,324

Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by $160,699.

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

E. The County had Investments Subject to Credit Risk

The county had investments in Federal Home Loan Mortgage Corporation (Freddie Mac, $2,501,196), Federal National Mortgage Association (Fannie Mae, $2,499,560), and Federal Home Loan Bank ($15,234,762) securities at June 30, 2006. These investments are government sponsored enterprises that are independent organizations not backed by the full faith and credit of the federal government and therefore are subject to credit risk.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2006, Montgomery County had the following investments carried at cost. Separate disclosures concerning pooled investments cannot be made for Montgomery County and the discretely presented Montgomery County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Cost
Federal Home Loan Bank	8-11-06	$ 950,396
Federal Home Loan Bank	8-24-06	2,000,000
Federal Home Loan Bank	1-12-07	1,000,292
Federal Home Loan Bank	1-23-07	1,002,227
Federal Home Loan Bank	2-9-07	1,000,000
Federal Home Loan Bank	2-22-07	999,301
Federal Home Loan Bank	3-7-07	1,198,975
Federal Home Loan Bank	4-5-07	2,097,505
Federal Home Loan Bank	6-25-07	999,531
Federal Home Loan Bank	7-11-07	1,985,020
Federal Home Loan Bank	12-21-07	2,001,515
Total Federal Home Loan Bank		$ 15,234,762
Federal National Mortgage Association	9-22-06	$ 1,499,560
Federal National Mortgage Association	2-22-08	1,000,000
Total Federal National Mortgage Association		$ 2,499,560

(Continued)

Investment (Cont.)	Maturities	Cost
Federal Home Loan Mortgage Corporation	7-21-06	$ 499,531
Federal Home Loan Mortgage Corporation	7-27-06	1,000,004
Federal Home Loan Mortgage Corporation	11-22-06	1,001,661
Total Federal Home Loan Mortgage Corporation		$ 2,501,196
State Treasurer's Investment Pool	Daily	$ 893,658
Total		$ 21,129,176

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, 2006, Montgomery County's investment in the State Treasurer's Investment Pool was unrated. Montgomery County's investments with the Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation are government sponsored enterprises that are independent organizations not backed by the full faith and credit of the federal government and, therefore the county could lose its investments if these enterprises were to fail. These investments were rated Aaa by Moody's Investor's Service and AAA by Standard & Poors.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Montgomery County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Federal Home Loan Bank (72 percent), the Federal National Mortgage Association (12 percent), and the Federal Home Loan Mortgage Corporation (12 percent).

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Montgomery County does not have a formal policy that limits custodial credit risk for investments. The county's investment of $20,235,518 in the above table have custodial credit risk exposure because the securities are uninsured, unregistered, and held by the county's financial agent which is also the counterparty for these investments.

B. Notes Receivable

Notes receivable in the General Debt Service Fund resulted from a loan to the Montgomery County Nursing Home of $200,000 for operations. The note was repaid subsequent to June 30, 2006.

C. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:

		Balance 7-1-05		Increases		Decreases		Balance 6-30-06
Capital Assets Not Depreciated:								
Land	$	23,466,334	$	69,037	$	(96,785)	$	23,438,586
Construction in Progress		98,651		89,929		0		188,580
Total Capital Assets Not Depreciated	$	23,564,985	$	158,966	$	(96,785)	$	23,627,166
Capital Assets Depreciated:								
Buildings and Improvements	$	96,372,829	$	15,917	$	0	$	96,388,746
Infrastructure		36,112,003		1,793,791		(587,991)		37,317,803
Other Capital Assets		13,523,578		1,300,422		(266,524)		14,557,476
Total Capital Assets Depreciated	$	146,008,410	$	3,110,130	$	(854,515)	$	148,264,025
Less Accumulated Depreciation For:								
Buildings and Improvements	$	8,078,997	$	2,316,497	$	0	$	10,395,494
Infrastructure		17,817,964		310,561		(1,078)		18,127,447
Other Capital Assets		7,957,079		1,183,742		(239,871)		8,900,950
Total Accumulated Depreciation	$	33,854,040	$	3,810,800	$	(240,949)	$	37,423,891
Total Capital Assets Depreciated, Net	$	112,154,370	$	(700,670)	$	(613,566)	$	110,840,134
Governmental Activities Capital Assets, Net	$	135,719,355	$	(541,704)	$	(710,351)	$	134,467,300

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

Governmental Activities:	
General Government	$ 586,102
Finance	191,914
Administration of Justice	560,425
Public Safety	1,400,622
Public Health and Welfare	351,016
Social, Cultural, and Recreational Services	120,859
Agriculture and Natural Resources	35,805
Highway/Public Works	564,057
Total Depreciation Expense - Governmental Activities	$ 3,810,800

Discretely Presented Montgomery County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	$ 8,231,614	$ 1,512,605	$ 0	$ 9,744,219
Construction in Progress	12,698,458	12,941,954	(11,715,299)	13,925,113
Total Capital Assets Not Depreciated	$ 20,930,072	$ 14,454,559	$ (11,715,299)	$ 23,669,332
Capital Assets Depreciated:				
Buildings and Improvements	$ 189,768,705	$ 20,351,621	$ 0	$ 210,120,326
Other Capital Assets	20,005,043	301,175	(487,274)	19,818,944
Total Capital Assets Depreciated	$ 209,773,748	$ 20,652,796	$ (487,274)	$ 229,939,270
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 43,454,054	$ 5,870,404	$ 0	$ 49,324,458
Other Capital Assets	10,161,503	1,305,784	(376,427)	11,090,860
Total Accumulated Depreciation	$ 53,615,557	$ 7,176,188	$ (376,427)	$ 60,415,318
Total Capital Assets Depreciated, Net	$ 156,158,191	$ 13,476,608	$ (110,847)	$ 169,523,952
Governmental Activities Capital Assets, Net	$ 177,088,263	$ 27,931,167	$ (11,826,146)	$ 193,193,284

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

Governmental Activities:

Instruction	$	2,505
Support Services		7,147,187
Operation of Non-Instructional Services		26,496
Total Depreciation Expense - Governmental Activities	$	7,176,188

D. Construction Commitments

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of approximately $159,791, for various construction projects. Funding for these future expenditures has been received.

