

# OFFICIAL STATEMENT

NEW ISSUE

**RATING: Moody's "Aaa"**  
**Financial Guaranty Insurance**

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Notes 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 Notes, see the discussion under the heading "Tax Matters" herein. Under existing law, the Notes 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).*

## \$9,500,000

### MONTGOMERY COUNTY, TENNESSEE

GENERAL OBLIGATION CAPITAL OUTLAY NOTES, SERIES 2000

(ULT) BANK QUALIFIED

DATED: November 1, 2000

DUE: May 1, as shown below

Montgomery County, Tennessee (the "County") will issue its \$9,500,000 General Obligation Capital Outlay Notes, Series 2000 (the "Notes"), being the first emission of a total authorized amount of \$20,000,000, in fully registered form, in denominations of \$5,000 or any integral multiple thereof. Interest on the Notes is payable semi-annually on May 1 and November 1 as long as the Notes remain outstanding, commencing May 1, 2001, calculated on the basis of a 360-day year consisting of twelve 30-day months, to the registered owners of the Notes by Chase Manhattan Trust Company, National Association, Memphis, Tennessee, the registration agent and paying agent (the "Registration Agent"). The principal of the Notes is payable when due upon surrender of the Notes at the principal corporate trust office of the Registration Agent.

The scheduled payment of principal and interest on the Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Notes by Financial Guaranty Insurance Company.



**Financial Guaranty Insurance  
Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

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

#### Maturities, Amounts, Interest Rates and Prices or Yields

<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>	<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield or Price</u>
2002	\$ 150,000	4.750%	4.390%	2007	\$1,150,000	4.600%	4.650%
2003	150,000	4.750	4.440	2008	1,150,000	4.650	4.700
2004	1,000,000	4.500	4.490	2009	1,200,000	4.700	4.730
2005	1,050,000	4.500	4.520	2010	1,250,000	4.750	4.780
2006	1,100,000	5.750	4.560	2011	1,300,000	4.800	4.850

The Notes 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 Notes, the full faith and credit of the County are irrevocably pledged.

The County has designated the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

*The Notes are offered when, as and if issued, subject to the approval of the legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be printed on the Notes. Certain legal matters will be passed upon for the County by Marks, Shell, Maness & Marks, Counsel to the County. Stephens Inc. has acted as Financial Advisor to the County in connection with the sale of the Notes. The Notes are expected to be available for delivery through Depository Trust Company in New York, New York on or about December 14, 2000.*

**Stephens Inc.**  
Nashville, Tennessee  
Financial Advisor

The Date of this Official Statement is November 30, 2000

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "*Official Statement*") by Montgomery County, Tennessee (the "*County*") from time to time, may be treated as an Official Statement with respect to the Notes 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 Notes 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 Notes 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 Notes has been filed with the Securities and Exchange Commission or with any state securities agency. The Notes have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.**

*The Material contained herein has been obtained from sources believed to be current and reliable, but the accuracy thereof is not guaranteed. The Official Statement contains statements which are based upon estimates, forecasts, and matters of opinion, whether or not expressly so described, and such statements are intended solely as such and not as representations of fact. All summaries of statutes, resolutions, and reports contained herein are made subject to all the provisions of said documents. The Official Statement is not to be construed as a contract with the purchasers of any of the Montgomery County, Tennessee General Obligation Capital Outlay Notes, Series 2000.*

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**MONTGOMERY COUNTY, TENNESSEE**

126 Main Street  
Clarksville, Tennessee 37041

**OFFICIALS**

Douglas Weiland  
County Executive and Chairman

**BOARD OF COMMISSIONERS**

Lewis Baggett  
Barry L. Bellamy  
Sidney R. Brown  
Loretta J. Bryant  
Joe L. Creek  
Larry W. Foster, Sr.  
Nancy Kahihikolo

Lettie M. Kendall  
Reber P. Kennedy, Jr.  
Ginger Miles  
Ruth Ann Miliken  
John O. Morris, Jr.  
Jack Nagrod  
R. Q. Old

Brenda Radford  
Benny F. Skinner  
Mabel B. Steeley  
Sammy Stuard  
Suzanne Uffelman  
Pat Vaden  
Norman Young

**COUNTY OFFICIALS**

Assessor of Property  
Circuit Court Clerk  
Clerk and Master  
County Clerk  
Dir. Of Accounts & Budgets  
Dir. Of Personnel  
Director of Schools  
Register of Deeds  
Sheriff  
Superintendent of Highways  
Trustee

Ronnie D. Boyd  
Cheryl J. Castle  
Dorothy T. Hall  
Wilma K. Drye  
Rachel Reddick  
Glenn Abee  
David Baker  
Joyce B. Norfleet  
Norman Lewis  
William Doug Black  
Carolyn Bowers

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**Counsel for the County**

Roger Maness  
Marks, Shell, Maness & Marks  
Clarksville, Tennessee

**Bond Counsel**

Bass, Berry & Sims PLC  
Nashville, Tennessee

**Registration and Paying Agent**

Chase Manhattan Trust Company, National Association  
Memphis, Tennessee

**Financial Advisor**

Stephens Inc.  
Nashville, Tennessee

**Underwriter**

Stephens Inc.  
Little Rock, Arkansas

**SUMMARY STATEMENT**

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

<b>ISSUER</b> .....	Montgomery County, Tennessee (the "County").
<b>ISSUE</b> .....	\$9,500,000 General Obligation Capital Outlay Notes, Series 2000 (the "Notes"), being the first emission of a total authorized amount of \$20,000,000.
<b>PURPOSE</b> .....	The Notes are being issued for the purpose of providing funds for: (i) the purchase of property for and the site development, construction, furnishing and equipping of the County Courts Center to be used for County offices; (ii) the purchase of property for school purposes, purchase of sites for school buildings and facilities, and erecting, repairing, furnishing and equipping of school buildings and facilities in and for the County; (iii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing; and (iv) the payment of costs incident to the issuance and sale of the Notes.
<b>DATED DATE</b> .....	November 1, 2000.
<b>INTEREST DUE</b> .....	Each May 1 and November 1, commencing May 1, 2001.
<b>PRINCIPAL DUE</b> .....	Each May 1, commencing May 1, 2002 through May 1, 2011, inclusive.
<b>SETTLEMENT DATE</b> ...	December 14, 2000.
<b>OPTIONAL REDEMPTION</b> .....	Notes maturing May 1, 2002 through May 1, 2006 shall mature without option of prior redemption. Notes maturing May 1, 2007 and thereafter shall be subject to redemption prior to maturity at the option of the County on May 1, 2006 and thereafter at a price of par plus interest accrued to the redemption date.
<b>SECURITY</b> .....	The Notes shall be payable unlimited <u>ad valorem</u> taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Notes, the full faith and credit of the County are irrevocably pledged.

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

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

**BOND INSURANCE** ..... Financial Guaranty Insurance Company.

**TAX MATTERS** ..... Bass, Berry & Sims PLC will provide unqualified opinions as to the tax exemption of the Notes discussed under "TAX MATTERS" herein.

**BANK  
QUALIFICATION** ..... The County has designated the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. See "QUALIFIED TAX-EXEMPT OBLIGATIONS" herein.

**REGISTRATION AND  
PAYING AGENT** ..... Chase Manhattan Trust Company, National Association, Memphis, Tennessee.

**FINANCIAL ADVISOR** .. Stephens Inc., Nashville, Tennessee.

**UNDERWRITER** ..... Stephens Inc., Little Rock, Arkansas.

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**OFFICIAL STATEMENT**

**MONTGOMERY COUNTY, TENNESSEE**

**\$9,500,000**

**General Obligation Capital Outlay Notes, Series 2000  
(ULT) BANK QUALIFIED**

**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 \$9,500,000 General Obligation Capital Outlay Notes, Series 2000 (the "Notes"), being the first emission of a total authorized amount of \$20,000,000.

The Notes 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 October 9, 2000 (the "Resolution") authorizing the execution, terms, issuance, and the sale of the Notes. All notices have been published in a newspaper as required by state law.

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

**THE NOTES**

**Description**

The Notes are being issued to provide funds for the purpose of (i) the purchase of property for and the site development, construction, furnishing and equipping of the County Courts Center to be used for County offices; (ii) the purchase of property for school purposes, purchase of sites for school buildings and facilities, and erecting, repairing, furnishing and equipping of school buildings and facilities in and for the County; (iii) the payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing; and (iv) the payment of costs incident to the issuance and sale of the Notes.

The Notes will be issued as fully registered Notes, without coupons, in denominations of \$5,000 or any integral multiple thereof. The Notes will be dated November 1, 2000, and will bear interest at the rates and mature on the dates set forth on the cover page of this Official Statement. Interest on the Notes will be

computed on the basis of a year of 360 days composed of twelve 30-day months. Interest will be payable on each May 1 and November 1, commencing May 1, 2001 (each, an "Interest Payment Date") until maturity or prior redemption. The County has appointed Chase Manhattan Trust Company, National Association, Memphis, Tennessee (the "Registration Agent") as registration agent and paying agent with respect to the Notes. The Notes shall be payable, both principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Notes on each Interest Payment Date directly to the registered owners as shown on the Note registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by 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 Notes, and all such payments shall discharge the obligations of the County in respect of such Notes to the extent of the payments so made. Payment of principal of the Notes shall be made upon presentation and surrender of such Notes to the Registration Agent as the same shall become due and payable.

Any interest on any Note 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 Notes are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: The County shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Note and the date of the proposed payment, and at the same time the County shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest. 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 Note registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Notes shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the county to punctually pay or duly provide for the payment of principal of and interest on the Notes when due.

### **Optional Redemption**

Notes maturing May 1, 2002 through May 1, 2006 shall mature without option of prior redemption. Notes maturing May 1, 2007 and thereafter shall be subject to redemption prior to maturity at the option of the County on or after May 1, 2006 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 Notes shall be called for redemption, the maturities to be redeemed shall be designated by the Board of County Commissioners of the County in its discretion, and, if less than all of the Notes of a maturity shall be called for redemption, the Notes within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

### **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 and appropriate notice to the registered owners of the Notes to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Note registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Notes for which proper notice was given. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, 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 Notes called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided.

### **Transfer and Exchange of Notes**

The Notes are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Note(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Note(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Note(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Note or Notes to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Note during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Note, nor to transfer or exchange any Note after the notice calling such Note for redemption has been made, nor to transfer or exchange any Note during the period following receipt of instructions from the County to call such Note for redemption, provided the Registration Agent, at its option, may make transfers after any of said dates. The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the County nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Notes shall be overdue. Notes, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an aggregate principal amount of Notes of the same maturity in any authorized denomination or denominations.

### Security and Sources of Payment

The Notes 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 Notes, the full faith and credit of the County are irrevocably pledged.

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

### Sources and Uses of Funds

The following table sets forth the sources and uses of funds in connection with the issuance of the Notes (exclusive of net original premium).

#### Sources of Funds

Par Amount of Notes	\$ 9,500,000.00
Accrued Interest	<u>54,263.61</u>
Total Sources	<u>\$ 9,554,263.61</u>

#### Uses of Funds

Deposit to Project Construction Fund	\$ 9,456,496.00
Costs of Issuance	43,504.00
Deposit to Debt Service Fund	<u>54,263.61</u>
Total Uses	<u>\$ 9,554,263.61</u>

### Rating

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

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

## **Bond Insurance**

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

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

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

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2000, the total capital and surplus of Financial Guaranty was approximately \$1.126 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

## CONTINUING DISCLOSURE

### General

The County will at the time the Notes are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Notes 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, 2000 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by the Issuer to be material under applicable federal securities laws. The Annual Report (and audited financial statements if filed separately) will be filed by the Issuer with each Nationally Recognized Municipal Securities Information Repository (the "Repositories") and any State Information Depository which may be established in Tennessee (the "SID"). If the Issuer is unable to provide the Annual Report to the Repositories and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the Repositories and the SID, if any, on or before such date. The notices of material events will be filed by the County with either the Repositories or with the Municipal Securities Rulemaking Board and any SID. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule"). The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide Annual Reports or notices of material events.

### Annual Report

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

1. "Summary of Outstanding Debt";
2. "Debt Statement";
3. "Debt Record";
4. "Per Capita Debt";
5. "Debt Ratios";
6. "Debt Trend";
7. "Debt Service Requirements";

8. "Property Valuation and Property Tax";
9. "Top Taxpayers";
10. "Fund Balances";
11. "Local Sales Tax";
12. "Wheel Tax";
13. "Statement of Revenues, Expenditures and Changes in Fund Balances for year ended June 30".

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

#### **Reporting of Significant Events**

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

1. Whenever the County obtains knowledge of the occurrence of a Listed Event (as defined in (3) below), the County shall as soon as possible determine if such event would be material under applicable Federal securities laws.
2. If the County determines that knowledge of the occurrence of a Listed Event would be material (under applicable Federal securities laws), the County shall promptly file a notice of such occurrence either with the Repositories or with the Municipal Securities Rulemaking Board and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes pursuant to the Resolution.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;

- e. Substitution of credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions or events affecting the tax-exempt status of the Notes;
- g. Modifications to rights of Noteholders;
- h. Note 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 Notes.

### **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 Notes, 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 Notes, 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 Notes in the same manner as provided in the Resolution for amendments to the Resolution with the consent of the respective Holders, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Notes.

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 Noteholder 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 has authorized an additional \$10.5 million for a Courts Center and is in the planning stages for a correction facility expansion estimated at \$20 million, a health department facility estimated at \$1.5 million and a \$750,000 ambulance service building. The County Board of Education is in the process of developing a school building program based on projected enrollment in the school system. No estimates are 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 its authority to issue, sell or deliver the proposed Notes. The County has no knowledge or information of any actions pending or expected which would materially affect its ability to pay the debt service requirements of the proposed Notes.

### **APPROVAL OF LEGAL PROCEEDINGS**

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

### **TAX MATTERS**

#### **Federal Taxes**

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal

alternative minimum tax imposed on individuals and corporations; 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 Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Notes to be so included in gross income retroactive to the date of issuance of the Notes.

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

The initial public offering prices of the Notes maturing May 1, 2005 and May 1, 2007 through May 1, 2011, inclusive, (the "Discount Notes") are less than the amounts payable at maturity. An amount not less than the difference between the initial public offering price of the Discount Notes 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 Note which is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount Notes 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 Notes have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the Notes maturing May 1, 2002 through May 1, 2004, inclusive, and May 1, 2006 (the "Premium Notes") are greater than the amounts payable at maturity with respect to such Notes. The difference between (a) the amount payable at maturity of the Premium Notes and (b) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Notes 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 note premium, the owner of a Premium Note may realize a taxable gain upon its disposition even though the Premium Note is sold or redeemed for an amount not greater than the owner's original acquisition cost.

Owners of Discount Notes and Premium Notes 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 Notes or Premium Notes, other tax consequences of owning Discount Notes and Premium Notes, and with respect to the State of Tennessee and local tax consequences of holding such Discount Notes and Premium Notes.

### **State of Tennessee Taxation**

Under existing law, the Notes 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 Notes during the period the Notes are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Notes in the Tennessee

franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

#### **QUALIFIED TAX-EXEMPT OBLIGATIONS**

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

#### **FINANCIAL ADVISOR**

This Official Statement has been prepared under the direction of Montgomery County, Tennessee and with the assistance of Stephens Inc., Nashville, Tennessee 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 Notes.

#### **UNDERWRITER**

Stephens Inc., Little Rock, Arkansas, has agreed to purchase the Notes at the price of \$9,500,000 (the par amount of the Notes), plus accrued interest to the date of delivery. The underwriter retained the net reoffering premium of \$45,326.50 as compensation to the underwriter, of which \$23,100 was used to pay the municipal bond insurance premium.

#### **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.

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**CERTIFICATE OF COUNTY EXECUTIVE**

I, Douglas Weiland, do hereby certify that I am the duly qualified and acting County Executive of Montgomery County, Tennessee, and as such official, I do hereby further certify with respect to the Official Statement dated November 30, 2000 issued in connection with the sale of the \$9,500,000 General Obligation Capital Outlay Notes, Series 2000, and to the best of my knowledge, information, and belief (a) the descriptions and statements contained in said Official Statement were at the time of the acceptance of the winning bid and are on the date hereof true and correct in all material respects; and (b) that said Official Statement did not at the time of the acceptance of the winning bid and does not on the date hereof contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

**WITNESS** my official signature this 30<sup>th</sup> day of November, 2000

/s/ Douglas Weiland  
County Executive

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

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

/s/ Wilma K. Drye  
County Clerk

(SEAL)

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**APPENDIX A**

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

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(Form of Opinion of Bond Counsel)

BASS, BERRY & SIMS PLC  
315 DEADERICK STREET, SUITE 2700  
NASHVILLE, TENNESSEE 37238-0002

We have acted as bond counsel in connection with the issuance by Montgomery County, Tennessee (the "Issuer") of \$9,500,000 General Obligation Capital Outlay Notes, Series 2000, dated November 1, 2000 (the "Notes"). 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 Notes 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 Notes 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 Notes 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 Notes are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.
4. Interest on the Notes (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 Notes 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 Notes to be so included in gross income retroactive to the date of issuance of the Notes. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Notes.
5. Under existing law, the Notes 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 Notes during the period such Notes are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Notes in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Notes are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Notes and the enforceability of the Notes and the resolution authorizing the Notes 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 Notes.

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**

Demographics and Financial Information  
Related to the County

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## GENERAL INFORMATION

Montgomery County is located in the north central part of Tennessee approximately 45 miles northwest of Nashville, the State Capitol and comprises an area of approximately 543 square miles. The County is within 250 miles of the population center of the United States. It is the seventh largest county in the state with a 1999 estimated population of 129,411 as reported by the U.S. Bureau of the Census 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 99,049 based on 1999 estimate by the U.S. Census Bureau. 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 that is one of the seven MSA's 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. The basic demographics show above state average growth since 1990 as follows:

	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%	4,877,185	6.2%
1992 U.S. Census Estimate	107,277	6.7%	5,020,680	2.9%
1993 U. S. Census Estimate	108,843	8.3%	5,094,212	4.4%
1994 U. S. Census Estimate	112,624	12.1%	5,175,240	6.1%
1995 U. S. Census Estimate	115,645	15.1%	5,246,723	7.6%
1996 U. S. Census Estimate	120,943	20.3%	5,319,654	9.1%
1997 U. S. Census Estimate	124,252	23.6%	5,432,679	11.4%
1998 U. S. Census Estimate	127,156	26.5%	5,368,198	10.1%
1999 U. S. Census Estimate	129,411	28.8%	5,493,535	12.6%

Source: U.S. Census Bureau

## Income and Housing

	County	Tennessee	% of State
Per Capita Income, 1990	\$14,868	\$16,821	88.39%
Per Capita Income, 1991	\$15,976	\$17,503	91.28%
Per Capita Income, 1992	\$18,108	\$18,840	96.11%
Per Capita Income, 1993	\$18,660	\$19,741	94.52%
Per Capita Income, 1994	\$19,118	\$20,696	92.38%
Per Capita Income, 1995	\$20,364	\$21,800	93.41%
Per Capita Income, 1996	\$20,860	\$22,450	92.92%
Per Capita Income, 1997	\$21,597	\$23,445	92.12%
Per Capita Income, 1998	\$22,245	\$24,437	91.03%

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

Total Residential Parcels, 1997	43,133
Median Household Income 1990 Census	\$25,568
Median Household Income, 1995	\$33,555

Source: Bureau of the Census, Small Area Income and Poverty estimates Program and Census of Population and Housing, 1990 (Greater Nashville Regional Council)

## ECONOMIC DATA

### Economic Base

The economic base and the quality of life in Montgomery County is reflected in the various awards and rankings received by the County and the City of Clarksville. It was ranked as the *Top 25 Great Locations in the South* by *Southern Business & Development*; it was ranked one of the *49<sup>th</sup> Best Metropolitan County for "Potential Growth"* by *Demographics Journal*; other publications rankings include the *1999 Smart Choice Select City*, *11<sup>th</sup> Best City for Public Growth*, *Outstanding Community for 1998*, *38<sup>th</sup> "Family Friendly" City*, *Blue Ribbon School District*, *10<sup>th</sup> Best City for New College Graduates*.

### Major Employers

During an eleven-year period from 1988 to 1999, the County experienced a job creation rate of 52.8%. This occurred in the service sector, which grew 182.5% followed by transportation 96.9%, construction 65.9%, retail trade 16.7%, and manufacturing 9.9%. (Source: Clarksville — Montgomery County Chamber of Commerce) The growth in the above areas as well as increased employment opportunities in the Region has expanded the diversification of employment. A diversified employment base of military, industries, state and local governments, health care, higher education and retail trade supports the economic base of the County. Based on recent statistics provided by the Tennessee Department of Employment Security, the County has a resident labor force of 59,560 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 3,921 civilians. There are no readily

available statistics which indicate the number of employees working in the County or in the three other counties of Stewart in Tennessee or Christian and Trigg in Kentucky. Also, there is no breakdown of where the employees reside. From discussions with various parties in the County as well as individuals located on the Base, a large number of the employees reside in Montgomery County; however, the number of civilian employees would be less than 10% of the County's total labor force and, most likely, less than 10% of the County's total employment.

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

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

### MAJOR EMPLOYERS

Employer	Number of Employees	Products /Services
Fort Campbell Military Base [1]	3,921	Major defense installation
Department of Army Civilians - GS grade	2,061	Civilians employed by U.S. Army
Post Exchange	607	Retail Store for Active & Retired Military Personnel
Base School System for K - 12 Grades	581	Education for Children Living on the Base
Welfare and Recreation	672	Programs for Military Personnel & Families
Montgomery County Government	3,633	
School System	2,918	Public Education
General Government	715	County Services
Trane Company	2,565	Air Condition & Heating Equipment
Quebecor Printing	1,100	Magazine Printing
Gateway Health System (Hospital)	1,100	Medical Services
Convergys Corp.	1,100	Call Center
City of Clarksville	838	Municipal Services
Wal-Mart Super Center	845	Retail Store
Austin Peay State University	730	Higher Education
Josten's Printing & Publication	700	Yearbook Printing
McDonalds (Larson Enterprise)	507	Restaurants
Bosch Braking Systems	500	Anti-lock Brakes
StarTek, Inc.	400	Computer Software & Hardware
Precision Printing & Packaging	360	Metalized Paper Labels
Premier Medical Group	360	Health Care
UCAR Carbon	260	Graphite Electrodes
Metalpha	355	Metal Cord
Carreca Enterprises (Pizza Hut)	350	Restaurants
Kroger	350	Retail Grocer
State of Tennessee	335	State Government Services
Letica Corp. (Maui Cup)	325	Paper Cups
Pasminco-Clarksville Zinc	240	Zinc Oxide
Florim USA	230	Ceramic & Porcelain Tile Manufacturing
Hendrickson Trailer Suspension System	220	Tractor Trailer Air-Ride Suspension Systems

Harriett Cohn Mental Health Center	212	Health Care
Big K-Mart	207	Retail Store
Farmers & Merchants Bank	200	Banking Services
Premier Wear Inc.	200	Knit Shirts
Averitt Lumber	180	Lumber
Jenkins & Wynne	175	Automobile Dealer
Lowe's of Clarksville	170	Building Materials
Leaf Chronicle	152	Newspaper
Integrity International Security Services Inc.	150	Security System
Sears, Roebuck & Co.	150	Retail Store
Orgain Building Supply	140	Building Materials & Trusses
Dillard's	137	Retail Store
Home Depot	125	Building Materials
Jackson Oil Company	123	Petroleum Products
Sunrise Community of Tennessee	120	Health Care
Wyatt Johnson, Inc.	116	Automobile Dealer
Spring Meadow Health Care Center	115	Health Care
Gary Matthews Motors	115	Automobile Dealer
Belk	110	Retail Store
James Corlew Chevrolet	107	Automobile Dealer
Sam's Club	107	Wholesale Store
First Federal Savings Bank	105	Bank
General Care Convalescent Center	103	Health Care
Progressive Directions, Inc.	103	Health Care
Cumberland Electric Co-op	100	Electricity Supplier
Total	24,846	

[1] Not all of the employees at Fort Campbell live in Montgomery County.  
Source: Clarksville – Montgomery County Economic Development Council

### Employment Base

The largest industries in Montgomery County in 1998 were Services, 25.6% of employees; Trade (Wholesale & Retail), 25.7%; Manufacturing, 12.4%; Government, 15.6%; Transportation & Utilities, 2.6%; Finance, Insurance & Real Estate, 6.9%; Construction, 7.1%.

### EMPLOYMENT BY INDUSTRY

	1994	1995	1996	1997	1998
Total full-time and part-time	43,370	46,273	48,134	49,966	51,585
Annual % Increase		4.6%	4.31%	4.15%	4.00%
By Industry					
Farm	1,473	1,518	1,504	1,581	1,569
Nonfarm	41,897	44,755	46,630	48,385	50,016
Private	34,547	36,857	38,168	40,139	41,977
Ag. Services, forestry, fishing, & other	391	403	(D)	(D)	(D)
Mining	44	40	(D)	(D)	(D)
Construction	2,793	3,309	3,557	3,664	3,687
Manufacturing	5,573	6,235	6,255	6,341	6,416



Transportation and public utilities	1,188	1,269	1,280	1,255	1,344
Wholesale trade	960	1,033	1,044	1,057	1,149
Retail trade	10,491	11,165	11,523	11,991	12,114
Finance, insurance, and real estate	3,362	3,102	3,219	3,527	3,568
Services	9,745	10,301	10,819	11,811	13,180
Government and government enterprises	7,350	7,898	8,462	7,146	8,039
Federal, civilian	195	478	484	464	539
Military	578	525	538	537	515
State and Local	6,577	6,895	7,440	7,245	6,985
State	1,537	1,573	1,650	1,667	1,667
Local	5,040	5,322	5,790	5,578	5,318

Source: Bureau of Economic Analysis

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

## Labor Force, Employment and Unemployment Data

### EMPLOYMENT AND UNEMPLOYMENT OF THE COUNTY

Year	Employment	Unemployment	Total Labor Force	Unemployment Percent	State Average %	U.S. Average %
1993	41,940	2,420	44,360	5.5%	5.8%	6.9%
1994	48,870	2,150	51,020	4.2%	4.8%	6.1%
1995	50,000	1,970	51,970	3.8%	5.2%	5.6%
1996	50,420	2,120	52,540	4.0%	5.2%	5.4%
1997	50,380	2,410	52,790	4.6%	5.4%	4.9%
1998	53,470	1,960	55,430	3.5%	4.2%	4.5%
1999	55,760	1,800	57,560	3.1%	4.0%	4.2%
2000[1]	57,600	1,960	59,560	3.3%	3.8%	3.9%

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

[1] 2000 numbers are for the month of August 2000

## Transportation System

The highway system in the County includes Interstate 24 from Atlanta and Nashville to Interstate 57 leading to St. Louis and Chicago. Other highways in the County include U.S. highways 79 and 41A and state highways of 12, 13, 48, 76, 149, 374, 112, 236, and 237.

The northern portion of a new four-lane loop, Route 840, has been planned to run south of Clarksville and will connect east of Nashville to Interstate 40 west of Nashville to Interstate 24, which runs through the County, and north of Nashville to Interstate 65 north.. The southern portion of the loop around Nashville is under construction, which will also connect at Interstate 40 and provide additional access to Interstate 65 and Interstate 40 through Nashville to Chattanooga/Atlanta and Birmingham, Alabama.

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 4,004 feet to accommodate more than 40,00 private and corporate flights. The Nashville International Airport located approximately 45 miles southeast in Nashville, Tennessee provides commercial service.

### **Aspire Clarksville, 2001 - 2004**

The Clarksville-Montgomery County Economic Development Council created Aspire 2000 in 1996 and raised \$1.6 million for economic and community development. 5,200 new jobs with a payroll of \$120 million were created. Through this program, 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 new four-year marketing program, Aspire Clarksville, has set a goal of \$2 million over the next four years.

### **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 23,000 military personnel. The site includes approximately 105,000 acres located in Tennessee and Kentucky in four counties --- Montgomery and Stewart in Tennessee and Christian and Trigg in Kentucky. Approximately two-thirds of the installation is located in Tennessee.

The Base is home to the 101<sup>st</sup> Airborne Division (Air Assault Division), the Task Force 160<sup>th</sup> and the 5<sup>th</sup> Special Forces Group. It is one of the most powerful and prestigious divisions, having made a name for itself during World War II as the "Screaming Eagles." In 1968, the 101<sup>st</sup> took on the structure and equipment of an air mobile division. Today, the highly trained soldiers of the 101<sup>st</sup> are the world's only air assault division with unequaled strategic and tactical mobility. The 101<sup>st</sup> participates in combat missions at home and abroad with one of the most recent being in Iraq during "Desert Storm". 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, and in the Smoky Mountains and hurricane ravaged Louisiana and Florida.

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

Over 23,391 soldiers and 40,491 family members call Fort Campbell home. Some 3,961 civilians also work at the Base, making it the largest employer in the State of Tennessee. The 105,068 acre installation includes 48 ranges and five major drop zones. Fort Campbell is a city within itself, having five elementary schools, two middle schools, and one high school with a total enrollment of 4,501 students. The Base also has a bowling alley, PX Mall, horseback riding, commissary, pools and a library. Blanchfield Army Community Hospital is a 241 bed facility and provides health care for the soldiers, eligible retirees and their family members at the Base. The Base is also a training site for approximately 18,000 reserve components.

The economic impact for the four county area includes a payroll of over \$1.4 billion with total expenditures exceeding \$1.8 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 48,247 with total family members amounting to 64,379.

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 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, 215 bed hospital under the direction of an independent board of directors. Approximately 255 physicians provide services in the County with over 1,100 employed in the hospital plus additional employees supporting individual doctors. 11,000 patients were admitted in 1999 serving a population of 145,000 in Montgomery and Stewart Counties. Gateway Health System receives over \$134 million in revenues annually.

	<b>Physicians</b>	<b>Employees</b>	<b>Approx. Budget</b>	<b>Beds</b>	<b>Population Served</b>	<b>Admitted</b>
Gateway Health System (Hospital)	155	1,200	\$134,162,858	215	145,000	11,000

Source: Gateway Health System 1999 information

Other health care facilities include the following:

- 7      Nursing Homes
- 3      Assisted Living Homes
- 4      Mental Health Agencies
- 11     Home Health Care Providers
- 43     Dentists
- 83     Child Care Facilities or Centers
- 225    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 2000, retail sales have increase from \$561 million to over \$1.375 billion reflecting a percentage increase of 145.08%.

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### Sales Subject To State Sales Tax

<u>Fiscal Year</u>	<u>Population Estimate</u>	<u>Amount of Sales</u>	<u>Annual % Growth</u>	<u>Per Capita Amount</u>
2000	129,411	1,375,702,717	8.41%	10,630.49
1999	129,411	1,269,007,050	10.33%	9,806.02
1998	127,156	1,150,160,083	4.52%	9,045.27
1997	124,252	1,100,441,617	3.70%	8,856.53
1996	120,943	1,061,182,500	10.45%	8,774.24
1995	115,645	960,784,267	13.73%	8,308.05
1994	112,624	844,830,217	12.34%	7,501.33
1993	108,843	752,058,733	11.52%	6,909.57
1992	107,277	674,360,750	15.75%	6,286.16
1991	101,684	582,598,150	3.79%	5,729.50
1990	100,498	561,338,500		5,585.57

Source: Revenue Collection Reports provided by Tennessee Department of Revenue

### Tourism, Restaurants and Lodging

As all other economic areas in the County have flourished, the tourism, restaurants and lodging business has expanded in sales and number of establishments. There are 35 hotels/motels and bed & breakfast facilities with more than 2,000 rooms in the County and more than 150 restaurants. More than 20 major attractions are available in the area.