At June 30, 2006, the discretely presented School Department's Education Capital Projects Fund had uncompleted construction contracts of approximately $20,145,540, for various construction projects. Funding for these future expenditures is expected to be received from contributions from the primary government.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund		Amount
Primary Government:			
General	Nonmajor governmental	$	58,182
General Debt Service	Fiduciary		943
Nonmajor governmental	Nonmajor governmental		798,725
Nonmajor governmental	Other Capital Projects #4		531,703
Internal Service	Internal Service		182,530
School Department Component Unit:			
General Purpose School	Nonmajor governmental		671,315
General Purpose School	Education Capital Projects		5,018
Nonmajor governmental	General Purpose School		182,181
Nonmajor governmental	Education Capital Projects		397
Nonmajor governmental	Nonmajor governmental		12,559

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
Primary government:	Component unit:	
General Debt Service	Montgomery County	
	Nursing Home	1,106
Component unit:		
School Department:	Primary government:	
General Purpose School	Self-Insurance (Internal Service)	43,065

Interfund Transfers:

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

Primary Government

	Transfers In
Transfers Out	Nonmajor Governmental Funds
General Fund	$ 89,695
Other Capital Projects #4 Fund	1,617,181
Nonmajor governmental funds	3,915,327
Total	$ 5,622,203

Discretely Presented Montgomery County School Department

	Transfers In	
Transfers Out	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	$ 0	$ 4,258
Nonmajor governmental funds	348,834	0
Total	$ 348,834	$ 4,258

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.

F. 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 32 years for bonds, up to 12 years for notes, and up to 23 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, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, and capital outlay notes outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	2 to 5.12095%	$ 150,955,000	$ 105,281,000
General Obligation Bonds - Refunding	2 to 5.25	144,764,029	114,830,000
Capital Outlay Notes	3.33 to 5.21	9,401,119	7,157,505
Other Loans	variable	86,315,731	26,359,808

In prior years, Montgomery County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make $83,845,000 available for loan to Montgomery County on an as-needed basis for various renovation and construction projects. Montgomery County has subsequently refunded a portion of this loan. The remaining portion of 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, 2006, the variable interest rate was 3.47 percent, and other fees amounted to approximately .2 percent (letter of credit), .08 percent (remarketing), and .01 percent (trustee) of the outstanding loan principal.

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

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, including interest payments and other loan fees, are presented in the following table:

Year Ending	Bonds		Notes	
June 30	Principal	Interest	Principal	Interest
2007	$ 9,371,000	$ 10,771,004	$ 2,140,779	$ 310,845
2008	9,745,000	9,772,783	1,566,726	234,678
2009	9,300,000	9,360,768	1,100,000	172,500
2010	9,850,000	8,988,969	1,150,000	117,500
2011	10,540,000	8,556,218	1,200,000	60,000
2012-2016	64,715,000	34,185,645	0	0
2017-2021	68,740,000	19,869,798	0	0
2022-2026	37,850,000	4,879,125	0	0
Total	$ 220,111,000	$ 106,384,310	$ 7,157,505	$ 895,523

Year Ending	Other Loan ($83,845,000)			
June 30	Principal	Interest	Other Fees	Total
2007	$ 0	$ 853,447	$ 71,326	$ 924,773
2008	0	853,447	71,326	924,773
2009	0	853,447	71,326	924,773
2010	0	853,447	71,326	924,773
2011	0	853,447	71,326	924,773
2012-2016	5,665,000	4,267,235	356,630	10,288,865
2017-2019	18,930,000	1,337,165	111,752	20,378,917
Total	$ 24,595,000	$ 9,871,635	$ 825,012	$ 35,291,647

Year Ending	Other QZAB Loan ($2,470,731)		
June 30	Principal	Other Fees	Total
2007	$ 176,481	$ 847	$ 177,328
2008	176,481	847	177,328
2009	176,481	847	177,328
2010	176,481	847	177,328
2011	176,481	847	177,328
2012-2016	882,403	4,235	886,638
Total	$ 1,764,808	$ 8,470	$ 1,773,278

There is $16,810,693 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $1,633, based on the 2000 federal census. Debt per capita, including bonds, notes and other loans, totaled $1,882, based on the 2000 federal census.

Changes in Long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Primary Government

Governmental Activities:	Bonds	Notes	Capital Lease
Balance, July 1, 2005	$ 188,721,000	$ 9,388,274	$ 200,372
Additions	40,000,000	0	0
Deductions	(8,610,000)	(2,230,769)	(200,372)
Balance, June 30, 2006	$ 220,111,000	$ 7,157,505	$ 0
Balance Due Within One Year	$ 9,371,000	$ 2,140,779	$ 0

	Compensated Absences	Other Loans	Claims and Judgments
Balance, July 1, 2005	$ 1,283,182	$ 26,536,289	$ 4,332,394
Additions	1,867,587	0	21,183,048
Deductions	(1,649,488)	(176,481)	(21,219,527)
Balance, June 30, 2006	$ 1,501,281	$ 26,359,808	$ 4,295,915
Balance Due Within One Year	$ 1,501,281	$ 176,481	$ 1,919,232

Analysis of Noncurrent Lilibities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	$ 259,425,509
Less: Due Within One Year	(15,108,773)
Add: Unamortized Premium on Debt	5,886,782
Less: Deferred Amount on Refunding	(4,658,704)
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	$ 245,544,814

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 payable 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, 2006, the following outstanding bonds are considered defeased:

1993 General Obligation Series	$ 3,170,000
2001 General Obligation Series	42,345,000

Discretely Presented Montgomery County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Montgomery County School Department for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Notes	Capital Lease
Balance, July 1, 2005	$ 45,183	$ 95,625
Deductions	(34,101)	(95,625)
Balance, June 30, 2006	$ 11,082	$ 0
Balance Due Within One Year	$ 11,082	$ 0

		Compensated Absences		Claims and Judgments
Balance, July 1, 2005	$	769,019	$	2,655,941
Additions		811,736		1,310,293
Deductions		(728,048)		(427,418)
Balance, June 30, 2006	$	852,707	$	3,538,816
Balance Due Within One Year	$	728,048	$	1,648,134

Total Noncurrent Liabilities, June 30, 2006	$	4,402,605
Less: Due Within One Year		(2,387,264)
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	$	2,015,341

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.

G. Internal Financing

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

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

		Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date
Industrial Park	$	4,632,655	2	%	4-17-02	4-17-06
Industrial Park		977,030	2		6-10-02	6-10-06
Industrial Park		177,232	2		12-28-02	12-28-05
Industrial Park		206,537	2		8-21-03	8-21-06
Industrial Park		165,441	2		12-31-03	12-31-06

	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
Industrial Park	$ 3,088,435	$ 3,088,435	$ 0
Industrial Park	651,353	651,353	0
Industrial Park	137,848	137,848	0
Industrial Park	183,588	22,949	160,639
Industrial Park	147,059	18,382	128,677
Total	$ 4,208,283	$ 3,918,967	$ 289,316

V. OTHER INFORMATION

A. Risk Management

Montgomery County and the Montgomery County School Department, Bi-County Solid Waste Management System, 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
2004-05	$ 2,886,902	$ 17,733,248	$ (17,640,226)	$ 2,979,924
2005-06	2,979,924	20,725,596	(20,588,057)	3,117,463

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

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

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2004-05	$ 1,041,765	$ 783,569	$ (471,864)	$ 1,353,470
2005-06	1,353,470	0	(632,470)	721,000

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
2004-05	$ 0	$ 413,616	$ (330,589)	$ 83,027
2005-06	83,027	448,959	(392,986)	139,000

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

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 maximum liability amounted to $2,529,571 for the year. 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
2004-05	$ 2,438,514	$ 1,567,500	$ (1,350,073)	$ 2,655,941
2005-06	2,655,941	1,067,745	(427,418)	3,296,268

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2005-06	$ 0	$ 86,156	$ (61,462)	$ 24,694

The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The School Department pays an annual premium to the TSB-RMT for its general liability, property, and casualty insurance coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

During the year, the county adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting:

The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Montgomery County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Montgomery County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Montgomery County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Montgomery County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Montgomery County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Montgomery County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Events

On July 1, 2006, Sandra Husk left the Office of Director of Schools and was succeeded by Michael Harris.

On July 31, 2006, the Montgomery County Nursing Home was sold to Home Quality Management.

On August 11, 2006, Montgomery County issued general obligation and refunding bonds totaling $63,945,000 for various school construction projects.

On September 1, 2006, Bob Boydston left the Office of Director of Accounts and Budgets and was succeeded by Betty Burchett, Carolyn Bowers left the Office of Trustee and was succeeded by Brenda Radford, Wilma Drye left the Office of County Clerk and was succeeded by Kellie Jackson, Joyce Sawyer left the Office of Register of Deeds and was succeeded by Connie Bell, and Doug Weiland left the Office of County Mayor and was succeeded by Carolyn Bowers.

On January 16, 2007, Montgomery County authorized general obligation refunding bonds totaling $57,990,000 for various construction projects.

D. Contingent Liabilities

The county is a defendant in litigation seeking reimbursement of $700,000 for property taxes paid in protest. The county attorney is of the opinion that the plaintiff will prevail. This liability is reflected in the financial statements of this report.

The county is also 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.

Montgomery County is contingently liable for certain revenue bonds of the Montgomery County Nursing Home. Montgomery County would become liable for these bonds and the interest thereon, in the event of default by the Montgomery County Nursing Home. The principal of these revenue bonds is reflected on the financial statements of the Montgomery County Nursing Home.

E. Change in Administration

On January 9, 2006, Mike Frost was appointed highway supervisor by the County Commission due to the death of Doug Black.

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.

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 2005-06 year.

The Nineteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Nineteenth Judicial District and Montgomery County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general and the Montgomery County Sheriff. Montgomery County did not appropriate any funds to the DTF during the 2005-06 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

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

H. Jointly Governed Organization

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

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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at http://www.treasury.state.tn.us/tcrs/PS/.

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 13.14 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, 2006, Montgomery County's annual pension cost of $6,433,780 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Montgomery County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	$6,433,780	100%	$0
6-30-05	5,911,199	100	0
6-30-04	4,764,732	100	0

Schedule of Funding Progress

(Dollar amounts in thousands)

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

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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at http://www.treasury.state.tn.us/tcrs/Schools/.

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, 2006, was 5.5 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, 2006, 2005, and 2004, were $4,457,727, $4,202,984, and $2,416,297, respectively, equal to the required contributions for each year.

J. Other Post-employment Benefits

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

Also, in addition to the retirement commitments described above, the discretely presented Montgomery County School Department offers post-employment health care benefits. Eligible employees are those who will have 30 years of verified Tennessee Consolidated Retirement System service, or reached 55 years of age and a minimum of 20 years of service. The school system will provide an employee and spouse with the same health insurance coverage provided for a regular full-time employees if the eligible employee has been covered with the same before their retirement. A portion of the cost of the insurance premium will be paid by the Montgomery County School Department. The insurance coverage will remain in effect until the retiree attains the age of 65 or ten years, whichever comes first. Currently, there are 116 employees receiving this benefit.

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

K. Office of Central Accounting, Budgeting, and Purchasing

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

L. Purchasing Laws

Office of Central Purchasing

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

Office of Director of Schools

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also 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 E-911 Emergency Communications District of Montgomery County relating to the accounts included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments.