The Kentucky Lake on the Tennessee River, Lake Barkley on the Cumberland River and the Land Between the Lakes operated by the Tennessee Valley Authority form the most complete water related recreational area in the Tennessee Valley and are within 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 15 parks, four community centers, and seven community pools. Four public golf courses earned Clarksville the 1998 ranking of 11<sup>th</sup> best metro city in the United State for public golf by *Golf Digest*.

### Higher Education

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

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### Higher Education Statistics

Created Date	Total Enrollment	Full-time Equiv. Enroll	Full-time Faculty	Part-time Faculty	Full-time Non Faculty	Total Annual Budget	
Austin Peay State University	1927	7,119	5,627	300	430	470	\$51,938,000
Tenn Technology Center	1990	105	9	2	2		\$125,000
Draughon's Jr. College	1987	280		10	25	7	\$1,200,222
Miller Motte Business College	1987	Not Available					
North Central Institute	1988	435	101	5	65	19	\$1,054,757
Tennessee Vocational Training Center	1962	200	200	8	0	0	\$179,535
Nashville State Technical Institute	1998	65	16	0	1	0	\$4,000
Totals		8,204	6,129	332	523	498	\$54,501,292

Source: Higher education institutions

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

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

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

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

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

## Public Education

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

### Montgomery County Schools 2000-2001

Grade	Number of Schools	Enrollment 2000-2001
K - 5	18	12,064
6-8	6	5,639
9-12	5	6,438
Total	29	24,141

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

Source: Montgomery County School Communication Department

## Private Schools

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

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## GREATER NASHVILLE REGION

### Population for Region

The population of the Region is over 24% of the state total population based on 1999 estimates. The County's population in the Region was 8.9% in 1990 but has increased to 9.6% based on the 1999 estimate. The average growth of the County was 28.8% from 1990 to 1999, which is more than twice the state's average growth of 12.4%.

County	1990	1999	Growth Percent	Percent of Region
Cheatham	27,140	36,128	33.1%	2.7%
Davidson	510,786	530,050	3.8%	39.4%
Dickson	35,061	43,017	22.7%	3.2%
Houston	7,018	7,888	12.4%	0.6%
Humphreys	15,813	17,192	8.7%	1.3%
<b>Montgomery</b>	<b>100,498</b>	<b>129,411</b>	<b>28.8%</b>	<b>9.6%</b>
Robertson	41,494	54,861	32.2%	4.1%
Rutherford	118,570	171,401	44.6%	12.7%
Stewart	9,479	11,759	24.1%	0.9%
Sumner	103,281	126,009	22.0%	9.4%
Trousdale	5,920	6,971	17.8%	0.5%
Williamson	81,021	123,793	52.8%	9.2%
Wilson	67,675	86,496	27.8%	6.4%
<b>Total for Region</b>	<b>1,123,756</b>	<b>1,344,976</b>	<b>19.7%</b>	<b>100.0%</b>
State of Tennessee Total	4,877,203	5,483,535	12.4%	
Region % of State	23.04%	24.53%		

Source: U.S. Bureau of the Census estimate as of July 1, 1999

### Labor Force, Employment and Unemployment Data for Region

The Region has an employment of 27.11% of the total state employment and an unemployment average rate of 2.9% compared to the state rate of 3.8%. The County's employment is 7.79% of the Region's total employment with an unemployment rate of 3.3% as compared to the state's rate of 3.8% as presented in the table below.

## EMPLOYMENT AND UNEMPLOYMENT OF THE REGION

County	Labor Force	Employment Number % of Region	Unemployment Number	Unemployment Rate
Cheatham	20,310	19,870 2.69%	440	2.2%
Davidson	323,280	313,950 42.44%	9,330	2.9%
Dickson	22,610	21,950 2.97%	660	2.9%
Houston	2,710	2,490 0.34%	220	8.1%
Humphreys	7,560	7,070 0.96%	490	6.5%
<b>Montgomery</b>	<b>59,560</b>	<b>57,600 7.79%</b>	<b>1,960</b>	<b>3.3%</b>
Robertson	29,820	28,920 3.91%	900	3.0%
Rutherford	100,080	96,900 13.10%	3,180	3.2%
Stewart	3,420	3,190 0.43%	230	6.7%
Sumner	72,190	70,130 9.48%	2,060	2.9%
Trousdale	2,020	1,920 0.26%	100	5.0%
Williamson	69,020	67,850 9.17%	1,170	1.7%
Wilson	49,330	47,930 6.48%	1,400	2.8%
<b>Total for Region</b>	<b>761,910</b>	<b>739,770 100.00%</b>	<b>22,140</b>	<b>2.9%</b>
State of Tennessee Total	2,836,100	2,728,600	107,500	3.8%
Region % of State	26.86%	27.11%	20.60%	

Source: Tennessee Department of Employment Security for the Month of September, 2000

### Sales Subject to State Sales Tax

The State of Tennessee collects a uniform 6% sales tax rate on retail sales prescribed by state law. Using the State's Revenue Collections Report prepared by the Tennessee Department of Revenue, the Region's projected retail sales were \$9,730,414,900 in 1990 and \$20,767,982,033 in 2000. This represented a growth of 113.43% in the Region as compared to a state growth of 89.58% as presented below. The County's growth during this same period was 145.08%.

### Projected Sales Subject to State Sales Tax

<u>County</u>	<u>Fiscal Year</u>		<u>Growth Percent</u>	<u>Percent of Region</u>
	<u>1990</u>	<u>2000</u>		
Cheatham	\$72,990,017	\$161,969,983	121.91%	0.78%
Davidson	6,399,542,183	11,949,535,367	86.72%	57.54%
Dickson	216,490,750	503,815,983	132.72%	2.43%
Houston	17,472,233	29,222,767	67.25%	0.14%
Humphreys	94,813,383	122,315,150	29.01%	0.59%
<b>Montgomery</b>	<b>561,338,500</b>	<b>1,375,702,717</b>	<b>145.08%</b>	<b>6.62%</b>
Robertson	188,073,533	398,377,367	111.82%	1.92%
Rutherford	807,036,800	2,130,108,083	163.94%	10.26%
Stewart	28,317,450	55,087,000	94.53%	0.27%
Sumner	444,192,900	952,811,033	114.50%	4.59%



Trousdale	17,503,067	30,269,450	72.94%	0.15%
Williamson	561,437,633	2,259,103,450	302.38%	10.88%
Wilson	321,206,450	799,663,683	148.96%	3.85%
Total for Region	<u>\$9,730,414,900</u>	<u>\$20,767,982,033</u>	<u>113.43%</u>	<u>100.00%</u>
State of Tennessee Total	\$36,449,477,683	\$69,100,180,333	89.58%	332.72%
Region's % of State	26.70%	30.05%		

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## **GOVERNMENTAL STRUCTURE**

### **COUNTY GOVERNMENT**

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

### **BUDGETING, FINANCE AND AUDITING**

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

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

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# GENERAL FINANCIAL INFORMATION

## SUMMARY OF OUTSTANDING DEBT

Amount Issued	Issue	Date Issued	Maturity Date	Interest Rate	Principal Outstanding 06/30/00
<b>Bonds</b>					
\$250,000	Solid Waste FHA Bonds	12/1/1975	1/1/2007	4.012%	\$94,000
847,000	Industrial Park Revenue & Tax FHA Bonds	1/1/1976	1/1/2006	5.00%	287,000
6,145,000	Refunding Bonds, Series 1991	9/1/1991	9/1/2000	5.0% to 6.5%	850,000
32,129,847	General Obligation Bonds, Series 1993	5/1/1993	5/1/2008	4.1% to 5.6%	2,719,566 [1]
12,700,000	General Obligation Refunding Bonds, Series 1994	2/1/1994	8/1/2005	2.5% to 4.6%	3,020,000
11,880,000	General Obligation Refunding Bonds, Series 1996	9/5/1996	1/1/2007	4.76%	8,840,000
15,550,000	General Obligation Refunding Bonds, Series 1998	8/1/1998	5/1/2008	4.00% - 5.25%	14,534,029 [1]
<u>\$79,501,847</u>	<b>Sub-Total</b>				<u>\$30,344,595</u>
<b>Public Building Authority Loan Agreements</b>					
\$50,000,000	Loan Agreements, Series 1995	9/13/1995	5/25/2015	Variable Rate	\$46,100,000
83,845,000	Loan Agreements, Series 1996	11/8/1996	5/25/2019	Variable Rate	53,004,177 [3]
<u>\$133,845,000</u>	<b>Sub-Total</b>				<u>\$99,104,177</u>
<b>Notes</b>					
\$825,000	Library Equipment Notes	7/3/1996	7/3/2008	5.21%	\$618,750
3,028,791	Various Notes Paid from School Funds	Various	Various	Various	1,565,403
<u>\$3,853,791</u>	<b>Sub-Total</b>				<u>\$2,184,153</u>
<b>Capitalized Leases</b>					
\$109,860	Rescue Pumper	2/1/1999	2/1/2004	4.94%	\$111,061
354,695	Highway Equipment	Various	Various	Various	216,406
571,945	School HVAC System	8/1/1998	8/1/2005	5.59%	500,509
<u>\$571,945</u>	<b>Sub-Total</b>				<u>\$827,976</u>
<u>\$217,772,583</u>	<b>Total Outstanding Debt</b>				<u>\$132,460,901 [1]</u>

Source: "Draft" Annual Audit for Fiscal Year ending June 30, 2000.

## DEBT STATEMENT AS OF JUNE 30, 2000

<b>Outstanding Debt</b>	
Total Outstanding Debt	\$132,460,901
Plus: Current Offering- General Obligation Capital Outlay Notes, Series 2000	9,500,000
<b>Gross Direct Debt</b>	<u>\$141,960,901</u>
Less: Capital Outlay Notes and Capitalized Leases Paid from School Funds	(2,065,912)
Less: Capitalized Leases Paid from Highway/Public Works Funds	(216,406)
Less: Debt Service Projected Fund Balance as of 6/30/2000	(22,550,275) [2]
<b>Net Direct Debt</b>	<u>\$117,128,308 [2]</u>
<b>Net Overlapping Debt</b>	
City of Clarksville	\$21,557,214
<b>Total Net Overlapping Debt</b>	<u>\$21,557,214</u>
<b>Overall Net Debt</b>	<u>\$138,685,522 [2]</u>

## DEBT RECORD

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

Does not include Nursing Home Revenue & Tax Bonds in the amount of \$921,405 for which the County is contingently liable.

The "Draft" Audit for the Fiscal Year Ending June 30, 2000 reflects a fund balance of \$22,550,275 in the Debt Service Fund.

These funds can be used to pay outstanding principal as reflected in Net Direct Debt.

As of June 30, 2000 the County had authorization to increase the Loan Agreement amount by \$28,435,823. The County expects to complete the draw down by December 31, 2000.

## 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%	4,877,185	6.2%
1992 U.S. Census Estimate	107,277	6.7%	5,020,680	2.9%
1993 U. S. Census Estimate	108,843	8.3%	5,094,212	4.4%
1994 U. S. Census Estimate	112,624	12.1%	5,175,240	6.1%
1995 U. S. Census Estimate	115,645	15.1%	5,246,723	7.6%
1996 U. S. Census Estimate	120,943	20.3%	5,319,654	9.1%
1997 U. S. Census Estimate	124,252	23.6%	5,432,679	11.4%
1998 U. S. Census Estimate	127,156	26.5%	5,368,198	10.1%
1999 U. S. Census Estimate	129,411	28.8%	5,493,535	12.6%

Source: U.S. Bureau of Census Estimates as of July 1, 1999

## PER CAPITA PRINCIPAL PAYMENTS [2]

Outstanding Debt	\$1,023.57
Gross Direct Debt	1,096.98
Net Direct Debt	905.09
Total Net Overlapping Debt	166.58
Overall Net Debt	1,071.67

## DEBT RATIOS

	<u>Assessed Value</u>	<u>Estimated Actual Value</u>
Outstanding Debt to	9.16%	2.49%
Gross Direct Debt to	9.82%	2.67%
Net Direct Debt to	8.10%	2.20%
Total Net Overlapping Debt to	1.49%	0.41%
Overall Net Debt to	9.59%	2.61%

## DEBT TREND [3]

<u>Form of Debt</u>	<u>06/30/00</u>	<u>06/30/99</u>	<u>06/30/98</u>	<u>06/30/97</u>	<u>06/30/96</u>
Bonded Debt	\$30,344,595	\$38,391,310	\$46,012,206	\$54,551,283	\$62,513,886
Loan Agreements	99,104,177 [4]	84,626,698	73,933,933	52,584,682	28,534,798
Notes Payable	2,184,153	2,763,134	2,931,545	3,109,603	2,891,005
Capitalized Leases	827,976	707,582	99,989	181,285	329,428
<b>Gross Direct Debt</b>	<u>\$132,460,901</u>	<u>\$126,488,724</u>	<u>\$122,977,673</u>	<u>\$110,426,853</u>	<u>\$94,269,117</u>
Less: Self Support Debt	(\$2,282,318)	(\$2,632,472)	(\$1,905,563)	(\$1,946,330)	(\$2,292,131)
Less: Ending Fund Bal.	(22,550,275)	(18,959,495)	(11,970,192)	(5,303,886)	(3,832,776)
<b>Net Direct Debt</b>	<u>\$107,628,308</u>	<u>\$104,896,757</u>	<u>\$109,101,918</u>	<u>\$103,176,637</u>	<u>\$88,144,210</u>

Source: Comprehensive Annual Financial Reports for Fiscal Years 1996 thru 1999 and the "Draft" Audit for Fiscal Year Ending June 30, 2000.

[1] The percentage of change is determined by using the previous Decennial 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 Estimate.

[3] Does not include Nursing Home Revenue & Tax Bonds which the County is contingently liable.

[4] As of June 30, 2000 the County had authorization to increase the Loan Agreement amount by \$28,435,823. The County expects to complete the draw down by December 31, 2000.

**DEBT SERVICE REQUIREMENTS**

Year No.	Year Ended June 30	Table A		Percent Principal Retired	Table B		Total Debt Service Requirements
		Total Principal [1][2] Requirements From	Total Interest Requirements From		Total Interest Requirements From	Total Debt Service Requirements	
1	2001	\$12,215,162	\$7,920,168			\$20,135,330	
2	2002	11,191,773	7,746,306			18,938,079	
3	2003	9,550,694	7,188,340			16,739,034	
4	2004	10,194,356	6,743,889			16,938,245	
5	2005	9,270,427	6,249,333	31.27%		15,519,760	
6	2006	9,712,722	5,800,530			15,513,252	
7	2007	9,804,343	5,312,351			15,116,694	
8	2008	9,384,118	4,819,356			14,203,474	
9	2009	8,363,750	4,346,997			12,710,747	
10	2010	8,655,000	3,928,718	58.67%		12,583,718	
11	2011	9,135,000	3,495,390			12,630,390	
12	2012	8,170,000	3,037,323			11,207,323	
13	2013	8,620,000	2,624,738			11,244,738	
14	2014	9,090,000	2,189,428			11,279,428	
15	2015	9,670,000	1,730,383	85.33%		11,400,383	
16	2016	5,665,000	1,242,048			6,907,048	
17	2017	5,975,000	955,965			6,930,965	
18	2018	6,305,000	654,228			6,959,228	
19	2019	6,650,000	335,825	100.00%		6,985,825	
		<u>\$167,622,345</u>	<u>\$76,321,316</u>	<u>100.00%</u>		<u>\$243,943,661</u>	

[1] Principal requirements do not include FHA Loans totaling \$381,000, Capitalized Leases totaling \$827,976, and Self-Supporting Notes amounting to \$1,565,403.