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

Reporting Entity

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

Measurement Focus/Basis of Accounting

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

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

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

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

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

Budgets and Budgetary Accounting

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

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

Leave Policies

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

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

Encumbrances

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

Capital Assets and Depreciation

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

Occupancy

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

Cash and Cash Equivalents

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

Election in Accordance with GASB 20

The district has elected to follow only GASB guidance issued after November 30, 1989, and not 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 $15,460 was allocated to the district during the current year.

Other Significant Accounting Principles

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

B. Cash Deposits

Cash deposits are carried at cost, which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet at $586,974. At June 30, 2006, the deposits of the district were held by the

Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of Montgomery County Trustee that exceed Federal Deposit Insurance Corporation insurance limits are further insured by securities set aside as collateral and pledged to the state treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

C. Accounts Receivable

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

Service Charges:	
Bell South	$ 82,505
Other Service Providers	23,246
State Wireless Charges	44,424
Total Service Charges	$ 150,175
Interest and Miscellaneous	1,549
Total	$ 151,724

D. Change in Property and Equipment

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Capital Assets Depreciated:				
Furniture and Fixtures	$ 65,100	$ 0	$ 0	$ 65,100
Communication Equipment	522,015	0	62,240	459,775
Total Capital Assets Depreciated	$ 587,115	$ 0	$ 62,240	$ 524,875
Less: Accumulated Depreciation For:				
Furniture and Fixtures	21,808	4,574	0	26,382
Communication Equipment	265,847	50,574	56,581	259,840
Total Accumulated Depreciation	$ 287,655	$ 55,148	$ 118,821	$ 286,222
Total Capital Assets Depreciated, Net	$ 299,460	$ (55,148)	$ 5,659	$ 238,653

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 $409,019 for use of the building for the year ended June 30, 2006.

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, 2006, the monthly fee was $8,790.

F. Operating Lease

The district entered into a lease effective July 1, 2005, with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. The future minimum lease payments for each of the remaining two years are $72,588 per year. 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, 2006, the amount paid was $32,711.

G. Retirement Commitments

Plan Description

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

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

Funding Policy

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

The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2006, was 10.2 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, 2006, the district's annual pension cost of $91,290 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2003, 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 16 years. An actuarial valuation was performed July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended		Annual Pension Cost (APC)	Percentage Of APC Contributed		Net Pension Obligation
6-30-06	$	91,290	100	% $	0
6-30-05		94,019	100		0
6-30-04		94,755	100		0

H. Contingencies

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

I. Related Party Transactions

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

J. Subsequent Events

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

K. Risk Management

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

L. Required Supplementary Information (RSI)

Information required to be included in the RSI section has been omitted from this report. This omission includes the Management Discussion and Analysis, a required part of RSI.

M. Prepaid Expenses

Prepaid expenses at June 30, 2006, consisted of the following:

	Current	Non-Current	Total
Pre-Occupancy building costs of $346,787 being amortized over 20 years	$ 17,339	$ 277,431	$ 294,770

VII. OTHER NOTES – DISCRETELY PRESENTED BI-COUNTY SOLID WASTE MANAGEMENT SYSTEM

A. Summary of Significant Accounting Policies

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

1. The Financial Reporting Entity

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 statements 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 of 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 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 proprietary fund 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. <u>Budgetary Control</u>

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 County Commission, 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. <u>Inventories</u>

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. <u>Property, Plant, and Equipment</u>

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, 2006.

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. Compensated Absences

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. Interfund Transactions

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. Cash and Cash Equivalents

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

10. Management 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.

11. Concentration of Credit Risk

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. Classification of Proprietary Fund Revenue

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 Principles

Other significant accounting principles 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 $10,672,111. At June 30, 2006, the deposits of Bi-County totaled $10,821,398 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 the State 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 $267,624 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 Commission.

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 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 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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2006, was 13.14 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 Cost 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, 2006, Montgomery County Annual Financial Report.

D. Landfill Closure and Postclosure Care Cost

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 $6,993,600 reported as landfill closure and postclosure care liability at June 30, 2006, represents the cumulative amount reported to date. The landfill will recognize an additional estimated cost of closure and postclosure care of $2,002,100 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2006. Bi-County expects to close the landfill in the year 2010. 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" in the amount of $8,995,700 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 Cost:

Accrued liability at July 1, 2005	$ 6,416,000
Current year accrual	577,600
Accrued liability at June 30, 2006	$ 6,993,600

These calculations are based upon a closure/postclosure study conducted in June 2000, but estimated costs have been updated for inflation at May 26, 2006, by the State of Tennessee, Department of Environment and Conservation.

E. Accounts Receivable

Accounts receivable at June 30, 2006, consist of the following categories of receivables:

	Proprietary Fund
Customer Receivables	$ 179,433
User Fees Receivable	26,046
Other	18,990
Total Accounts Receivable	$ 224,469

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 at AmSouth Bank, and Montgomery County maintains records to account for the Bi-County portion.

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

	Balance 7-1-05	Additions	Transfers or Retirements	Balance 6-30-06
Enterprise Assets-Landfill				
Land - Held for Expansion	$ 616,156	$ 0	$ 0	$ 616,156
Land	20,849	23,000	0	43,849
Total Capital Assets Not Depreciated	$ 637,005	$ 23,000	$ 0	$ 660,005
Capital Assets Depreciated:				
Buildings and Improvements	$ 1,909,487	$ 19,570	$ 8,794	$ 1,920,263
Machinery and Equipment	5,385,053	788,810	476,459	5,697,404
Other Property	845,863	0	0	845,863
Total Capital Assets Depreciated	$ 8,140,403	$ 808,380	$ 485,253	$ 8,463,530
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 438,674	$ 59,860	$ 2,805	$ 495,729
Machinery and Equipment	2,919,314	391,682	374,482	2,936,514
Other Property	741,662	63,373	0	805,035
Total Accumulated Depreciation	$ 4,099,650	$ 514,915	$ 377,287	$ 4,237,278
Total Capital Assets Depreciated, Net	$ 4,040,753	$ 293,465	$ 107,966	$ 4,226,252
Total Enterprise Assets, Net	$ 4,677,758	$ 316,465	$ 107,966	$ 4,886,257

	Balance 7-1-05	Additions	Transfers or Retirements	Balance 6-30-06
Governmental Assets				
Capital Assets Not Depreciated:				
Land	$ 17,987	$ 0	$ 0	$ 17,987
Capital Assets Depreciated:				
Buldings and Improvements	$ 52,094	$ 0	$ 0	$ 52,094
Machinery and Equipment	1,606,045	133,628	0	1,739,673
Total Capital Assets Depreciated	$ 1,658,139	$ 133,628	$ 0	$ 1,791,767
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 18,971	$ 10,419	$ 0	$ 29,390
Machinery and Equipment	1,006,764	102,319	0	1,109,083
Total Accumulated Depreciation	$ 1,025,735	$ 112,738	$ 0	$ 1,138,473
Total Capital Assets Depreciated, Net	$ 632,404	$ 20,890	$ 0	$ 653,294
Total Governmental Assets, Net	$ 650,391	$ 20,890	$ 0	$ 671,281

Equipment costing $136,844 is encumbered by a capital lease obligation of $10,153.

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 Dependable Disposal. 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 operations 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 $28,575 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. Governmental Long-term Debt

On November 1, 2001, Bi-County entered into a capital lease agreement for equipment costing $136,844. The five-year lease bears interest at 4.69 percent. Projected liability for the debt is as follows:

Year Ending	Principal	Interest	Total
6-30-07	$ 10,153	$ 100	$ 10,253
Total	$ 10,153	$ 100	$ 10,253

N. Changes in Long-term Debt

	Balance 7-1-05	Additions	Payments	Balance 6-30-06
Capital Lease	$ 39,677	$ 0	$ 29,524	$ 10,153
Accrued Compensated Absences	73,481	20,027	0	93,508
Total	$ 113,158	$ 20,027	$ 29,524	$ 103,661

VIII. 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 director'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 director and general administration expenses. All other expenses of the EDC are shared based on usage allocations.

The EDC issues a publicly available financial report. That report may be obtained by writing to Clarksville-Montgomery County Economic Development Council, 312 Madison Street, Clarksville, TN 37040.

2. Basis of Presentation

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

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

3. Funding

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

4. Use of Estimates

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

5. Concentrations of Credit Risk/Custodial Credit Risk

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

At June 30, 2006, cash in banks reported in the financial statements as $1,016,786 were represented by bank balances of $1,034,815, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

6. Restricted Assets

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

7. Capital Assets

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

8. Property Held for Sale or Lease

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

9. Accrued Compensated Absences

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

10. Uncollectible Accounts

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

B. Investments and Other Deposits

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States Government. Investments and other deposits are stated at cost or amortized cost, which approximates fair value at June 30, 2006. The following is a summary of the board's certificates of deposit at June 30, 2006, all of which were insured by the FDIC or the State of Tennessee Collateral Pool.

	Carrying Amount	Market Value
Certificates of Deposit	$ 503,212	$ 503,212

C. **Capital Assets**

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

Property and Equipment	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Equipment	$ 44,825	$ 1,593	$ 1,038	$ 45,380
Vehicles	28,282	0		28,282
Total	$ 73,107	$ 1,593	$ 1,038	$ 73,662
Accumulated Depreciation	$ 45,178	$ 11,738	$ 207	$ 56,709

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

			At Cost
Land-Park Expansion	814.133	acres available	$ 10,862,770
Goodpasture Property	34.014	"	238,420
Bell Property	116.5	"	428,735
Hamill Property	7.75	"	44,602
Darnell Property	92.2	"	110,602
Hayes Property	55.29	"	478,093
Homemax Property	2	"	13,965
Connell/Mattingly Property	97.095	"	1,959,651
Total			$ 14,136,838

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

E. **Land Sales Options**

The board had three land sales options from prospective buyers outstanding at June 30, 2006. The first option, granted in fiscal year 2002, allows the holder to purchase one acre of land for $50,000. The option was given for $1,000 consideration. The second option allows the holder to purchase a 20-acre tract of land for $16,000 per acre. The option was given for $6,500 consideration. The third option, granted in fiscal year 2006, allows the holder to purchase 12 acres of land for $240,000. The option was given for the initial consideration of $5,000 and additional consideration of $1,000 payable annually for the next five years.

F. Long-term Debt

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

Changes in long-term debt and other noncurrent liabilities (including current portions) for the year ended June 30, 2006, were as follows:

	Notes Payable
Balance, July 1, 2005	$ 261,169
Deductions	(27,805)
Balance, June 30, 2006	$ 233,364
Estimated amount due within one year	$ 29,366

Future payments on notes payable are as follows:

Year Ending June 30	Total Principal	Total Interest
2007	$ 29,366	$ 12,228
2008	31,015	10,579
2009	32,756	8,838
2010	34,595	6,999
2011	36,537	5,056
2012-2013	69,095	3,844
Total	$ 233,364	$ 47,544

G. Retirement Plan

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 basic contribution. Employees can make pre-tax contributions from one to 100 percent of total annual earnings in which they are immediately vested. The board will match 100 percent of pre-tax contributions up to a maximum of four percent as the employer matching contribution. With regard to contributions of the board, vesting occurs immediately.

The expense to the board for the year ended June 30, 2006, was $12,216. Employee contributions to the plan were $12,536.

H. **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, 2006, totaled $303,748,817.

I. **Related Party Transactions**

The board's total payments to EDC for expenses and group purchases were $171,229 for the year ended June 30, 2006.

In addition to the transactions with EDC, the board paid $16,813 to the Chamber of Commerce for office rent for the year ended June 30, 2006, and had transactions with other member agencies of EDC for group purchases.

J. **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. The city's investment 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, 2006, 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 in the amount of $648,978 for costs associated with the rail spur connection. The grant requires the grantee to provide matching funds of $483,616. At

June 30, 2006, the board had accrued a liability of $384,939 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.