[2] As of June 30, 2000 the County had authorization to increase the Loan Agreement amount by \$28,435,823. The County expects to complete the draw down by December 31, 2000.

**TABLE A  
PRINCIPAL REQUIREMENTS**

Year No.	Year Ended June 30	Total Principal Requirements [1]					Current Offering Series 2000	Total Principal	Percent Principal Retired
		Bonds Outstanding	Loans Outstanding	Loans [2]	Capital Outlay Notes Outstanding				
1	2001	\$7,511,412	\$2,100,000	\$2,535,000	\$68,750		\$12,215,162		
2	2002	6,098,023	2,200,000	2,675,000	68,750	\$150,000	11,191,773		
3	2003	4,106,944	2,400,000	2,825,000	68,750	150,000	9,550,694		
4	2004	3,645,606	2,500,000	2,980,000	68,750	1,000,000	10,194,356		
5	2005	2,411,677	2,600,000	3,140,000	68,750	1,050,000	9,270,427	31.27%	
6	2006	2,528,972	2,700,000	3,315,000	68,750	1,100,000	9,712,722		
7	2007	2,185,593	2,900,000	3,500,000	68,750	1,150,000	9,804,343		
8	2008	1,475,368	3,000,000	3,690,000	68,750	1,150,000	9,384,118		
9	2009		3,200,000	3,895,000	68,750	1,200,000	8,363,750		
10	2010		3,300,000	4,105,000		1,250,000	8,655,000	58.67%	
11	2011		3,500,000	4,335,000		1,300,000	9,135,000		
12	2012		3,600,000	4,570,000			8,170,000		
13	2013		3,800,000	4,820,000			8,620,000		
14	2014		4,000,000	5,090,000			9,090,000		
15	2015		4,300,000	5,370,000			9,670,000	85.33%	
16	2016			5,665,000			5,665,000		
17	2017			5,975,000			5,975,000		
18	2018			6,305,000			6,305,000		
19	2019			6,650,000			6,650,000	100.00%	
20	2020								
		<u>\$29,963,595</u>	<u>\$46,100,000</u>	<u>\$81,440,000</u>	<u>\$618,750</u>	<u>\$9,500,000</u>	<u>\$167,622,345</u>		

[1] Principal requirements do not include FHA Loans totaling \$381,000, Capitalized Leases totaling \$827,976, and Self-Supporting Notes amounting to \$1,565,403.

[2] As of June 30, 2000 the County had authorization to increase the Loan Agreement amount by \$28,435,823. The County expects to complete the draw down by December 31, 2000.

## INTEREST REQUIREMENTS

Year No.	Year Ended June 30	Interest Requirements						Total Interest Requirements
		Bonds Outstanding	Loan Agreements Outstanding Series 1995 [1]	Loan Agreements Outstanding Series 1996 [1][2]	Capital Outlay Notes Outstanding	Current Offering Series 2000		
1	2001	\$1,235,950	\$2,328,050	\$4,112,720	\$16,298	\$227,150	\$7,920,168	
2	2002	1,056,648	2,222,000	3,984,703	28,655	454,300	7,746,306	
3	2003	755,577	2,110,900	3,849,615	25,073	447,175	7,188,340	
4	2004	585,695	1,989,700	3,706,953	21,491	440,050	6,743,889	
5	2005	416,461	1,863,450	3,556,463	17,909	395,050	6,249,333	
6	2006	308,359	1,732,150	3,397,893	14,328	347,800	5,800,530	
7	2007	190,770	1,595,800	3,230,485	10,746	284,550	5,312,351	
8	2008	77,457	1,449,350	3,053,735	7,164	231,650	4,819,356	
9	2009		1,297,850	2,867,390	3,582	178,175	4,346,997	
10	2010		1,136,250	2,670,693		121,775	3,928,718	
11	2011		969,600	2,463,390		62,400	3,495,390	
12	2012		792,850	2,244,473			3,037,323	
13	2013		611,050	2,013,688			2,624,738	
14	2014		419,150	1,770,278			2,189,428	
15	2015		217,150	1,513,233			1,730,383	
16	2016			1,242,048			1,242,048	
17	2017			955,965			955,965	
18	2018			654,228			654,228	
19	2019			335,825			335,825	
		<u>\$4,626,917</u>	<u>\$20,735,300</u>	<u>\$47,623,778</u>	<u>\$145,246</u>	<u>\$3,190,075</u>	<u>\$76,321,316</u>	

[1] A 5.05% interest rate was used to calculate the interest cost for the loan agreements.

[2] As of June 30, 2000 the County had authorization to increase the Loan Agreement amount by \$28,435,823. The County expects to complete the draw down by December 31, 2000.

## REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple



owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## PROPERTY VALUATION AND PROPERTY TAX

Fiscal Year Tax Year	2000-2001 2000 [1] (In Process)	1999-2000 1999	1998-1999 1998	1997-98 1997	1996-97 1996
<b>ESTIMATED ACTUAL VALUES</b>					
Residential & Farm	\$3,551,301,594	\$3,233,851,983	\$2,974,144,600	\$2,854,670,000	\$2,586,054,281
Commercial & Industrial	1,121,304,162	1,046,085,146	972,441,200	935,829,800	846,765,571
Personal Tangible Property	529,360,861	440,814,590	402,466,763	363,587,137	342,217,269
Public Utilities	116,424,492	116,339,719	113,559,047	114,579,890	119,121,125
<b>Total Estimated Actual Values</b>	<u>\$5,318,391,108</u>	<u>\$4,837,091,438</u>	<u>\$4,462,611,610</u>	<u>\$4,268,666,827</u>	<u>\$3,894,158,246</u>
Annual Percentage Change	9.95%	8.39%	4.54%	9.62%	14.94%
Estimated Per Capita Amount	\$41,097 [2]	\$37,378	\$35,096	\$34,355	\$32,198
<b>ASSESSED VALUES</b>					
Residential & Farm (at 25%)	\$829,850,400	\$776,690,400	\$743,536,150	\$713,667,500	\$549,095,750
Commercial & Industrial (at 40%)	419,233,200	401,989,600	388,976,480	374,331,920	287,668,640
Personal Tangible Property (at 30%)	148,438,079	127,047,173	120,740,029	109,076,141	87,193,538
Public Utilities (at 30%-55%)	48,754,792	48,708,167	49,568,524	45,831,956	42,491,220
<b>Total Assessed Values</b>	<u>\$1,446,276,471</u>	<u>\$1,354,435,340</u>	<u>\$1,302,821,183</u>	<u>\$1,242,907,517</u>	<u>\$966,449,148</u>
Annual Percentage Change	6.78%	3.96%	4.82%	28.61%	5.45%
Estimated Per Capita Amount	\$11,176 [2]	\$10,466	\$10,246	\$10,003	\$7,991
<b>Appraisal Ratio</b>	93.47%	96.07%	100.00%	100.00%	84.93%
<b>Assessed Values to Actual Values</b>	27.19%	28.00%	29.19%	29.12%	24.82%
<b>Property Tax Rate</b>					
General	\$0.84	\$0.84	\$0.70	\$0.70	\$0.77
Highway/Public Works	0.17	0.17	0.17	0.17	0.19
General Purpose School	0.93	0.93	0.88	0.83	1.03
General Debt Service	<u>1.36</u>	<u>1.36</u>	<u>1.55</u>	<u>1.60</u>	<u>1.41</u>
<b>Total Property Tax Rate</b>	<u>\$3.30</u>	<u>\$3.30</u>	<u>\$3.30</u>	<u>\$3.30</u>	<u>\$3.40</u>
<b>Taxes Levied</b>					
Total Taxes Levied	<u>\$47,727,124</u>	<u>\$44,696,366</u>	<u>\$42,993,099</u>	<u>\$41,015,948</u>	<u>\$32,859,271</u>
<b>Collections</b>					
Percent Fiscal Year	In-Process	\$41,965,731	\$40,502,014	\$38,228,493	\$30,944,026
Percent Collected Current FY	In-Process	93.89%	94.21%	93.20%	94.17%
Amount Uncollected as of 6/30/00	In-Process	\$2,253,696	\$227,098	\$43,662	\$15,078
Percent Collected as of 6/30/00	In-Process	94.96%	99.47%	99.89%	99.95%
Percent Uncollected as of 6/30/00	In-Process	5.04%	0.53%	0.11%	0.05%

Actual Values for Tax Year 2000 are projected since the state reports have not been compiled for actual values.

1999 estimated population figure used to calculate per capita amount.

Source: State Board of Equalization Tax Aggregate Report of Tennessee and annual audits for fiscal years 1996-1999.

Information for fiscal year 2000-2001 was provided by the County Assessor and Trustee.

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## 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 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 applicable to the payment of the principal of and interest on the Obligations are accounted for in the Debt Service Fund. Revenues securing the payment of principal of and interest on the Obligations are derived from the collection of ad valorem taxes levied on all taxable property within the boundaries 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, 1999. Potential purchasers should read APPENDIX C in its entirety for more complete information concerning the County's financial position.

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

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

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

### Budgetary Process

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

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

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

The following funds have legally adopted budgets:

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

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

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

For additional information regarding these funds, see Notes to the Comprehensive Annual Financial Report of the County for the Fiscal Year Ended June 30, 1999, in APPENDIX C hereto.

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**All Fund Types  
Fiscal Year ended June 30**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>REVENUES</b>					
Current Property Taxes	\$41,965,731	\$40,502,014	\$38,228,493	\$30,944,026	\$29,289,778
Trustee's Collections - Prior Years	1,814,387	1,790,863	1,341,653	1,421,381	872,201
Clerk & Master Collections-Prior Years	193,097	156,915	88,685	74,090	121,424
Interest & Penalty	337,521	359,906	239,439	272,227	197,963
In Lieu of Taxes - T.V.A.	763	763	763	763	763
In Lieu of Taxes - Loc. Util's	791,265	691,196	620,686	612,630	653,543
In Lieu of Taxes - Other Local	311,244	315,909	286,653	302,037	297,266
Local Sales Tax	31,277,106	28,911,494	26,373,851	25,075,350	23,663,980
Hotel/Motel Tax	481,770	458,536	406,437	402,353	388,344
Wheel Tax	2,812,155	2,699,630	2,588,458	2,508,160	2,401,510
Litigation Tax	649,673	615,883	679,863	617,956	496,944
Business Tax	963,320	836,246	802,952	831,738	770,459
Mineral Severance Tax	270,132	278,189	216,992	210,447	316,569
Bank Excise Tax	254,412	336,346	260,607	210,518	154,506
Wholesale Beer Tax	330,036	313,374	282,015	277,216	264,270
<b>Total Local Taxes</b>	<b>\$82,452,612</b>	<b>\$78,267,264</b>	<b>\$72,417,547</b>	<b>\$63,760,892</b>	<b>\$59,889,520</b>
Licenses & Permits	415,943	355,543	396,441	\$339,915	\$363,223
Fines	1,047,474	1,077,975	935,599	877,625	734,138
Charges for Current Services	11,102,422	10,343,693	9,131,106	8,241,381	7,543,824
Other Local Revenues	11,470,014	6,101,722	1,905,075	2,075,131	1,631,183
State of Tennessee	69,720,545	67,457,764	63,411,147	58,285,833	51,435,555
Federal Government	17,199,595	16,639,008	13,783,662	12,291,822	11,816,490
Other Governments	265,419	707,253	701,895	950,634	1,318,429
Other Sources:	-	-	-	-	-
Proceeds from Debt Issues	20,370,945	12,883,705	22,099,251	26,882,069	33,389,798
Proceeds from Refunding Bonds	-	16,632,250	-	11,880,000	-
Operating Transfers	5,243,227	4,964,415	5,378,108	5,458,955	3,929,161
<b>Total Revenues &amp; Other Sources</b>	<b>\$219,288,196</b>	<b>\$215,430,592</b>	<b>\$190,159,831</b>	<b>\$191,044,257</b>	<b>\$172,051,321</b>
<b>EXPENDITURES</b>					
General Government	\$34,895,322	\$32,292,790	\$27,056,973	\$25,860,578	\$22,343,785
Highway & Streets	5,956,422	5,582,614	5,183,702	4,954,435	4,880,705
Education	117,405,009	108,245,362	97,557,508	91,330,562	82,907,152
Debt Service	20,638,813	16,680,534	15,478,088	26,587,370	13,505,704
Capital Projects	18,098,043	16,108,281	21,962,703	26,390,421	31,816,741
Distribution to Cities	7,502,402	6,971,298	6,411,008	5,981,050	4,868,045
Escrow Agent for Refunded Bonds	-	15,002,618	-	-	-
Operating Transfers	5,723,493	5,463,327	6,095,495	6,121,075	4,664,064
<b>Total Expenditures &amp; Other Uses</b>	<b>\$210,219,504</b>	<b>\$206,346,824</b>	<b>\$179,745,477</b>	<b>\$187,225,491</b>	<b>\$164,986,196</b>
<b>Excess of Revenues &amp; Other Sources</b>					
Sources Over (Under) Expenditures	\$9,068,692	\$9,083,768	\$10,414,354	\$3,818,766	\$7,065,125
Fund Balance July 1	45,395,065	36,311,297	25,896,943	23,321,740	16,256,615
Prior Period Adj./Residual Transfers	-	-	-	(1,243,563) [1]	-
<b>Fund Balance, June 30</b>	<b>\$54,463,757</b>	<b>\$45,395,065</b>	<b>\$36,311,297</b>	<b>\$25,896,943</b>	<b>\$23,321,740</b>

[1] Audit adjustment not included in the Audit for Fiduciary Fund Type - Expendable Trust.

Source: Comprehensive Annual Financial Reports for Fiscal Years 1996 thru 1999 and the "Draft" Audit for Fiscal Year Ending June 30, 2000.

## TOP TAXPAYERS

<u>Business</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>2000 Taxes</u>	<u>Taxes as a % of Total Levied</u>
UCAR Carbide Corp.	Graphic Electrodes	\$23,650,625	\$781,520	1.64%
BellSouth Telecommunications	Telecommunications	21,124,533	710,310	1.49%
Trane Company	Heating & Cooling Equipment	17,928,528	591,642	1.24%
C.E.M.C.	Electricity Utility	16,451,612	542,903	1.14%
Savage Zinc Inc.	Zinc Production	15,949,105	526,320	1.10%
American Florium, Inc.	Tile Manufacturer	14151262	466,991	0.98%
Governor's Square	Retail Shopping Mall	12,388,800	408,831	0.86%
Aegis Mortgage Co.	Financial	11,620,382	383,473	0.80%
Robert Bosch Corp.	Braking System Manufacturer	10,793,209	356,176	0.75%
Ashford Apartments	Rental Apratments	8,652,976	285,549	0.60%

Source: Montgomery County Trustee and Assessor of Property for Tax Year 2000

## FUND BALANCES

	<u>06/30/00</u>	<u>06/30/99</u>	<u>06/30/98</u>	<u>06/30/97</u>	<u>06/30/96</u>
<b>GOVERNMENTAL FUNDS</b>					
General Government Fund	\$14,566,347 [1]	\$8,224,899	\$6,474,090	\$5,970,309	\$5,514,292
Special Revenue Funds	543,898	708,508	711,996	636,523	520,835
Education Funds	16,318,896	14,615,084	12,222,957	10,022,039	10,211,691
Debt Service Funds	22,550,275	18,959,495	11,970,192	5,303,886	3,832,776
Capital Project - Gen. Government	334,506	115,497	439,501	827,195	774,754
Capital Project-Education	0	2,619,830	4,343,128	3,017,933	1,116,092
<b>Total Governmental Funds</b>	<u>\$54,313,922 [1]</u>	<u>\$45,243,313</u>	<u>\$36,161,864</u>	<u>\$25,777,885</u>	<u>\$21,970,440</u>
<b>FIDUCIARY FUNDS</b>					
Trust and Agency	\$149,835	\$151,752	\$149,433	\$119,058	\$1,351,300
<b>TOTAL ALL FUNDS</b>	<u>\$54,463,757 [1]</u>	<u>\$45,395,065</u>	<u>\$36,311,297</u>	<u>\$25,896,943</u>	<u>\$23,321,740</u>

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

Source: Comprehensive Annual Financial Reports for Fiscal Years 1996 thru 1999 and the "Draft" Audit for Fiscal Year Ending June 30, 2000.