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

A. Significant Accounting Policies

1. The Reporting Entity

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

2. Combination Government-Wide and Fund Financial Statements

Combination government-wide and fund financial statements are presented for the Library since it is a special purpose single-program governmental entity. The first four columns of the statements represent the fund financial statements of the Library. The second column to the right of the statements represents the government-wide financial statements for the Library. The adjustment column represents the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. The explanation of the reconciling items are presented in Notes B and C of the notes to the financial statements.

3. 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 identified the extent to which the Library is self-financed.

4. **Fund Financial Statements and Measurement Focus**

Fund financial statements report detailed information about the Library. The focus of the fund financial statements is on major funds rather that fund type. Each major fund is presented in a separate column, and all non-major funds are aggregated and presented in a single column.

The accounting and reporting treatment applied to a fun is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which report on sources and uses of current financial resources.

5. **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. The emphasis of fund financial statements is on major governmental funds each displayed in a separate column. All remaining governmental funds are separately aggregated and reported as nonmajor funds.

Government Fund Types

Governmental fund types are used to account for the Library's general government activities. Governmental fund types include the following for the Library:

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes (not including major capital projects).

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 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
Boods	5

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

7. **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.

8. **Donated Services**

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

9. **Donated Supplies and Equipment**

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

10. **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.

11. **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.

12. **Grant Accounting**

Grants are accounted for separately, and separate bank accounts are utilized for large grants. The Library received $2,950 in grants during the audit period.

13. **Insurance Paid**

Insurance is expensed when recognized. Prepaid insurance is included on the balance sheet at June 30, 2006, in the amount of $7,716 as part of prepaid expenses.

14. **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "interfund receivables and payables". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

15. **Restricted/Unrestricted Resources Usage**

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

16. **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. Reconciliation of Governmental Funds Balance Sheet to Statement of Net Assets

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental funds	$ 105,292
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds	1,186,280
Total net assets of governmental activities	$ 1,291,572

C. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ (82,763)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which captial outlays exceeded depreciation in the current period.	15,295

Governmental funds do not report a loss on the disposal of assets when assets are removed form use since captial outlays are reported as expenditures. However, in the statement of activities when an asset is disposed of a loss or gain is recognized to the extent of the remaining net book value over or under the amount received in exchange for the assets. This is the amount which is reported as loss on the disposal of assets during the current period.	(367)
Change in net assets of governmental activities	$ (67,835)

D. Bank Deposit Information

At year-end the carrying amount of the Library's cash deposits was $94,755, and the bank balances were $136,925. The cash deposits at year-end were held by Farmers and Merchants Bank. Farmers and Merchants Bank is a member of the Tennessee Bank Collateral Pool in which municipal balances above the FDIC limit are collateralized by pledged securities at the state level.

E. 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.

F. 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.

G. 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, 2006, the Foundation distributed $70,000 to the Library for capital purposes.

The Foundation's year-end, December 31, differs from the Library's year-end. The December 31, 2005, audited financial statements are included in the Library's June 30, 2006, basic financial statements. The Foundation's by-laws, 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.

H. Capital Assets

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

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Depreciable Assets				
Furniture, Fixtures, Equipment and Software	$ 1,189,207	$ 54,797	$ (2,300)	$ 1,241,704
Building Improvements	47,441	-	-	47,441
Library Resources	3,397,344	352,931	(120,647)	3,629,628
Total	$ 4,633,992	$ 407,728	$ (122,947)	$ 4,918,773
Accumulated Depreciation				
Furniture, Fixtures, Equipment and Software	$ 1,063,053	$ 50,288	$ (1,932)	$ 1,111,409
Building Improvements	31,760	4,545	-	36,305
Library Resources	2,367,827	337,599	(120,647)	2,584,779
Total	$ 3,462,640	$ 392,432	$ (122,579)	$ 3,732,493
Capital Assets, Net of Accumulated Depreciation	$ 1,171,352	$ 15,296	$ (368)	$ 1,186,280

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

I. Debt Held by County/City

A note payable by Montgomery County on behalf of the Library at June 30, 2006, was as follows:

Note Payable	$137,500

The proceeds of the note payable were used to finance the renovation of the buildings and related facilities utilized by the Library.

In January 1998, Montgomery County and the City of Clarksville each passed resolutions to make yearly repayments of the principal of this note. The total principal to be repaid each year is $68,750. Beginning July 1, 2004, the county verbally agreed to take over the payments entirely. The Library is responsible for paying the interest on this note. During the fiscal year ended June 30, 2006, the Library paid $11,900 in interest on this note.

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

Year Ending June 30	Principal (Paid by County)	Interest (Paid by Library)	Combined Total
2007	$ 68,750	$ 10,746	$ 79,496
2008	68,750	3,582	72,332
Total	$ 137,500	$ 14,328	$ 151,828

J. Pension Information

1. Plan Description

Employees of the Library are members of the Political Subdivision Pension Plan (PSPP), and 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 performance of duty. Members joining the system after July 1, 1979, became vested after five years of service and joining the system prior to July 1, 1979, were vest after four years of service. Benefit provisions are established in state statute found in title 8, Chapters 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

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, 2006, was 13.34 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Library is established and may be amended by the TCRS Board of Trustees.

3. Annual Pension Cost

For the year ending June 30, 2006, the Library's annual pension cost of $77,167 to TCRS was equal to the Library's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended		Annual Pension Cost (APC)	Perentage of APC Contributed		Net Pension Obligation
6-30-06	$	77,167	100	% $	0
6-30-05		74,373	100		0
6-30-04		60,093	100		0

K. Material Related Party Transactions

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

L. Significant Subsequent Events

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

M. Significant Contingent Liabilities

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

N. Risk Management

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

O. Customer Receivables

Customer receivables of $24,909 include $135,785 of gross receivables and $110,876 of uncollectible, waived, or returned items. Gross customer receivables include not only fines and fees receivable, but also amounts 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.

[This page is intentionally left blank]

REQUIRED SUPPLEMENTARY INFORMATION

[This page is intentionally left blank]

Exhibit F

Montgomery County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 24,282,334	$ 0	$ 24,282,334	$ 24,744,235	$ 24,845,234	$ (562,900)
Licenses and Permits	682,010	0	682,010	676,500	676,500	5,510
Fines, Forfeitures, and Penalties	1,163,724	0	1,163,724	1,098,100	1,098,100	65,624
Charges for Current Services	4,388,034	0	4,388,034	3,572,454	3,926,144	461,890
Other Local Revenues	3,002,529	0	3,002,529	2,198,684	2,083,620	918,909
Fees Received from County Officials	6,912,755	0	6,912,755	6,285,000	6,285,000	627,755
State of Tennessee	4,868,187	0	4,868,187	5,359,933	4,638,299	229,888
Federal Government	3,126,059	0	3,126,059	40,159	3,023,494	102,565
Other Governments and Citizens Groups	201,680	0	201,680	85,334	171,134	30,546
Total Revenues	$ 48,627,312	$ 0	$ 48,627,312	$ 44,060,399	$ 46,747,525	$ 1,879,787
Expenditures						
General Government						
County Commission	$ 251,331	$ (29,868)	$ 221,463	$ 222,465	$ 225,374	$ 3,911
Board of Equalization	1,543	0	1,543	3,400	3,400	1,857
Beer Board	0	0	0	1,000	0	0
Other Boards and Committees	2,500	0	2,500	1,800	3,236	736
County Mayor/Executive	255,383	0	255,383	270,118	284,013	28,630
Personnel Office	98,207	0	98,207	107,756	114,214	16,007
County Attorney	24,000	0	24,000	24,000	34,000	10,000
Election Commission	205,383	(1,465)	203,918	247,625	258,118	54,200
Register of Deeds	285,248	(308)	284,940	300,788	306,166	21,226
Planning	214,562	0	214,562	207,826	207,826	(6,736)
Building	66,884	(2,224)	64,660	64,651	67,958	3,298
Codes Compliance	316,266	(417)	315,849	321,860	354,003	38,154
Geographical Information Systems	47,458	0	47,458	80,000	80,000	32,542
County Buildings	930,427	(9,668)	920,759	900,048	948,729	27,970

(Continued)

Exhibit F

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
General Government (Cont.)						
Other Facilities	$ 930,905	$ (11,847)	$ 919,058	$ 934,945	$ 962,146	$ 43,088
Other General Administration	394,357	0	394,357	397,481	397,481	3,124
Preservation of Records	77,643	(1,550)	76,093	80,985	82,912	6,819
Finance						
Accounting and Budgeting	281,425	(697)	280,728	286,481	302,721	21,993
Purchasing	163,637	(772)	162,865	159,620	168,372	5,507
Property Assessor's Office	530,584	0	530,584	546,406	548,242	17,658
Reappraisal Program	112,932	0	112,932	98,040	109,027	(3,905)
County Trustee's Office	300,825	(811)	300,014	293,161	306,657	6,643
County Clerk's Office	907,363	(3,089)	904,274	877,028	914,725	10,451
Data Processing	816,319	(15,811)	800,508	819,263	847,786	47,278
Other Finance	95,629	0	95,629	84,072	97,267	1,638
Administration of Justice						
Circuit Court	1,093,209	(5,908)	1,087,301	1,165,616	1,214,395	127,094
General Sessions Court	1,141,427	(1,280)	1,140,147	1,225,528	1,262,737	122,590
Drug Court	0	0	0	0	13,740	13,740
Chancery Court	304,395	(2,521)	301,874	310,323	316,524	14,650
District Attorney General	67,228	0	67,228	87,400	87,400	20,172
Judicial Commissioners	142,686	0	142,686	129,265	138,552	(4,134)
Other Administration of Justice	562,848	(30)	562,818	628,480	629,688	66,870
Probation Services	497,495	(6,587)	490,908	525,673	528,588	37,680
Public Safety						
Sheriff's Department	4,091,644	(19,756)	4,071,888	4,088,572	4,358,210	286,322
Special Patrols	1,445,253	(208)	1,445,045	1,366,054	1,533,622	88,577
Traffic Control	2,888	0	2,888	5,000	5,000	2,112
Administration of the Sexual Offender Registry	5,197	0	5,197	3,180	6,870	1,673

(Continued)

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Public Safety (Cont.)						
Jail	$ 7,407,519	$ (9,058)	$ 7,398,461	$ 7,118,041	$ 7,641,016	$ 242,555
Workhouse	1,038,047	0	1,038,047	983,890	1,074,942	36,895
Correctional Incentive Program Improvements	346,322	0	346,322	346,638	360,584	14,262
Juvenile Services	214,819	(320)	214,499	213,051	219,709	5,210
Fire Prevention and Control	291,205	(229)	290,976	111,986	330,486	39,510
Civil Defense	238,292	0	238,292	0	257,207	18,915
Other Emergency Management	2,131,185	(808,443)	1,322,742	0	2,112,663	789,921
County Coroner/Medical Examiner	129,005	0	129,005	100,000	130,000	995
Public Health and Welfare						
Local Health Center	252,399	0	252,399	251,796	282,820	30,421
Rabies and Animal Control	245,462	0	245,462	227,299	243,467	(1,995)
Ambulance/Emergency Medical Services	4,363,468	(16,159)	4,347,309	4,146,804	4,268,999	(78,310)
Other Local Health Services	1,488,005	(35,108)	1,452,897	1,593,647	1,625,192	172,295
Regional Mental Health Center	0	0	0	10,000	0	0
Appropriation to State	136,039	0	136,039	152,852	136,039	0
Other Local Welfare Services	46,080	0	46,080	67,075	67,075	20,995
Other Public Health and Welfare	11,875	(11,875)	0	23,750	0	0
Social, Cultural, and Recreational Services						
Senior Citizens Assistance	11,750	0	11,750	0	23,750	12,000
Libraries	1,440,000	0	1,440,000	1,440,000	1,440,000	0
Parks and Fair Boards	43,504	(565)	42,939	50,412	39,906	(3,033)
Other Social, Cultural, and Recreational	6,899	0	6,899	5,254	6,854	(45)
Agriculture & Natural Resources						
Agriculture Extension Service	271,046	0	271,046	306,680	311,556	40,510
Forest Service	2,000	0	2,000	2,000	2,000	0
Soil Conservation	34,527	0	34,527	33,824	34,460	(67)