## LOCAL SALES TAX

	<u>06/30/00</u>	<u>06/30/99</u>	<u>06/30/98</u>	<u>06/30/97</u>	<u>06/30/96</u>
<b>Rate (Percent of retail sales)</b>	2.50%	2.50%	2.50%	2.50%	2.50%
<b>Distribution</b>					
General Debt Service Fund	\$2,024,276	\$1,868,505	\$1,698,322	\$1,625,301	\$1,185,410
General Purpose School Fund	21,750,428	20,071,691	18,264,521	17,468,999	17,610,525
Cities Portion	7,502,402	6,971,298	6,411,008	5,981,050	4,868,045
<b>Total Amount Collected</b>	<u>\$31,277,106</u>	<u>\$28,911,494</u>	<u>\$26,373,851</u>	<u>\$25,075,350</u>	<u>\$23,663,980</u>
% of Increase	8.18%	9.62%	5.18%	5.96%	12.68%

Source: Comprehensive Annual Financial Reports for Fiscal Years 1996 thru 1999 and the "Draft" Audit for Fiscal Year Ending June 30, 2000.

## WHEEL TAX

	<u>06/30/00</u>	<u>06/30/99</u>	<u>06/30/98</u>	<u>06/30/97</u>	<u>06/30/96</u>
<b>Rate Per Vehicle</b>	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
General Purpose School Fund	\$2,812,155	\$2,699,630	\$2,588,458	\$2,508,160	\$2,401,510
<b>Total Amount Collected</b>	<u>\$2,812,155</u>	<u>\$2,699,630</u>	<u>\$2,588,458</u>	<u>\$2,508,160</u>	<u>\$2,401,510</u>
% of Increase	4.17%	4.29%	3.20%	4.44%	5.05%

Source: Comprehensive Annual Financial Reports for Fiscal Years 1996 thru 1999 and the "Draft" Audit for Fiscal Year Ending June 30, 2000.

**APPENDIX C**

General Purpose Financial Statements Excerpted from the  
Comprehensive Annual Financial Report of the County for the  
Fiscal Year Ended June 30, 1999

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**FINANCIAL SECTION**

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 741-3341**

**INDEPENDENT AUDITOR'S REPORT**

January 14, 2000

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

To the County Executive and County Commissioners:

1. We have audited the accompanying general purpose financial statements of Montgomery County, Tennessee, and the combining, individual fund, and account group financial statements of Montgomery County, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Montgomery County Nursing Home as of June 30, 1999, and for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general purpose financial statements, insofar as it relates to the amounts included for the discretely presented Montgomery County Nursing Home, is based solely on the report of the other auditors.
2. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.
3. County records do not provide for a self-balancing group of accounts for the general fixed assets of the discretely presented Montgomery County School Department, and accordingly, the financial statements referred to above do not include financial statements of the General Fixed Assets Account Group of the Montgomery County School Department, which should be included to conform with generally accepted

accounting principles. The effects on the financial statements are not reasonably determinable.

4. The financial statements of the Montgomery County Emergency Communications District, the Bi-County Solid Waste Authority, and the Industrial Development Board of Montgomery County, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the general purpose financial statements referred to above do not include financial statements of the Montgomery County Emergency Communications District, the Bi-County Solid Waste Authority, and the Industrial Development Board of Montgomery County which should be included to conform with generally accepted accounting principles. The effects on the financial statements are not reasonably determinable.
5. In our opinion, based on our audit and the report of other auditors, and except for the effects of the matters discussed in paragraphs 3 and 4 above, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County, Tennessee, at June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, except for the effects of the matters discussed in paragraphs 3 and 4 above, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Montgomery County, Tennessee, at June 30, 1999, and the results of operations of such funds and cash flows of individual proprietary funds for the year then ended, in conformity with generally accepted accounting principles.
6. Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund, and account group financial statements. The accompanying financial information listed as miscellaneous schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Montgomery County, Tennessee. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds taken as a whole.
7. As discussed in Note 1.0 to the financial statements, Montgomery County's Great West Life Insurance Company Deferred Compensation Plan adopted the provisions of Governmental Accounting Standards Board Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans in response to changes in the plan required by federal law. Montgomery County had previously reported the assets of its Section 457 Great West Life Insurance Company Plan in an Agency Fund but as provided by Statement No. 32 no longer reports the plan in its financial statements.



8. We did not audit the statistical data listed in the Statistical Section in the accompanying table of contents and, therefore, express no opinion thereon.
9. In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2000, on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rah

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**GENERAL PURPOSE  
FINANCIAL STATEMENTS**

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Exhibit A

Montgomery County, Tennessee  
 Combined Balance Sheet - All Fund Types,  
 Account Groups and Discretely Presented  
 Component Units  
 June 30, 1999

Primary Government

	Primary Government										Component Units			
	Governmental Fund Types					Proprietary Fund Type		Fiduciary Fund Type			Account Groups		Montgomery County	Montgomery County
	General	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	General Assets	Fixed Assets	Long-term Debt	General	Montgomery County School Department	Nursing Home		
<b>ASSETS</b>														
Equity in Pooled Cash and Investments	\$ 7,486,873	\$ 434,235	\$ 18,743,729	\$ 356,719	\$ 6,366,264	\$ 147,195	\$	\$	\$	\$ 14,217,344	\$ 1,806,374			
Cash	3,705	118,059	0	0	0	9,483,788	0	0	0	770,670	100			
Accounts Receivable	912,584	23,644	35,836	0	0	138	0	0	0	113,401	247,180			
Allowance for Uncollectibles	(172,927)	0	0	0	0	0	0	0	0	0	(12,838)			
Due from Other Governments	462,893	324,041	161,245	0	0	600,009	0	0	0	2,626,909	0			
Due from Other Funds	148,143	0	18,685	0	0	0	0	0	0	78,711	0			
Due from Component Units	0	4,554	0	0	0	0	0	0	0	0	0			
Taxes Receivable	424,906	103,191	940,862	0	0	0	0	0	0	534,167	0			
Allowance for Uncollectible Taxes	(90,583)	(21,999)	(200,576)	0	0	0	0	0	0	(113,876)	0			
Prepaid Items	500	0	0	0	1,006,000	0	0	0	0	50,000	11,356			
Inventories	67,604	0	0	0	0	0	0	0	0	486,194	5,160			
Restricted Assets:														
Customer Deposits	0	0	0	0	0	0	0	0	0	0	20,170			
Land	0	0	0	0	0	0	0	0	0	1,273,444	0			
Buildings and Improvements	0	0	0	0	0	0	0	0	0	20,500,965	0			
Furniture and Fixtures	0	0	0	0	0	0	0	0	0	91,052	0			
Machinery and Equipment	0	0	0	0	0	0	0	0	0	4,221,873	0			
Construction in Progress	0	0	0	0	0	0	0	0	0	1,548,446	0			
Other Fixed Assets	0	0	0	0	0	0	0	0	0	4,805,230	0			
Accumulated Depreciation - Other Fixed Assets	0	0	0	0	0	0	0	0	0	0	3,634,996			
Amount Available in Debt Service Funds	0	0	0	0	0	0	0	0	0	0	(1,659,746)			
Amount to be Provided for Retirement of General Long-term Debt	0	0	0	0	0	0	0	0	0	18,959,495	0			
<b>Total Assets</b>	\$ 9,243,698	\$ 985,725	\$ 19,699,781	\$ 356,719	\$ 7,372,264	\$ 10,231,130	\$ 32,541,010	\$ 125,039,965	\$ 21,627,242	\$ 4,052,752				

LIABILITIES, EQUITY AND OTHER CREDITS												
Liabilities												
Accounts Payable	\$ 37,794	\$ 954	\$ 0	\$ 0	\$ 0	\$ 1,128	\$	\$	\$	\$ 183,500	\$ 6,011	
Accrued Payroll	0	0	0	0	0	0	0	0	0	0	50,045	
Payroll Deductions Payable	298	195	0	0	0	0	0	0	0	303,225	58	
Compensated Absences Payable	0	0	0	0	0	0	0	0	0	0	76,628	
Contracts Payable	0	0	0	160,935	0	0	0	0	0	0	0	
Retainage Payable	0	0	0	80,287	0	0	0	0	0	0	0	
Claims and Judgements Payable	0	0	0	0	2,142,067	0	0	0	0	0	0	
Due to Other Funds	18,685	139,596	0	0	0	8,547	0	0	0	538,325	0	
Due to Primary Government	0	0	0	0	0	0	0	0	0	78,711	0	
	0	0	0	0	0	0	0	0	0	4,554	0	

Exhibit A

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

Primary Government

	Governmental Fund Types				Fiduciary Fund Type		Account Groups		Component Units	
	General	Special Revenue	Debt Service	Capital Projects	Proprietary Fund Type	Trust and Agency	General	Long-term Debt	Montgomery County School Department	Montgomery County Nursing Home
							Fixed Assets			
\$	0	0	0	0	0	599,515	0	0	0	0
	0	0	0	0	0	9,470,188	0	0	0	0
	0	0	0	0	0	0	0	0	0	224,285
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	20,170
	334,323	81,192	740,286	0	0	0	0	420,291	0	0
	627,699	55,280	0	1,386,914	0	0	0	0	0	0
	0	0	0	0	0	0	0	38,391,310	0	0
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	873,578
	0	0	0	0	0	0	0	945,021	1,818,113	0
	0	0	0	0	0	0	0	242,414	571,945	0
	0	0	0	0	0	0	0	834,522	473,664	0
	0	0	0	0	0	0	0	84,626,698	0	0
	0	0	0	0	0	0	0	0	0	0
\$ 1,018,799	\$ 277,217	\$ 740,286	\$ 241,222	\$ 3,528,981	\$ 10,079,378	\$ 0	\$ 125,039,965	\$ 4,392,328	\$ 1,250,775	

LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)

Liabilities (Cont.)	
Due to Other Taxing Units	
Due to Litigants, Heirs and Others	
Matured Bonds Payable	
Current Liabilities Payable from Restricted Assets:	
Customer Deposits Payable	
Deferred Revenue - Taxes	
Other Deferred Revenues	
General Obligation Bonds Payable - Long-term	
Revenue Bonds Payable - Long-term	
Capital Outlay Notes Payable - Long-term	
Capitalized Lease Obligations - Non-current	
Accrued Leave	
Other Loans Payable - Long-term	
Total Liabilities	

Equity And Other Credits

Contributed Capital:	
Intragovernmental	
Customers	
Retained Earnings:	
Reserved for Other Purposes	
Retained Earnings - Unreserved	
Investment in General Fixed Assets	
Fund Balances:	
Reserved for Encumbrances	
Reserved for Alcohol and Drug Treatment	
Reserved for Food Service	
Reserved for Fraud and Crimes Prosecution Act	
Reserved for Career Ladder - Extended Contract	
Reserved for Career Ladder Program	
Reserved for Title I Grants to	
Local Education Agencies	
Reserved for Special Education - Grants to States	
Other Federal Reserves	
Reserved for Other General Purposes	

Exhibit A

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

Primary Government

General	Governmental Fund Types				Proprietary Fund Type		Fiduciary Fund Type		Account Groups			Component Units		
	Special Revenue	Debt Service	Capital Projects	Internal Service	Trust and Agency	Fixed Assets	General	Long-term Debt	Montgomery County School Department	Montgomery County Nursing Home	Montgomery County		Montgomery County	
											General	Fixed Assets	General	Long-term Debt
\$ 10,000	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
63,817	0	0	0	0	0	0	0	0	0	0	0	0	0	
115,533	0	0	0	0	0	0	0	0	0	0	0	0	0	
30,475	0	0	0	0	0	0	0	0	0	0	0	0	0	
7,302	0	0	0	0	0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	0	0	0	349,631	0	
7,082,126	622,499	18,959,495	(69,618)	0	146,457	0	0	0	0	0	0	9,724,823	0	
\$ 8,224,899	\$ 708,508	\$ 18,959,495	\$ 115,497	\$ 3,843,283	\$ 151,752	\$ 32,541,010	\$ 0	\$ 17,234,914	\$ 2,801,977	\$ 0	\$ 0	\$ 0	\$ 0	

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LIABILITIES, EQUITY AND OTHER CREDITS (Cont.)

Equity And Other Credits (Cont.)

Fund Balances: (Cont.)

Unreserved:

- Designated for Insurance
- Designated for Health Department
- Designated for Animal Control
- Designated for Veteran Service
- Designated for Child Advocacy Center
- Designated for Worker's Compensation
- Undesignated (Fund Deficit)

Total Equity And Other Credits

Total Liabilities, Equity And Other Credits

The accompanying notes are an integral part of this statement.

Exhibit B

Montgomery County, Tennessee  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Equity  
 All Governmental Fund Types, Expendable Trust Fund  
 and Discretely Presented Component Unit  
 For the Year Ended June 30, 1999

	Primary Government					Component Unit	
	Governmental Fund Types						Fiduciary Fund Type
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust		
Revenues and Other Sources							
Local Taxes	\$11,679,787	\$ 2,564,105	\$22,412,879	\$ 0	\$ 0	\$ 34,639,195	
Licenses and Permits	355,491	0	0	0	0	52	
Fines, Forfeitures and Penalties	969,419	8,715	0	0	99,841	0	
Charges for Current Services	2,315,671	4,538,345	0	0	0	3,489,677	
Other Local Revenues	3,035,497	81,961	23,913	0	14,806	2,965,545	
State of Tennessee	2,891,548	2,847,220	0	0	0	61,718,996	
Federal Government	496,048	7,453,022	0	0	90,000	8,599,938	
Other Governments and Citizens Groups	499,158	65,000	143,095	0	0	0	
Total Revenue	\$22,242,619	\$17,558,368	\$22,579,887	\$ 0	\$ 204,647	\$111,393,403	
Other Sources:							
Note Proceeds	0	0	0	150,000	0	750,000	
Proceeds from Capitalized Lease Obligations	135,637	124,108	0	0	0	571,945	
Proceeds of Refunding Bonds	0	0	14,864,029	0	0	0	
Premiums on Bonds Sold	0	0	327,471	0	0	0	
Other Loan Proceeds	0	0	0	1,440,750	0	11,152,015	
Operating Transfers	4,569,542	65,000	18,685	0	0	214,213	
Operating Transfers from Component Units	96,975	0	0	0	0	0	
Total Revenues and Other Sources	\$27,044,773	\$17,747,476	\$37,790,072	\$ 1,590,750	\$ 204,647	\$124,081,576	
Expenditures and Other Uses							
General Government	\$24,443,270	\$ 7,647,192	\$ 0	\$ 0	\$ 202,328	\$ 0	
Highways	92,297	5,490,317	0	0	0	0	
Education	0	0	0	0	0	108,245,362	
Debt Service	0	43,913	15,798,413	0	0	838,208	
Capital Projects	175,800	0	0	1,914,754	0	14,017,727	
Total Expenditures	\$24,711,367	\$13,181,422	\$15,798,413	\$ 1,914,754	\$ 202,328	\$123,101,297	
Other Uses:							
Payments to Refunded Bond Escrow Agent	0	0	15,002,618	0	0	0	
Operating Transfers	83,685	4,569,542	0	0	0	214,213	
Operating Transfers to Primary Government	0	0	0	0	0	96,975	
Operating Transfers to Component Units	498,912	0	0	0	0	0	
Total Expenditures and Other Uses	\$25,293,964	\$17,750,964	\$30,801,031	\$ 1,914,754	\$ 202,328	\$123,412,485	



Exhibit B

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

		Primary Government				Fiduciary		Component
		Governmental Fund Types				Fund Type	Montgomery	Unit
		Special Revenue	Debt Service	Capital Projects	Expendable Trust	County	School	Department
General								
	\$ 1,750,809	\$ (3,488)	\$ 6,989,041	\$ (324,004)	\$ 2,319	\$	\$	669,091
	6,474,090	711,996	11,970,192	439,501	149,433			16,566,085
	0	0	262	0	0			(262)
	\$ 8,224,899	\$ 708,508	\$ 18,959,495	\$ 115,497	\$ 151,752	\$	\$	17,234,914

Excess of Revenues and Other Sources Over  
(Under) Expenditures and Other Uses  
Fund Equity, July 1, 1998  
Residual Equity Transfers

Fund Equity, June 30, 1999

The accompanying notes are an integral part of this statement.

Exhibit C

Montgomery County, Tennessee  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balances - Actual (Budgetary Basis) and Budget  
 General, Special Revenue and Debt Service Fund Types  
 For the Year Ended June 30, 1999

	General Fund			Special Revenue Fund Types			Debt Service Fund		
	Actual (Budgetary Basis)	Budget	Variance-Favorable or (Unfavorable)	Actual (Budgetary Basis)	Budget	Variance-Favorable or (Unfavorable)	Actual	Budget	Variance-Favorable or (Unfavorable)
<b>Revenues and Other Sources</b>									
Local Taxes	\$11,679,787	\$11,580,538	\$ 99,249	\$ 2,564,105	\$ 2,563,989	\$ 116	\$22,412,879	\$21,773,748	\$ 639,131
Licenses and Permits	355,491	347,650	7,841	0	0	0	0	0	0
Fines, Forfeitures and Penalties	969,419	905,238	64,181	8,715	8,000	715	0	0	0
Charges for Current Services	2,315,671	2,195,560	120,111	1,643	2,475	(832)	0	0	0
Other Local Revenues	3,035,497	2,676,442	359,055	52,412	60,036	(7,624)	23,913	23,913	0
State of Tennessee	2,891,548	3,106,925	(215,377)	2,947,220	2,816,003	31,217	0	0	0
Federal Government	496,048	996,048	(500,000)	7,853,022	7,461,360	(8,338)	0	0	0
Other Governments and Citizens Groups	499,158	499,719	(561)	65,000	65,000	0	143,095	241,587	(98,492)
<b>Total Revenue</b>	<b>\$22,242,619</b>	<b>\$22,308,120</b>	<b>\$ (65,501)</b>	<b>\$12,992,117</b>	<b>\$12,976,863</b>	<b>\$ 15,254</b>	<b>\$22,579,887</b>	<b>\$22,039,248</b>	<b>\$ 540,639</b>
<b>Other Sources:</b>									
Proceeds from Capitalized Lease Obligations	135,637	135,637	0	124,108	124,108	0	0	0	0
Proceeds of Refunding Bonds	0	0	0	0	0	0	14,864,029	14,864,029	0
Premiums on Bonds Sold	0	0	0	0	0	0	327,471	327,471	0
Operating Transfers	4,569,542	4,547,509	22,033	65,000	65,000	0	18,685	16,700	1,985
Operating Transfers from Component Units	96,975	96,975	0	0	0	0	0	0	0
<b>Total Revenues and Other Sources</b>	<b>\$27,044,773</b>	<b>\$27,088,241</b>	<b>\$ (43,468)</b>	<b>\$13,181,225</b>	<b>\$13,165,971</b>	<b>\$ 15,254</b>	<b>\$37,790,072</b>	<b>\$37,247,448</b>	<b>\$ 542,624</b>
<b>Expenditures and Other Uses</b>									
General Government	\$24,619,424	\$27,814,817	\$ 3,195,393	\$ 7,635,161	\$ 7,676,236	\$ 41,075	\$ 0	\$ 0	\$ 0
Highways	92,297	95,391	3,094	5,480,939	5,615,678	134,739	0	0	0
Debt Service	0	0	0	43,913	44,500	587	15,798,413	16,457,075	658,662
Capital Projects	450,800	450,800	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$25,162,521</b>	<b>\$28,361,008</b>	<b>\$ 3,198,487</b>	<b>\$13,160,013</b>	<b>\$13,336,414</b>	<b>\$ 176,401</b>	<b>\$15,798,413</b>	<b>\$16,457,075</b>	<b>\$ 658,662</b>
<b>Other Uses:</b>									
Payments to Refunded Bond Escrow Agent	0	0	0	0	0	0	15,002,618	15,002,618	0
Operating Transfers	83,685	83,685	0	19,500	19,500	0	0	0	0
Operating Transfers to Component Units	498,912	498,912	0	0	0	0	0	0	0
<b>Total Expenditures and Other Uses</b>	<b>\$25,745,118</b>	<b>\$28,943,605</b>	<b>\$ 3,198,487</b>	<b>\$13,179,513</b>	<b>\$13,355,914</b>	<b>\$ 176,401</b>	<b>\$30,801,031</b>	<b>\$31,459,693</b>	<b>\$ 658,662</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 1,299,655</b>	<b>\$(1,855,364)</b>	<b>\$ 3,155,019</b>	<b>\$ 1,712</b>	<b>\$(189,943)</b>	<b>\$ 191,655</b>	<b>\$ 6,989,041</b>	<b>\$ 5,787,755</b>	<b>\$ 1,201,286</b>
Fund Balance, July 1, 1998	6,075,491	4,827,696	1,247,795	625,787	554,360	71,427	11,970,192	11,772,364	197,828
Residual Equity Transfers	0	0	0	0	0	0	262	0	262
<b>Fund Balance, June 30, 1999</b>	<b>\$ 7,375,146</b>	<b>\$ 2,972,332</b>	<b>\$ 4,402,814</b>	<b>\$ 627,499</b>	<b>\$ 364,417</b>	<b>\$ 263,082</b>	<b>\$18,959,495</b>	<b>\$17,560,119</b>	<b>\$ 1,399,376</b>

The accompanying notes are an integral part of this statement.

Exhibit D

Montgomery County, Tennessee  
Combined Statement of Revenues, Expenses and Changes in Retained Earnings  
All Proprietary Fund Types and Discretely Presented Component Unit  
For the Year Ended June 30, 1999

	Primary Government Proprietary Fund Type	Component Unit Enterprise Fund Montgomery County Nursing Home
<u>Operating Revenues</u>		
Charges for Current Services	\$ 10,825,681	\$ 3,520,921
Total Operating Revenues	<u>\$ 10,825,681</u>	<u>\$ 3,520,921</u>
<u>Operating Expenses</u>		
Public Health and Welfare	\$ 0	\$ 3,375,563
Employee Benefits	10,173,044	0
Depreciation Expense	0	169,114
Total Operating Expenses	<u>\$ 10,173,044</u>	<u>\$ 3,544,677</u>
Operating Income (Loss)	<u>\$ 652,637</u>	<u>\$ (23,756)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Investment Income	<u>\$ 154,915</u>	<u>\$ 62,765</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 154,915</u>	<u>\$ 62,765</u>
Net Income (Loss)	\$ 807,552	\$ 39,009
Retained Earnings, July 1, 1998	3,035,731	1,741,388
Retained Earnings, June 30, 1999	<u>\$ 3,843,283</u>	<u>\$ 1,780,397</u>

The accompanying notes are an integral part of this statement.

Exhibit E

Montgomery County, Tennessee  
Combined Statement of Cash Flows  
All Proprietary Fund Types and Discretely Presented Component Unit  
For the Year Ended June 30, 1999

	<u>Primary Government Proprietary Fund Type Internal Service Funds</u>	<u>Component Unit Enterprise Fund Montgomery County Nursing Home</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Operating Income (Loss)	\$ 652,637	\$ (23,756)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:		
Depreciation	0	169,114
Interest Expense	0	80,901
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	0	(48,593)
(Increase) Decrease in Inventories	0	4,009
(Increase) Decrease in Prepaid Items	(316,000)	(1,713)
Increase (Decrease) in Accounts Payable	0	(21,755)
Increase (Decrease) in Accrued Liabilities	0	32,028
Increase (Decrease) in Patient Trusts	0	4,125
Increase (Decrease) in Claims and Judgements Payable	(171,493)	0
Increase (Decrease) in Other Deferred Revenues	167,458	0
Net Cash Provided By (Used In) Operating Activities	<u>\$ 332,602</u>	<u>\$ 194,360</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Acquisition and Construction of Capital Assets	\$ 0	\$ (40,200)
Interest Paid on Revenue Bonds	0	(68,945)
Principal Paid on Revenue Bonds	0	(215,104)
Net Cash Provided By (Used For) Capital And Related Financing Activities	<u>\$ 0</u>	<u>\$ (324,249)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Investment Income	<u>\$ 154,915</u>	<u>\$ 62,765</u>
Net Cash Provided By (Used In) Investing Activities	<u>\$ 154,915</u>	<u>\$ 62,765</u>
Increase (Decrease) In Cash And Cash Equivalents	\$ 487,517	\$ (67,124)
Cash And Cash Equivalents, July 1, 1998	<u>5,878,747</u>	<u>1,893,768</u>
Cash And Cash Equivalents, June 30, 1999	<u>\$ 6,366,264</u>	<u>\$ 1,826,644</u>
<b><u>Reconciliation of Cash</u></b>		
Cash and Cash Equivalents per the Balance Sheet	\$ 0	\$ 100
Add: Equity in Pooled Cash and Investments	6,366,264	1,806,374
Restricted Assets - Customer Deposits	0	20,170
Cash and Cash Equivalents per the Statement of Cash Flows	<u>\$ 6,366,264</u>	<u>\$ 1,826,644</u>

The accompanying notes are an integral part of this statement.

**MONTGOMERY COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Financial Reporting Entity**

Montgomery County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Montgomery County (the primary government) and its component units. The component units discussed in Note 1.B are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**B. Individual Component Unit Disclosures**

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

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

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

The Bi-County Solid Waste Authority provides landfill and collection services for Montgomery and Stewart counties. Also, the City of Clarksville participates with Montgomery County in the operation of the transfer station. The board members of the authority are appointed by the joint participants. However, Montgomery County appoints a voting majority of the board members and contributes the majority of funding for the authority. This authority is treated as a discrete component unit of Montgomery County, since the county may unilaterally control the operations of the

authority. Financial statements of the Bi-County Solid Waste Authority were not available in time for inclusion in this report.

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

The Industrial Development Board of Montgomery County primarily provides inducements to industry to locate or remain in Montgomery County. The governing body of the Industrial Development Board of Montgomery County is appointed by Montgomery County's Board of County Commissioners. City and county appropriations provide the majority of its funding. Financial statements of the Industrial Development Board were not available in time for inclusion in this report.

The Montgomery County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Montgomery County. The governing body of the Montgomery County Emergency Communications District is appointed by Montgomery County's Board of County Commissioners. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the approval of the County Commission. Financial statements of the Emergency Communications District were not available in time for inclusion in this report.

The Montgomery County School Department does not issue separate financial statements from those of the county. Therefore, combining, individual fund, and account group financial statements of the Montgomery County School Department are included in the financial section of this report as listed in the table of contents. Although required by GAAP, the financial statements of the Bi-County Solid Waste Authority, the Industrial Development Board of Montgomery County, and the Montgomery County Emergency Communications District were not available in time for inclusion, as previously mentioned. Notes to the financial statements for Montgomery County and Montgomery County School Department are included in Notes 1 through 20. Notes to the financial statements for the Montgomery County Nursing Home are presented following Note 20. Complete financial statements of the Bi-County Solid Waste Authority, the Montgomery County Nursing Home, the Industrial Development Board of Montgomery County, and the Montgomery County Emergency Communications District can be obtained from their respective administrative offices at the following addresses:

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

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

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

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

C. Related Organization

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

D. Joint Ventures

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

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

	<u>Board Members</u> <u>Appointed By:</u>	
Administrative Offices:	<u>City</u>	<u>County</u>
Montgomery County Rail Service Authority Montgomery County Executive Courthouse Clarksville, TN 37040	2	2
Clarksville Montgomery County Airport 200 Airport Road Clarksville, TN 37042	5	5
Clarksville Montgomery County Public Library 350 Pageant Lane Suite 501 Clarksville, TN 37040	4	3
Clarksville Montgomery County Regional Planning Commission 329 Main Street Clarksville, TN 37040	5	4
Clarksville-Montgomery County Historical Museum 200 South Second Street Clarksville, TN 37040	7	6

The Montgomery County School Department entered into a contractual agreement to participate in the Volunteer State Cooperative (VOLCO). The cooperative was established through a contractual agreement between the Boards of Education of Bedford County, Dickson County, Coffee County, Clarksville - Montgomery County, Manchester City, Maury County, Stewart County, and Sumner County. The cooperative was authorized through Chapter 49 of the Tennessee Code Annotated. The cooperative was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Dickson County School Department) and a service provider to provide these services. The cooperative is governed by a representative committee, comprised of one representative from each of the member districts; and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

E. Jointly Governed Organization

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



F. Fund Structure and Basis of Accounting

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

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

**GOVERNMENTAL FUNDS**

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

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

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

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

**PROPRIETARY FUNDS**

Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the county, or to other governments, on a cost-reimbursed basis.

**FIDUCIARY FUNDS**

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Nonexpendable Trust, Pension Trust and Agency Funds. The county does not have any Nonexpendable Trust or Pension Trust Funds. Expendable Trust Funds are accounted for in essentially the same manner and reported with the Governmental Funds. Agency Funds are custodial in

nature (assets equal liabilities) and do not involve measurement of results of operations.

### **ACCOUNT GROUPS**

The General Fixed Assets Account Group is used by the primary government to account for fixed assets not accounted for in Proprietary or Trust Funds.

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

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

### **COMPONENT UNITS**

The Montgomery County School Department uses a General Fund, two Special Revenue Funds, one Capital Projects Fund, and one account group. The Montgomery County Nursing Home is accounted for as a single Enterprise Fund.

### **BASIS OF ACCOUNTING**

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

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

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

All Governmental Funds, Expendable Trust Funds, and Agency Funds are accounted for using the modified accrual basis of accounting. Their revenues

are recognized when they become measurable and available as net current assets. Funds in which 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 revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

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

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

#### G. Budget

The county and the Montgomery County School Department component unit are required by state statute to adopt annual budgets. The General Fund, Special Revenue Funds, and General Debt Service Fund budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the county trustee, clerks, register, and sheriff. These separately elected or appointed officials have all salaries and other operating expenses paid from county funds. All fees and commissions

earned are reported and paid to the county's General Fund monthly. In addition to the statutory salary, the clerk and master received \$8,570 in special commissioner fees, and the sheriff received a training supplement of \$600 from the State of Tennessee. Transactions related to the fee and commission accounts of these officials are not subject to the budgetary control of the County Commission. Therefore, this fund is presented as a non-budgeted Special Revenue Fund.

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

	General Fund	Special Revenue Funds
Expenditures and Other Uses:		
GAAP Basis - Exhibit B	\$ 25,293,964	\$ 17,750,964
Add: Current Year Reserve for Encumbrances	849,753	81,009
Less: Prior Year Reserve for Encumbrances	(398,599)	(86,209)
Less: Non-budgeted Fund - Constitutional Officers - Fees Fund	0	(4,566,251)
	<u>\$ 25,745,118</u>	<u>\$ 13,179,513</u>
Budgetary Basis - Exhibit C		

H. Encumbrances

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

I. Taxes Receivable

Property taxes receivable on file in the Trustee's Office are presented on the balance sheet with offsetting deferred revenue-taxes to reflect amounts not available as of June 30, 1999. Property taxes collected within 30 days of year-end are immaterial for financial reporting purposes and thus are not accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable which will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

J. Investments

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Montgomery County School Department. Each fund type's portion of this pool is displayed on the combined balance sheet as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Purpose School Fund. Montgomery County and the 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. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

K. Prepaid Items

Prepaid items in the General Fund represent a deposit for a land purchase.

Prepaid items in the Self-Insurance Fund (Internal Service Fund) represent amounts prepaid to the claims administrator for estimated claims outstanding at June 30, 1999.

Prepaid items in the discretely presented General Purpose School Fund represent amounts prepaid to the claims administrator for estimated workers' compensation claims outstanding at June 30, 1999.

L. Inventories

Inventories of the primary government and the discretely presented Montgomery County School Department consist of expendable supplies held for consumption and are valued at cost, on the average cost method. The cost thereof is expensed at the time individual items are used, and not at the time purchased.

M. Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. These general fixed assets are recorded as expenditures in the Governmental Funds when purchased. The Montgomery County primary government maintains a General Fixed Assets Account Group; however, the discretely presented Montgomery County School Department does not maintain a General Fixed Assets Account Group; therefore, the general fixed assets of the Montgomery County School Department are not capitalized as required by generally accepted accounting principles.

Public domain (infrastructure) general fixed assets consisting of certain improvements including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, have not been recorded in the General Fixed Assets Account Group for the primary government.

No depreciation has been provided on general fixed assets.

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

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

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

The primary government's Proprietary Funds are accounted for on a cost of services or capital maintenance measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

N. Retainage Payable

Retainage payable in the General Capital Projects Fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. These amounts are being held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects Fund.

O. Accounting Change

Previously Montgomery County had accounted for the assets of its deferred compensation plan in an Agency Fund. The plan's trustee, Great West Life Insurance Company, changed the requirements of its plan in response to Internal Revenue Code Section 457 (g) which provides that the assets of the plan be held in trust for the exclusive benefit of the participants and their beneficiaries. Accordingly, during the year Montgomery County adopted the provisions of Statement No. 32 of Governmental Accounting Standards Board, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. This statement provides that when a Section 457 Plan meets the new federal law requirements, then

financial statement presentation and note disclosure for the plan are no longer required.

P. Other Deferred Revenues

Other deferred revenues presented on the balance sheet reflect General Fund ambulance service accounts receivable (\$627,699), road damage deposits in the Highway/Public Works Fund (\$55,280), and health insurance payments in the Self-Insurance Fund (\$1,386,914), that are not available as of June 30, 1999.

Q. Reserves and Designations

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

The reserve for other general purposes in the General Fund represents an amount reserved for tourism (\$21,725), an amount reserved for the purchase of child safety seats at the Health Department (\$1,871), and an amount reserved for the Veteran's Commission (\$678).

R. Compensated Absences

It is the county's and the discretely presented Montgomery County School Department's policy to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from county service. In the governmental fund types, the cost of vacation benefits is recognized when payments are made to employees. Long-term liabilities of \$834,522 and \$473,664 of accrued benefits at June 30, 1999, have been recorded in the General Long-Term Debt Account Groups of Montgomery County and the Montgomery County School Department, respectively, representing the commitments to fund such costs from future operations. The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

S. Interfund Transactions

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

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

T. Statement of Cash Flows

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

2. OFFICES OF CENTRAL ACCOUNTING, BUDGETING, AND PURCHASING

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

3. PURCHASING LAWS

A. Office of Central Purchasing

Purchasing for the County Executive's Office and the Highway Department were governed by Section 5-14-101 et seq., Tennessee Code Annotated (TCA). Purchases for the Highway Department were also governed by the Uniform Road Law, Section 54-7-113, TCA. Section 5-14-101 et seq., TCA, provides for a purchasing agent, appointed by the county executive and approved by the Board of County Commissioners, to make all purchases. This statute also provides for a County Purchasing Commission to assist the purchasing agent in the determination of overall purchasing policies. These statutes require that sealed bids be solicited on purchases estimated to exceed \$5,000; however, the County Commission requires competitive bids on general government purchases of the County Executive's Office expected to exceed \$2,000.

B. School Department

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

4. DEPOSITS AND INVESTMENTS

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



	Montgomery County	Montgomery County School Department
Equity in Pooled Cash and Investments	\$ 33,535,015	\$ 14,217,344
Cash	9,605,552	770,670
<b>Total</b>	<b>\$ 43,140,567</b>	<b>\$ 14,988,014</b>

Montgomery County, the discretely presented Montgomery County School Department, the Bi-County Solid Waste Authority, the Montgomery County Emergency Communications District, the Montgomery County Nursing Home, and the Montgomery County Rail Service Authority joint venture participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund type's portion of this pool is displayed on the combined balance sheet as Equity in Pooled Cash and Investments. Cash reflected on the combined balance sheet represents non-pooled amounts held separately by individual funds.

Cash on the combined balance sheet includes cash on hand, demand deposits, and cash with paying agents. Cash on the combined balance sheet is analyzed as follows:

	Montgomery County	Montgomery County School Department
Cash on Hand	\$ 86,880	\$ 175
Cash in Bank	9,518,672	170,495
Cash with Paying Agents	0	600,000
<b>Total</b>	<b>\$ 9,605,552</b>	<b>\$ 770,670</b>

DEPOSITS – All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public funds 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 funds 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 individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The

collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Separate disclosures concerning carrying amounts and bank balances of pooled deposits cannot be made for Montgomery County, the discretely presented Montgomery County School Department, the Montgomery County Nursing Home, the Montgomery County Emergency Communications District, the Bi-County Solid Waste Authority, and the Montgomery County Rail Service Authority joint venture since all pool their deposits and investments through the county trustee. The carrying amount of Montgomery County's, the Montgomery County School Department's, the Montgomery County Nursing Home's, the Montgomery County Emergency Communications District's, the Bi-County Solid Waste Authority's, and the Montgomery County Rail Service Authority's deposits with financial institutions was \$50,328,241, and the bank balance was \$63,877,009. These deposits are categorized as follows to give an indication of the level of risk assumed at year-end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' agent or its trust department in the entity's name. Category 3 includes deposits uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name. Category 1 deposits were \$63,722,048, and category 3 deposits were \$164,961.

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

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

Emergency Communications District, the Bi-County Solid Waste Authority, and the Montgomery County Rail Service Authority joint venture as was also previously noted for deposits.

Pooled investments with a carrying amount and market value of \$12,784,657, consisted entirely of funds deposited with the State Treasurer's Investment Pool.

**5. FUND DEFICIT**

A fund deficit in the amount of \$69,618 existed in the General Capital Projects Fund at June 30, 1999. This fund deficit resulted from the unperformed portions of construction contracts in the amount of \$185,115 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of Other Loan Proceeds.

**6. PROPERTY TAXES**

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

**7. FIXED ASSETS**

General Fixed Assets

PRIMARY GOVERNMENT

A summary of changes in general fixed assets for the year ended June 30, 1999, is presented below:

	Balance July 1, 1998	Transfers and Additions
Land	\$ 1,177,142	\$ 96,302
Buildings and Improvements	20,342,130	258,835
Furniture and Fixtures	83,729	12,323
Office Machines and Equipment	3,663,630	681,560
Construction in Progress	1,000	1,694,642
Other Fixed Assets	4,390,685	506,212
	<hr/>	<hr/>
Total	\$ 29,658,316	\$ 3,249,874

	Transfers and Deductions	Balance June 30, 1999
Land	\$ 0	\$ 1,273,444
Buildings and Improvements	0	20,600,965
Furniture and Fixtures	5,000	91,052
Office Machines and Equipment	123,317	4,221,873
Construction in Progress	147,196	1,548,446
Other Fixed Assets	91,667	4,805,230
	<hr/>	<hr/>
Total	\$ 367,180	\$ 32,541,010
	<hr/>	<hr/>

## 8. COMMITMENTS

### A. Committed Construction

At June 30, 1999, the General Capital Projects Fund had uncompleted construction contracts totaling \$185,115. Funding of these future expenditures is expected to be received from Other Loan Proceeds.

At June 30, 1999, the discretely presented Montgomery County School Department's Education Capital Projects Fund had uncompleted construction projects totaling \$2,145,388 for various school improvements and construction. Funding has been received for these future expenditures.

### B. Leases

The present value of minimum lease payments under lease agreements has been recorded in the General Long-Term Debt Account Groups. Future minimum payments under capital leases consisted of the following at June 30, 1999.

<u>Montgomery County</u>	General Long-Term Debt
1999-2000	\$ 91,911
2000-2001	76,359
2001-2002	38,790
2002-2003	31,276
2003-2004	31,277
	<hr/>
Total Minimum Lease Payments	\$ 269,613
Amount Representing Interest	(27,199)
	<hr/>
Present Value of Minimum Lease Payments	\$ 242,414
	<hr/>

<u>Montgomery County School Department</u>	General Long-Term Debt
1999-2000	\$ 100,482
2000-2001	100,481
2001-2002	100,482
2002-2003	100,482
2003-2004	100,482
2004-2005	100,482
2005-2006	<u>100,482</u>
Total Minimum Lease Payments	\$ 703,373
Amount Representing Interest	<u>(131,428)</u>
Present Value of Minimum Lease Payments	<u>\$ 571,945</u>

C. Debt Service

The Clarksville-Montgomery County Tourism Commission and the Clarksville Montgomery County Public Library pledged part of their revenue to the county to help meet debt service requirements on two note issues. Amounts contributed during the 1998-99 year totaled \$37,261 and \$35,622, respectively.

9. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances of Montgomery County and its discretely presented component unit at June 30, 1999, were:

<u>Fund</u>	Interfund Receivables	Interfund Payables
General	\$ 148,143	\$ 18,685
Drug Control	0	19,530
Constitutional Officers - Fees	0	120,066
Highway/Public Works	4,554	0
General Debt Service	18,685	0
Constitutional Officers - Agency	0	8,547
General Purpose School	62,941	15,770
School Federal Projects	144	62,941
Education Capital Projects	<u>15,626</u>	<u>4,554</u>
Total	<u>\$ 250,093</u>	<u>\$ 250,093</u>

10. LONG TERM DEBT

Primary Government

The following is a summary of changes in liabilities included in general long-term debt for the year ended June 30, 1999:

	Bonds	Notes	Accrued Leave
Balance, July 1, 1998	\$ 46,012,206	\$ 1,100,722	\$ 695,717
Additions	14,864,029	150,000	138,805
Deductions	(22,484,925)	(305,701)	0
Balance, June 30, 1999	<u>\$ 38,391,310</u>	<u>\$ 945,021</u>	<u>\$ 834,522</u>

  

	Capital Leases	Other Loan Proceeds
Balance, July 1, 1998	\$ 99,989	\$ 73,933,933
Additions	259,745	12,592,765
Deductions	(117,320)	(1,900,000)
Balance, June 30, 1999	<u>\$ 242,414</u>	<u>\$ 84,626,698</u>

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

The additions to capital leases represent leases issued for equipment. These capital leases will be retired by the General and Highway/Public Works Funds.

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, other loans, and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds, other loans, and capital outlay notes outstanding were issued for original terms of up to 30 years for bonds, 23 years for other loans, and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, other loans, and notes included in the General Long-Term Debt Account Group as of June 30, 1999, will be retired from the General Debt Service Fund.

General obligation bonds, other loans, capital outlay notes, and capital leases outstanding as of June 30, 1999, are as follows:

Purpose	Interest Rate	Amount
General Obligation Bonds	4.012 to 5.6%	\$ 5,727,281
General Obligation Bonds - Refunding	2.5 to 6.5	32,664,029
Capital Outlay Notes	5.21 to 7.19	945,021
Other Loans	Variable	84,626,698
Capital Leases	4.94 to 6	242,414

Effective September 13, 1995, Montgomery County entered into a loan agreement with the Montgomery County Public Building Authority (the authority). This loan agreement provided for the authority to make \$50,000,000 available for loan to Montgomery County on an as needed basis. As of June 30, 1998, Montgomery County had borrowed the entire \$50,000,000.

Effective November 8, 1996, Montgomery County entered into a loan agreement with the Montgomery County Public Building Authority (the authority). This loan agreement provided for the authority to make \$83,845,000 available for loan to Montgomery County on an as needed basis. As of June 30, 1999, Montgomery County had drawn \$36,526,698. Montgomery County plans to draw the remainder of the loan as capital projects progress. An amortization schedule for this loan has not been prepared since the county had not borrowed the full amount of the loan and the loan is repayable at a variable rate.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 1999, including interest payments of \$6,680,871 (bonds) and \$193,771 (notes) are presented in the following table. Estimated annual principal requirements for the \$50,000,000 Montgomery County Public Building Authority loan are also reflected in the table. The loan agreement carries a variable interest rate; therefore, interest amounts are not reflected in the table for the authority loan.

Year Ending June 30	Bonds	Notes	Other Loans	Total
2000	\$ 9,824,968	\$ 242,503	\$ 2,000,000	\$ 12,067,471
2001	8,985,886	170,403	2,100,000	11,256,289
2002	7,118,630	163,145	2,200,000	9,481,775
2003	4,826,079	91,138	2,400,000	7,317,217
2004	4,254,600	87,555	2,500,000	6,842,155
2005-2015	10,062,018	384,048	36,900,000	47,346,066
<b>Total</b>	<b>\$ 45,072,181</b>	<b>\$ 1,138,792</b>	<b>\$ 48,100,000</b>	<b>\$ 94,310,973</b>

There is \$18,959,495 available in the General Debt Service Fund to service general long-term debt. General bonded debt per capita amounted to \$382 based on the 1990 federal census. Total debt per capita including bonds, notes, capital leases, and other loans amounted to \$1,236 based on the 1990 federal census.

#### Discretely Presented Montgomery County School Department

The following is a summary of changes in liabilities included in the discretely presented Montgomery County School Department's general long-term debt for the year ended June 30, 1999:

	Notes	Capital Leases	Accrued Leave
Balance, July 1, 1998	\$ 1,830,823	\$ 0	\$ 424,456
Additions	750,000	571,945	49,208
Deductions	(762,710)	0	0
Balance, June 30, 1999	<u>\$ 1,818,113</u>	<u>\$ 571,945</u>	<u>\$ 473,664</u>

The annual requirements to amortize all notes outstanding as of June 30, 1999, including interest payments of \$132,006 are as follows:

Year Ending June 30	Notes
2000	\$ 829,798
2001	628,112
2002	308,893
2003	46,044
2004	46,044
2005-2007	<u>91,228</u>
Total	<u>\$ 1,950,119</u>

**11. REVENUE ANTICIPATION NOTE**

During the period under examination, Montgomery County issued a revenue anticipation note in the amount of \$250,000 to provide temporary operating funds for the Highway/Public Works Fund. This note was retired prior to June 30, 1999, as required by state statutes and therefore has not been reflected in the financial statements of this report.

**12. ADVANCE REFUNDING**

On August 13, 1998, Montgomery County advance refunded a general obligation bond issue with a separate general obligation bond issue. The county issued \$14,864,029 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased, and the liability has been removed from the General Long-Term Debt Account Group. Because of the advance refunding, total debt service payments over the next ten years will be reduced by \$477,270, and an economic gain difference between the present value of the debt service payments of the refunded and refunding bonds) of approximately \$369,727 was obtained.

**13. LITIGATION**

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



**14. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations at the level of control presented in Exhibit F-5 in the Extended School Program Fund.

**15. RISK-FINANCING ACTIVITIES**

Montgomery County, the Montgomery County School Department, the Bi-County Solid Waste Authority, the Montgomery County Nursing Home, and the Montgomery County Emergency Communications District have chosen to establish the Self-Insurance Fund for risks associated with the employees' health insurance plan. The Self-Insurance Fund is accounted for as an Internal Service Fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$125,000 per specific loss and 125% of expected claims. The maximum liability amounted to \$12,823,142 for the year. The county obtained a stop/loss commercial insurance policy to cover claims beyond this liability.

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

	Beginning of Fiscal Year Liability	Current-Year Claims and Estimates	Payments	Balance at Fiscal Year-End
1997-98	\$ 1,948,768	\$ 9,681,081	\$ (9,316,289)	\$ 2,313,560
1998-99	2,313,560	8,443,984	(8,615,477)	2,142,067

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

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

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

	Beginning of Fiscal Year Liability	Current-Year Claims and Estimates	Payments	Balance at Fiscal Year-End
1997-98	\$ 398,480	\$ 350,687	\$ (389,864)	\$ 359,303
1998-99	359,303	552,674	(373,652)	538,325

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

**16. CONTINGENT LIABILITIES**

Montgomery County is contingently liable for certain revenue bonds of the discretely presented Montgomery County Nursing Home. Montgomery County would become liable for these bonds and the interest thereon, in the event of default by the Montgomery County Nursing Home. The principal of these revenue bonds is reflected on the financial statements of the Montgomery County Nursing Home. As of June 30, 1999, future principal requirements were \$1,465,689 less \$47,826 unamortized bond cost, and future interest requirements were \$177,320.

**17. SUBSEQUENT EVENTS**

On July 12, 1999, the Montgomery County Commission approved the issuance of capital outlay notes not to exceed \$225,000 for the purchase of fire equipment.

On August 9, 1999, the Montgomery County Commission approved a lease/purchase of communication equipment for \$237,635.

On September 13, 1999, the Montgomery County Commission approved lease/purchases totaling \$230,587 for a Caterpillar tractor (\$157,587) and an asphalt roller (\$73,000).

Ms. Dorothy T. Hall left the Office of Clerk and Master on January 10, 2000, and was succeeded by Mr. Ed Davis.

Between July 1, 1999 and January 14, 2000, Montgomery County drew \$4,671,337 other loan proceeds of \$4,671,337 from the loan agreement dated November 8, 1996, with the Montgomery County Public Building Authority. See Note 10 for terms of this loan agreement.

**18. CHANGES IN ADMINISTRATION**

Mr. David Dabbs left the Office of Trustee on August 31, 1998, and was succeeded by Ms. Carolyn Bowers effective September 1, 1998.

Mr. Billy Smith left the Office of Sheriff on August 31, 1998, and was succeeded by Mr. Norman Lewis effective September 1, 1998.

**19. LANDFILL CLOSURE/POSTCLOSURE CARE COSTS**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Bi-County Solid Waste Authority, a component unit requiring discrete presentation, will report a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. As was previously noted, the financial statements of the Bi-County Solid Waste Authority were not available in time for inclusion in this report.

**20. RETIREMENT COMMITMENTS**

**Plan Description**

Employees of Montgomery County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

### **Funding Policy**

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll. Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending July 30, 1999, was 9.00 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 ending June 30, 1999, Montgomery County's annual pension cost of \$2,773,969 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the June 30, 1997, actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 5.5 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Montgomery County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The amortization period at June 30, 1997, was 18 years.

#### **Trend Information**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/99	\$ 2,773,969	100%	\$ 0
6/30/98	2,044,683	100	0
6/30/97	1,859,039	100	0

**Required Supplementary Information**  
 Schedule of Funding Progress for Montgomery County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
6/30/97	\$ 42,217	\$ 43,150	\$ 933	97.84%	\$ 23,997	3.89%
6/30/95	32,121	34,003	1,882	94.47	19,000	9.90
6/30/93	26,710	26,710	0	100	15,550	0

**SCHOOL TEACHERS**

**Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

**Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Montgomery County is

established at an actuarially determined rate. The rate for the fiscal year ending June 30, 1999, was 5.47 percent of annual covered payroll. The employer contribution requirement for Montgomery County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 1999, 1998, and 1997, were \$2,853,127, \$1,875,737, and \$2,926,772, respectively, equal to the required contributions for each year.

**MONTGOMERY COUNTY NURSING HOME  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Montgomery County Nursing Home is a component unit of Montgomery County. The nursing home operates under the direct supervision of the administrator who is employed by Montgomery County Commission with the advice of the nursing home Committee of the Commission. The governing body of the nursing home is appointed by Montgomery County's Board of County Commissioners. The nursing home, a 120-bed facility, provides long- and short-term medical care for residents of Montgomery County. Patient charges provide the majority of the revenues. Before the issuance of any debt instruments the nursing home must obtain the approval of the County Commission. Accounting, budgeting, and purchasing for the funds is provided for by a central system administered by the county executive. These funds were maintained in the Offices of Central Accounting and Purchasing under the supervision of the director of accounts and budgets and the purchasing agent.

The accounting policies of the nursing home conform to generally accepted accounting principles as applicable to governmental organizations.

The following is a summary of the more significant policies:

**A. The Reporting Entity**

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

**B. Basis of Accounting**

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

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

C. Property, Plant, and Equipment

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

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

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

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

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

During the year ended June 30, 1995, the nursing home established a record of fixed assets based on the county's capitalization process. Since county policy differs from that used by the nursing home for Medicaid cost reporting purposes, auditor adjustments were necessary.

D. Inventories

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

The nursing home performs its own food service. The inventory amount for kitchen food and supplies is not included in these financial statements.

E. Accrued Compensated Absences

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

F. Contributed Capital

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



G. Patient Trust Fund

At the option of the patient and family, authorization may be given to the administrator of the nursing home to make deposits and disbursements on behalf of the patient for personal items. Small disbursements are charged to the nursing home. These are recapped on a monthly basis and a transfer is made at the end of every quarter from the patients' trust fund to the operating fund. Large disbursements are paid from the trust fund directly to the vendor. The patients' trust funds are maintained and reported on the accrual basis of accounting. Interest earned on patient trust funds is allocated to patient accounts in proportion to their account balances.

H. Tax Status

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

I. Cash and Cash Equivalents

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

J. Election in Accordance with GASB 20

The nursing home has elected as a proprietary fund to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

K. Fund Equity

Retained earnings equity represents the accumulated earnings. Reserved retained earnings represent the segregation of a portion of retained earnings.

L. 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.

M. Prepaid Expenses

Prepaid expenses include expenditures made for insurance, dues, or similar services which will extend over more than the current accounting period.

N. Other Significant Accounting Policies

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

2. CASH ON HAND AND CASH DEPOSITS

Cash on Hand

A petty cash operating fund of \$100 is maintained for small miscellaneous disbursements.

Cash Deposits

At June 30, 1999, the carrying amount of the nursing home's deposits was \$1,806,374 and the bank balance was \$1,961,198. The nursing home has a money market investment account for patient trust deposits with First Union Bank for \$12,581. At June 30, 1999, \$1,791,590 of the total balance on deposit with the trustee was held in a money market account at Heritage Bank. The remaining \$157,027 was held as cash in banks at First Union National Bank and Nations Bank. Amounts at these banks which exceed FDIC insurance limits are further insured by securities set aside as collateral and pledged to the State Treasurer of The State of Tennessee, as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

Nursing home deposits are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes deposits that are insured or collateralized with securities held by the nursing home or by its agent in the nursing home's name. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the nursing home's name. Category 3 includes deposits that are uncollateralized and includes any deposit that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the nursing home's name.

	<u>Category</u>	
	<u>1</u>	<u>Total</u>
State Bank Collateral Pool	\$ 1,748,617	\$ 1,748,617
FDIC Insurance	212,581	212,581
Total	<u>\$ 1,961,198</u>	<u>\$ 1,961,198</u>

**3. SCHEDULE OF CHANGES IN PROPERTY, PLANTS, AND EQUIPMENT**

	Balance July 1, 1998	Additions	Balance June 30, 1999
Land	\$ 82,017	\$ -	\$ 82,017
Land Improvements	-	-	-
Buildings	3,036,628	12,680	3,049,308
Machinery and Equipment	139,224	-	139,224
Movable Equipment	304,445	27,520	331,965
Motor Vehicles	32,482	-	32,482
<b>Total</b>	<b>\$ 3,594,796</b>	<b>\$ 40,200</b>	<b>\$ 3,634,996</b>

**4. RETIREMENT COMMITMENTS**

During the fiscal year ended June 30, 1998, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 27, Accounting for Pensions by State and Local Governments in conformity with generally accepted accounting principles.

In accordance with GASB Statement No. 27, at transition it was determined that a pension liability or asset does not exist for the county's plan.

**A. Plan Description**

Employees of Montgomery County Nursing Home 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 statutes 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, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-7063.

B. Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 1998, was 7.75 percent of annual covered payroll. The contribution requirements of plan members are set by state statute. The contributions requirement for Montgomery County is established and may be amended by the TCRS Board of Trustees.

The Montgomery County Nursing Home contributions to the TCRS for 1999 were \$125,993.

C. Annual Pension Cost and Actuarial Information

The annual pension cost and actuarial information for the nursing home is not available separately. Further information regarding the retirement plan is included in the Montgomery County Comprehensive Annual Financial Report.

5. LONG-TERM FINANCING OF FACILITY AND DEFERRED CHARGE

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

The change in bonds payable is as follows:

	<u>1999</u>
Bonds payable balance, beginning of year	\$ 1,360,793
Principal payment during year	<u>(215,104)</u>
Bond payable balance, end of year	<u>\$ 1,145,689</u>

Future debt service requirements are as follows:

Year Ended June 30	Principal	Interest	Combined Total	Bond Cost Amortization
2000	\$ 224,285	\$ 58,943	\$ 283,228	\$ 11,956
2001	235,434	48,065	283,499	11,956
2002	245,927	36,294	282,221	11,956
2003	257,075	23,505	280,580	11,958
2004	182,968	10,513	193,481	-
	<u>\$ 1,145,689</u>	<u>\$ 177,320</u>	<u>\$ 1,323,009</u>	<u>\$ 47,826</u>

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

The fair value of Montgomery County Nursing Home's bond payable at June 30, 1999, is estimated to be the principal amount outstanding at that date, \$1,145,689.

#### 6. RESERVED RETAINED EARNINGS

The interest earned on patients' trust funds during the fiscal year ended June 30, 1990 and previous years was transferred to the nursing home and used for patient activities in accordance with state law. The amount of retained earnings reserved for patient activities of \$67 at June 30, 1999, represents the unexpended balance of these funds.

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

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

#### 7. SCHEDULE OF CHANGES IN CONTRIBUTED CAPITAL

Source	Balance July 1, 1998	Additions	Retirements	Balance June 30, 1999
Montgomery County	\$ 971,644	\$ 0	\$ 0	\$ 971,644
Civic Organizations	15,272	0	0	15,272
Other	34,664	0	0	34,664
Total	<u>\$ 1,021,580</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,021,580</u>

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

8. **RELATED PARTIES**

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

9. **ROOM CHARGES**

Room and board charges in effect at year-end were as follows:

	<u>Year Ended</u> <u>June 30, 1999</u>
Medicaid	\$ 77.80
Private Pay Patient - Semi Private Room	82.80
Private Pay Patient - Private Room	87.80

10. **YEAR 2000 ISSUE**

The nursing home is addressing the potential impact of the Year 2000 (Y2K) on the processing of date-dependent information by computerized accounting and information systems, as well as on any other electronic equipment dependent on microchip technology. The Y2K issue results from computer programs using two digits (rather than four) to define a year, which may cause the programs to process data inaccurately or to stop processing data entirely. The nursing home is in the remediation stage of compliance. It is estimated that the cost to complete Y2K conversion will not have a material impact on the nursing home's financial operations. The nursing home plans to devote the necessary resources to resolve all remaining Y2K issues in a timely manner.

11. **CLAIM SETTLEMENT**

For the year ended June 30, 1998, the settlement of a claim with a previous employee against Montgomery County Nursing Home was paid from operating funds. The settlement was agreed to by both parties, and the matter was closed.

12. **SUBSEQUENT EVENTS**

Effective July 1, 1999, the daily room and board charges became \$76.09 for Medicaid patients, \$87.00 for private-pay patients in a semi-private room, and \$92.00 for private-pay patients in a private room.

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

13. **SIGNIFICANT CONTINGENT LIABILITIES**

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

**14. RISK OF LOSS**

Montgomery County Nursing Home, 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. Further information regarding the Self-Insurance Fund is included in the Montgomery County audited financial statements. The nursing home carries commercial insurance for all other risks of loss. Settled claims from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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**STATISTICAL SECTION**

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Table 1

Montgomery County, Tennessee  
Uncollected Taxes Filed in Circuit Court  
June 30, 1999

<u>Year</u>	<u>Amount</u>
1988	\$ 536
1989	1,117
1990	1,117
1991	68
1992	989
1994	3,895
1995	7,835
1996	28,211
1997	<u>205,418</u>
Total	<u>\$ 249,186</u>

Table 2

Montgomery County, Tennessee  
 Tax Rates and Assessments  
 Last Ten Years

Fund	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
General	1.01 \$	0.66 \$	0.48 \$	0.48 \$	0.54 \$	0.58 \$	0.83 \$	0.77 \$	0.70 \$	0.70
Highway/Public Works	0.33	0.33	0.19	0.19	0.19	0.18	0.19	0.19	0.17	0.17
General Purpose School	1.38	1.71	0.96	0.89	0.96	0.95	1.03	1.03	0.83	0.88
General Debt Service	1.43	1.45	1.10	1.17	1.04	1.02	1.35	1.41	1.60	1.55
Total Tax Rate	4.15 \$	4.15 \$	2.73 \$	2.73 \$	2.73 \$	2.73 \$	3.40 \$	3.40 \$	3.30 \$	3.30
Assessed Valuations										
Real and Personal	\$ 362,139,653	\$ 389,349,085	\$ 714,846,518	\$ 732,081,483	\$ 769,577,280	\$ 804,850,764	\$ 871,935,985	\$ 923,957,928	\$ 1,222,762,610	\$ 1,253,225,750
Public Utilities	26,720,395	27,454,326	41,146,555	41,868,799	41,991,355	42,396,841	44,541,729	42,491,220	45,831,956	49,568,524
Total Assessed Valuation	\$ 388,860,048	\$ 416,803,411	\$ 755,993,073	\$ 773,950,282	\$ 811,568,635	\$ 847,247,605	\$ 916,477,714	\$ 966,449,148	\$ 1,268,594,566	\$ 1,302,794,274

**APPENDIX D**

Municipal Bond Insurance Policy Specimen

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Financial Guaranty Insurance Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001

A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

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

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

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

Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Municipal Bond New Issue Insurance Policy

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

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

**President**

**Effective Date:**

**Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**Authorized Officer**



Financial Guaranty Insurance  
Company  
115 Broadway  
New York, NY 10006  
(212) 312-3000  
(800) 352-0001



A GE Capital Company

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## Endorsement To Financial Guaranty Insurance Company Insurance Policy

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Policy Number:

Control Number: 0010001

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

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

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

President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer

State Street Bank and Trust Company, N.A., as Fiscal Agent

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation

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