(Continued)

Exhibit F

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Other Operations						
Tourism	$ 853,277	$ 0	$ 853,277	$ 792,000	$ 872,000	$ 18,723
Industrial Development	0	0	0	445,701	0	0
Airport	516,187	0	516,187	70,486	516,187	0
Veterans' Services	238,797	0	238,797	240,102	260,980	22,183
Other Charges	1,428,770	0	1,428,770	1,523,050	1,673,050	244,280
Contributions to Other Agencies	59,430	0	59,430	68,638	68,638	9,208
Employee Benefits	6,685,328	0	6,685,328	8,475,700	7,001,686	316,358
Miscellaneous	16,436	0	16,436	20,000	20,000	3,564
Highways						
Litter and Trash Collection	105,571	0	105,571	125,980	175,612	70,041
Total Expenditures	$ 46,718,325	$ (996,574)	$ 45,721,751	$ 45,812,566	$ 48,916,577	$ 3,194,826
Excess (Deficiency) of Revenues Over Expenditures	$ 1,908,987	$ 996,574	$ 2,905,561	$ (1,752,167)	$ (2,169,052)	$ 5,074,613
Other Financing Sources (Uses)						
Insurance Recovery	$ 9,108	$ 0	$ 9,108	$ 0	$ 0	$ 9,108
Transfers In	0	0	0	144,041	144,041	(144,041)
Transfers Out	(89,695)	0	(89,695)	0	(89,695)	0
Total Other Financing Sources (Uses)	$ (80,587)	$ 0	$ (80,587)	$ 144,041	$ 54,346	$ (134,933)
Net Change in Fund Balance	$ 1,828,400	$ 996,574	$ 2,824,974	$ (1,608,126)	$ (2,114,706)	$ 4,939,680
Fund Balance, July 1, 2005	7,936,161	(996,574)	6,939,587	8,000,000	8,000,000	(1,060,413)
Fund Balance, June 30, 2006	$ 9,764,561	$ 0	$ 9,764,561	$ 6,391,874	$ 5,885,294	$ 3,879,267

MONTGOMERY COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the Montgomery County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Major Appropriation Category	Amount
Planning	$ 6,736
Reappraisal Program	3,905
Judicial Commissioners	4,134
Rabies and Animal Control	1,995
Ambulance/Emergency Medical Services	78,310
Parks and Fair Boards	3,033
Other Social, Cultural, and Recreational	45
Soil Conservation	67

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

[This page is intentionally left blank]

APPENDIX D

Specimen Financial Guaranty Insurance Policy

XL CAPITAL ASSURANCE

1221 Avenue of the Americas
New York, New York 10020
Telephone: (212) 478-3400

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [ ]

BONDS: [ ]

Policy No: [ ]

Effective Date: [ ]

XL Capital Assurance Inc. (XLCA), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy (which includes each endorsement attached hereto), hereby agrees unconditionally and irrevocably to pay to the trustee (the "Trustee") or the paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the benefit of the Owners of the Bonds or, at the election of XLCA, to each Owner, that portion of the principal and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment.

XLCA will pay such amounts to or for the benefit of the Owners on the later of the day on which such principal and interest becomes Due for Payment or one (1) Business Day following the Business Day on which XLCA shall have received Notice of Nonpayment (provided that Notice will be deemed received on a given Business Day if it is received prior to 10:00 a.m. New York time on such Business Day; otherwise it will be deemed received on the next Business Day), but only upon receipt by XLCA, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in XLCA. Upon such disbursement, XLCA shall become the owner of the Bond, any appurtenant coupon to the Bond or the right to receipt of payment of principal and interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by XLCA hereunder. Payment by XLCA to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of XLCA under this Policy.

In the event the Trustee or Paying Agent has notice that any payment of principal or interest on a Bond which has become Due for Payment and which is made to an Owner by or on behalf of the Issuer of the Bonds has been recovered from the Owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law, such Owner will be entitled to payment from XLCA to the extent of such recovery if sufficient funds are not otherwise available.

The following terms shall have the meanings specified for all purposes of this Policy, except to the extent such terms are expressly modified by an endorsement to this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment", when referring to the principal of Bonds, is when the stated maturity date or a mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity, unless XLCA shall elect, in its sole discretion, to pay such principal due upon such acceleration; and, when referring to interest on the Bonds, is when the stated date for payment of interest has been reached. "Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or Paying Agent for payment in full of all principal and interest on the Bonds which are Due for Payment. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to XLCA which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

XLCA may, by giving written notice to the Trustee and the Paying Agent, appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy. From and after the date of receipt by the Trustee and the Paying Agent of such notice, which shall specify the name and notice address of the Insurer's Fiscal Agent, (a) copies of all notices required to be delivered to XLCA pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to XCLA and shall not be deemed received until received by both and (b) all payments required to be made by XLCA under this Policy may be made directly by XLCA or by the Insurer's Fiscal Agent on behalf of XLCA. The Insurer's Fiscal Agent is the agent of XLCA only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of XLCA to deposit or cause to be deposited sufficient funds to make payments due hereunder.

Except to the extent expressly modified by an endorsement hereto, (a) this Policy is non-cancelable by XLCA, and (b) the Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Bond, other than at the sole option of XLCA, nor against any risk other than Nonpayment. This Policy sets forth the full undertaking of XLCA and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto.

THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, XLCA has caused this Policy to be executed on its behalf by its duly authorized officers.

SPECIMEN	**SPECIMEN**
Name:	Name:
Title:	Title: