NEW ISSUE
Book-Entry-Only

Rating: Standard & Poor's – "AA+"
(See MISCELLANEOUS-Rating)

OFFICIAL STATEMENT

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

$18,060,000
MONTGOMERY COUNTY, TENNESSEE
General Obligation School Bonds, Series 2015

Dated: May 15, 2015 Due: April 1 (as shown below)

The $18,060,000 General Obligation School Bonds, Series 2015 (the "Bonds") are issuable in fully registered form in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on October 1, 2015 and thereafter on each April 1 and October 1 by check or draft mailed to the owners thereof as shown on the books and records of U.S. Bank National Association, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing April 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after April 1, 2023.

Due (April 1)	Amount	Interest Rate	Yield		CUSIP**	Due (April 1)	Amount	Interest Rate	Yield		CUSIP**
2016	$ 100,000	2.00%	0.25%		613664 7C9	2026	$ 1,150,000	4.00%	2.30%	c	613664 7N5
2017	100,000	2.00	0.60		613664 7D7	2027	1,175,000	3.00	2.65	c	613664 7P0
2018	100,000	2.00	0.90		613664 7E5	2028	1,200,000	3.00	2.85	c	613664 7Q8
2019	100,000	4.00	1.15		613664 7F2	2029	1,225,000	3.00	3.05		613664 7R6
2020	100,000	4.00	1.32		613664 7G0	2030	1,275,000	3.25	3.05	c	613664 7S4
2021	100,000	4.00	1.47		613664 7H8	2031	1,325,000	3.25	3.11	c	613664 7T2
2022	1,050,000	5.00	1.68		613664 7J4	2032	1,375,000	3.375	3.16	c	613664 7U9
2023	1,075,000	5.00	1.85		613664 7K1	2033	1,400,000	3.50	3.20	c	613664 7V7
2024	1,100,000	4.00	2.00	c	613664 7L9	2034	1,475,000	3.50	3.24	c	613664 7W5
2025	1,125,000	4.00	2.15	c	613664 7M7	2035	1,510,000	3.50	3.27	c	613664 7X3

c = Yield to call on April 1, 2023.

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

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the County by Tim Harvey, Esq., counsel to the County. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York, on or about May 15, 2015.

Cumberland Securities Company, Inc.
Financial Advisor

April 15, 2015

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Financial Advisor or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

MONTGOMERY COUNTY, TENNESSEE

OFFICIALS

County Mayor	Jim Durrett
County Clerk	Kellie Jackson
Director of Accounts and Budgets	Jeff Taylor
Director of Schools	BJ Worthington
Assessor of Property	Erinne Hester
County Trustee	Brenda Radford
County Attorney	Tim Harvey

BOARD OF COUNTY COMMISSIONERS

Jerry Allbert
Ed Baggett
Martha Brockman
Brandon Butts
Joe Creek
John M. Gannon
Robert Gibbs
John Genis
Monroe Gildersleeve
David Harper
Arnold Hodges
Jason A. Hodges
Garland Johnson
Charles Keene
Robert G. Nichols
Wallace Redd
Mark Riggins
Larry Rocconi
Ron Sokol
Audrey Tooley
Tommy Vallejos

UNDERWRITER

Citigroup Global Markets Inc.
Dallas, Texas

REGISTRATION AND PAYING AGENT

U.S. Bank National Association
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer	Montgomery County, Tennessee (the "County" or "Issuer"). See the section entitled "Supplemental Information Statement" for more information.
Securities Offered	$18,060,000 General Obligation School Bonds, Series 2015 (the "Bonds") of the County, dated May 15, 2015. The Bonds will mature each April 1 beginning April 1, 2016 through April 1, 2035, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".
Security	The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the County. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the County are irrevocably pledged.
Purpose	The Bonds are being issued for the purposes of providing funds for the (A) (i) purchase of property for school purposes and the design, construction, acquisition, renovation, repair, improvement and equipping of schools and related facilities; (ii) acquisition of all property real and personal, appurtenant thereto, or connected with such projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto (collectively, the "Projects"); and (B) payment of costs incident to the issuance and sale of such Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after April 1, 2023, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the County, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer, and estate taxes and Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)
Rating	Standard & Poor's: "AA+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Underwriter	Citigroup Global Markets Inc., Dallas, Texas.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled MISCELLANEOUS - Financial Advisor, herein.
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee.

Book-Entry Only	The Bonds will be issued under the Book-Entry System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION - Book-Entry System"
Registration Agent	U.S. Bank National Association, Nashville, Tennessee.
General	The Bonds are being issued in full compliance with applicable provisions of Title 49, Chapter 3, *Tennessee Code Annotated*, as supplemented and revised. See "SECURITIES OFFERED" herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.
Disclosure	In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended, the County will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State information depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."
Other Information	The information in this *Official Statement* is deemed "final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission as of the date which appears on the cover hereof. For more information concerning the County or this *Official Statement* contact The Honorable Jim Durrett, County Mayor, One Millennium Plaza, Suite 205, Clarksville, Tennessee 37040, Telephone: (931) 648-5787, or the County's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, telephone: (865) 988-2663.

GENERAL FUND BALANCES
Summary of Changes In Fund Balances
For the Fiscal Year Ended June 30

	2010	**2011**	**2012**	**2013**	**2014**
Beginning Fund Balance	$19,861,355	$22,149,410	$22,060,717	$23,227,185	$23,737,681
Revenues	57,576,141	57,379,601	61,029,560	61,725,872	61,998,068
Expenditures	55,178,163	57,451,428	59,796,907	61,043,583	64,991,602
Excess (Deficiency) of Revenues Over Expenditures	2,397,978	(71,827)	1,232,653	682,292	(2,993,534)
Insurance Recovery	16,028	15,501	32,343	10,251	27,115
Transfers In	-	-	18,000	-	-
Transfers Out	(125,951)	(32,367)	(116,528)	(84,788)	(92,223)
Ending Fund Balance	**$22,149,410**	**$22,060,717**	**$23,227,185**	**$23,737,681**	**$20,679,039**

Source: Comprehensive Annual Financial Reports of the County.

$18,060,000
MONTGOMERY COUNTY, TENNESSEE
General Obligation School Bonds, Series 2015

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This *Official Statement*, which includes the Summary Statement and appendices, is furnished in connection with the offering by Montgomery County, Tennessee (the "County" or "Issuer") of $18,060,000 General Obligation School Bonds, Series 2015 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 49, Chapter 3, *Tennessee Code Annotated*, as supplemented and amended, and other applicable provisions of law and pursuant to the bond resolution (the "Resolution") duly adopted by the County Commission of the County on April 14, 2014, as amended on February 9, 2015.

The Bonds are being issued for the purposes of providing funds for the A) (i) purchases of property for school purposes and the design, construction, acquisition, renovation, repair, improvement and equipping of schools and related facilities; (ii) acquisition of all property real and personal, appurtenant thereto, or connected with such projects; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident thereto (collectively, the "Projects"); and (B) payment of costs incident to the issuance and sale of such Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from May 15, 2015. Interest on the Bonds will be payable semi-annually on April 1 and October 1, commencing October 1, 2015. The Bonds are issuable in book-entry only form in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

SECURITY

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

The County through its governing body, shall annually levy and collect a tax on all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the County and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected.

The Bonds will not be obligations of the State of Tennessee.

OPTIONAL REDEMPTION OF THE BONDS

Bonds maturing on April 1, 2024 and thereafter shall be subject to optional redemption prior to maturity at the option of the County on April 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds 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. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

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

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

NOTICE OF REDEMPTION

Notice of call for redemption shall be given by the Registration Agent on behalf of the County not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the County nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the County pursuant to written instructions from an authorized representative of the County (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the County to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Registration Agent.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, U.S. Bank National Association, Nashville, Tennessee, its successor or the County will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the "Book-Entry-Only System"). One fully-registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

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

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Issuer determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

ESTIMATED SOURCES AND USES OF FUNDS

The tables on the following pages set forth the estimated sources and uses of funds in connection with the issuance of the Bonds.

Sources:	
Principal amount of the Bonds	$18,060,000.00
Original issue premium / discount	$ 1,132,244.05
Total Sources	$19,192,244.05
Uses:	
Deposit to the Construction Fund	$19,026,941.10
Cost of Issuance	$ 90,096.00
Underwriter's Discount	$ 75,206.95
Total Uses:	$19,192,244.05

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the County as follows:

The proceeds of the sale of the Bonds shall be paid to the County Trustee to be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar or successor federal agency in a special fund known as the General Obligation School Bond Fund (the "School Bond Fund"), or such other designation as shall be determined by the County Mayor to be kept separate and apart from all other funds of the County. The funds in the School Bond Fund shall be disbursed solely to pay the costs of the Project, including necessary legal, accounting, engineering, architectural and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, bond insurance premiums (if any) and other necessary miscellaneous expenses incurred in connection with the Project, and the costs of issuance and sale of the Bonds. Moneys in the School Bond

Fund shall be invested as directed by the County Trustee in such investments as shall be permitted by applicable law and the earnings thereon may, upon recommendation of the County School Board, and at the direction of the County Mayor, either be retained in the School Bond Fund to the extent needed to reimburse the School Bond Fund for any Project costs or costs of issuance paid related to the issuance of the Bonds or be deposited to the appropriate debt service fund to pay debt service on the Bonds. Any funds remaining in the School Bond Fund after completion of the Project shall be deposited to the appropriate debt service fund to be used to pay debt service on the Bonds.

DISCHARGE AND SATISFACTION OF BONDS

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice);

(c) By delivering such Bonds to the Registration Agent for cancellation by it;

and if the County shall also pay or cause to be paid all other sums payable hereunder by the County with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the County to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the County shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the County as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the County, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the County, including, but not limited to, the right to require the County to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the County to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the County, including claims in litigation, which, in the opinion of the County, would materially affect the County's financial position as it relates to its ability to make payments on the Bonds. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the County to sell or issue the Bonds. See the subsection entitled "Closing Certificates" for additional information.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the County and assuming compliance by the County with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986 (the "Code"),
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation for purpose of the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the County must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the County does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The County has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the

Bonds or affect the market price of the Bonds. See also "Proposed Legislation and Other Matters" below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the County will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the County Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the County since the date of the *Official Statement,* in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the County Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the County Mayor and County Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the County concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled "MISCELLANEOUS – "Competitive Public Sale", "Additional Information" and "Continuing Disclosure."

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MISCELLANEOUS

RATING

Standard & Poor's ("S&P") has given the Bonds the rating of "AA+".

There is no assurance that such rating will continue for any given period of time or that the rating may not be suspended, lowered or withdrawn entirely by S&P, if circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and rating, liquidity, and market value of outstanding debt obligations, including the Bonds.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on April 15, 2015. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* dated April 6, 2015.

The successful bidder for the Bonds was an account led by Citigroup Global Markets Inc., Dallas, Texas (the "Underwriters") who contracted with the County, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $19,117,037.10 (consisting of the par amount of the Bonds, plus a net reoffering premium of $1,132,244.05 and less an underwriter's discount of $75,206.95) or 105.853% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee has been employed by the County to serve as its Financial Advisor. The Financial Advisor is an independently owned financial advisory firm.

U.S. Bank National Association. U.S. Bank National Association (the "Bank") provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the County in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statement. Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the County and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the County and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company, Inc.'s role as serving as the County's Dissemination Agent. If the County chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

ADDITIONAL DEBT

The County has authorized the issuance of $2,208,900 of Bond Anticipation Notes for improvements to the Veterans Plaza and equipment purchase for the Bi-County Solid Waste Management System. Additionally, the County has other ongoing capital needs that may or may not require the issuance of additional debt.

DEBT LIMITATIONS

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the County uses the statutory authority granted therein to issue bonds. (see "DEBT STRUCTURE - Indebtedness and Debt Ratios" for additional information.)

DEBT RECORD

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

POTENTIAL MILITARY EMPLOYMENT IMPACT

Fort Campbell Army Military Base. As of early 2015, Fort Campbell has about 31,092 in military employees, 65,220 in military retirees and about 8,355 in civilian employees. In 2014 the Army announced plans to reduce its across-the-board troop strength. This could mean that Fort Campbell might lose about half its personnel by 2020, bringing the post to only 16,281 soldiers and civilians.

In 2011 Fort Campbell had 32,000 active duty-soldiers. Since then 5,600 positions have already been cut, resulting in a current fort-related population of 89,500 (26,400 active-duty military and 53,100 family members). In a worst-case scenario, by 2020 Fort Campbell could be reduced by another 10,000 positions. The net regional population loss since 2011 would be 40,288, or 14 percent (16,000 soldiers and 24,288 spouses and children). This loss would have significant negative impacts to employment, income, tax receipts, housing values, and schools across the Clarksville MSA. Wage income is estimated to fall by $968.6 million, a 7.7% decrease from 2012 and amounting to a nearly $1 billion-per-year hit to the area economic impact.

The Army has not formally announced the official impact of the reduction to Fort Campbell as of early 2015, but the announcement is expected to be made soon.

CONTINUING DISCLOSURE

The County will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the County by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2015 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the County. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the County with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of 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").

Five-Year History of Filing. While it is believed that all appropriate filings were made with respect to the ratings of County's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transactions were made or made in a timely manner as required by SEC Rule 15c2-2. The County did not file a separate material event notice relative to the Moody's Investors Service recalibration in April 2010 of certain long-term municipal ratings to make municipal ratings more comparable to the ratings of corporate obligations. This recalibration changed the rating on the County's bonds from Aa3 to Aa2. The recalibrations were widely reported in the national news and did not reflect a change in Moody's assessment of the County's creditworthiness. With the exception of the foregoing, for the past five years, the County has complied in all material respects with its existing continuing disclosure agreements in accordance with SEC Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-10;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-11 and B-12;

3. Information about the Bonded Debt Service Requirements – General Fund and General Debt Service Fund as of the end of such fiscal year as show on page B-13;

4. The fund balances and retained earnings for the fiscal year as shown on page B-14;

5. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-15;

6. The estimated assessed value of property in the County for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-17;

8. Property tax rates and tax collections of the County for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-18; and

9. The ten largest taxpayers as shown on page B-18.

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

Reporting of Significant Events. The County will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the County shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the County shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

    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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

    g. Modifications to rights of Bondholders, if material;

    h. Bond calls, if material, and tender offers;

    i. Defeasances;

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

    k. Rating changes;

    l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized Bond Counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

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

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

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in this Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, 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 or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the County and the purchasers of any of the Bonds. Any statements or information printed in this PRELIMINARY OFFICIAL STATEMENT or the OFFICIAL STATEMENT, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

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

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CERTIFICATION OF ISSUER

On behalf of the County, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Jim Durrett
County Mayor

ATTEST:

/s/ Kellie Jackson
County Clerk

APPENDIX A

LEGAL OPINION

(Proposed Form of Opinion of Bond Counsel)

BASS, BERRY & SIMS PLC
150 Third Avenue South, Suite 2800
Nashville, TN 37201

(Closing Date)

Ladies and Gentlemen:

We have acted as bond counsel to Montgomery County, Tennessee (the "Issuer") in connection with the issuance of $18,060,000 General Obligation School Bonds, Series 2015, dated May 15, 2015 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

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

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

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

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

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

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

Very truly yours,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Montgomery County (the "County") lies in the central portion of the State of Tennessee. The City of Clarksville (the "City") serves as the county seat. Approximate land area of the County measures 539 square miles. The County is bordered to the north by the Kentucky State Line. Robertson and Cheatham Counties provide the County's eastern border, while Dickson and Houston Counties makes up the County's southern border. To the west, the County is bordered by Stewart County. The City is located 45 miles southeast of Nashville. The population according to the 2010 U.S. Census for the County was 172,331 and the City was 132,929.

GENERAL

The County is part of the Clarksville, TN-KY Metropolitan Statistical Area (the "MSA"), which includes Montgomery and Stewart Counties with a Hopkinsville, Kentucky Portion. According to the 2010 US Census the MSA had a population of 268,838. The County is the seventh largest county in the state and the regional hub for seven counties in Tennessee and Kentucky.

Fort Campbell Army Military Base lies along the Tennessee - Kentucky line and has about 85% of the base being located in the County. It is by far the largest employer in the area with a large number of the employees residing in the County. The site includes 106,700 acres located in four counties - Montgomery and Stewart in Tennessee and Christian and Trigg in Kentucky. The base is one of the largest in the world.

Fort Campbell is home to the only Air Assault Division in the world, the 101st Airborne Division. It is also the home of two prestigious Special Operations Command units, the 5th Special Forces Group and the 160th Special Operations Aviation Regiment. Fort Campbell provides training and mobilization support for numerous Army National Guard and Army Reserve units. Fort Campbell is an Army installation that supports active and reserve component units, Army civilians, Army families, retirees and veterans. Constructed in 1941, Fort Campbell supports the fifth largest military population in the Army and the seventh largest in the Department of Defense. (See "RECENT DEVELOPMENTS" herein for information regarding potential significant Base reduction.)

TRANSPORTATION

Transportation for the County is provided by a variety of sources. The County is served by Interstate 24, U.S. Highways 79 and 41A, and State Highways 12, 13, 48, 76, 112, 149, 374, 236 and 237. Fifty-one motor freight carriers maintain routes throughout the County. R.J. Corman Railroad (shortline) and CSX Transportation (mainline) provide the County's rail services. The nearest port facility is 45 miles away in Nashville on the Cumberland River.

Private air service is provided by the Clarksville Regional Airport about 8 miles from Clarksville which has a 6,000 foot runway and a 4,004 foot runway (see "RECENT

DEVELOPMENTS" for information on a new expansion). The closest full-service commercial airport is located 55 miles away at the Nashville International Airport.

EDUCATION

Public School System. The *Montgomery County School System* serves the County with thirty-eight total schools, which include twenty-three elementary schools, seven middle schools and six high schools (see 'RECENT DEVELOPMENTS' for more information on new school construction). The fall 2013 enrollment was 31,297 students with 2,031 teachers. Austin Peay State University also operates the Middle College within the school system, which helps engage students who find it difficult in traditional high school programs.

Source: Tennessee Department of Education.

Private Schools. There are five private schools in the County that offer a choice for parents seeking an alternative to the traditional public school system: *Clarksville Academy*, *Clarksville Christian School*, *Immaculate Conception School*, *Montgomery Christian Academy* and *Tabernacle Christian School*.

Higher Education. There are several places of higher education located within the County. In addition to the colleges listed below, there is also the *Daymar Institute - Clarksville, Miller-Motte Technical College - Clarksville, North Central Institute*, *Tennessee Rehabilitation Center* and *Troy University – Clarksville* all located in Clarksville.

Austin Peay State University is located in Clarksville, Tennessee, on an 180-year-old campus. The campus has 80 buildings on 168 acres and has held five colleges in its history. Austin Peay, founded in 1927 in Montgomery County, is named after former Tennessee Governor Austin Peay, a Clarksville native. The school is a four-year public, masters level university offering over 57 majors and 91 different concentrations. APSU is the fastest-growing university in Tennessee, with a 30 percent enrollment increase since 2000. The fall 2013 enrollment was 10,449 students. There is an Army Education Center at the Fort Campbell Army Base outside of Clarksville that serves the military community through complete academic programs.

Source: Austin Peay State University.

Bethel College is a private, four-year liberal arts institution founded by the Cumberland Presbyterian Church. Bethel was founded in 1842 and the 100-acre campus is located in McKenzie, Tennessee. Bethel University is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate, baccalaureate, and master's degrees. The fall 2013 enrollment was 5,825. There are satellite campuses located in Jackson, Clarksville, Nashville, Chattanooga, Memphis and Paris.

Source: Bethel College.

Nashville State Technical Community College Clarksville Campus is located in Nashville, Tennessee and was founded in 1970. Fall 2013 enrollment was 10,163. Nashville State shares a 109 acre campus with the Tennessee Technology Center at Nashville. The Nashville State facilities include 239,000 square feet of space for classrooms, labs, offices, student services, and a library. Nashville State offers 49 degree programs and 12 certificate programs. In addition, Nashville State offers continuing education courses ranging from technical skills to management training and programs providing training in such areas as computer-aided drafting and office technology. The College serves an area comprised of Davidson, Putnam, Cheatham, Dickson, Houston, Humphreys, Montgomery and Stewart Counties, and the Upper Cumberland region. There are five satellite campuses: Clarksville, Cookeville, Humphreys County, Dickson and Southeast Nashville.

Source: Nashville State Community College.

The Tennessee Technology Center at Dickson Clarksville Campus is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Dickson serves the south central region of the state including Dickson, Montgomery, Williamson, Houston and Humphreys Counties. The Technology Center at Dickson began operations in 1968, and the main campus is located in Dickson County. Fall 2012 enrollment was 915 students. There are three satellite campuses located in Clarksville, Franklin and Waverly, Tennessee

Source: Tennessee Technology Center at Dickson.

MEDICAL FACILITIES

Gateway Medical Center. Located in Clarksville, Tennessee, Gateway is a fully accredited 270-bed, acute care facility offering a range of services including emergency, cardiology, cancer care, surgery, pediatrics, neonatal intensive care, and rehabilitation. About 150 physicians support the community with over 30 specialties and sub-specialties. Gateway is afflicted with Community Health Systems (the “CHS”) which is one of the nation's leading operators of general acute care hospitals based in Brentwood, TN. The organization's affiliates own, operate or lease more than 110 hospitals in 28 states, with an aggregate of more than 17,000 licensed beds. There are eleven CHS hospitals in Tennessee.

Source: Community Health Systems.

MANUFACTURING AND COMMERCE

Aspire Clarksville Foundation. Aspire Clarksville was developed by area leaders as a focused economic development effort to recruit new businesses and work closely with existing businesses to meet current and future expansion needs. The Internal Revenue Service officially granted the Foundation its 501(c)(3) designation, which has enabled the Foundation to be considered for grants that it would not have otherwise been able to apply for.

Industrial Development Parks. There are two main industrial development parks within the County. The newest park is Montgomery County's Corporate Business Park North. It has 833 acres available for development that was from a 2014 land donation by Hemlock Semiconductor. Clarksville-Montgomery County Corporate Business Park South is certified “Deal Ready” on about 840 acres. The entrance less than one-half mile from Interstate 24 and fully served by industrial quality electric, natural gas, water, and wastewater infrastructure. The new Hankook Tire facility is currently under construction at site. See “RECENT DEVELOPMENTS” for more information on the facilities at the parks.

Fort Campbell Army Military Base. Of all four counties surrounding the base in both states, Montgomery County receives the most of the economic impact of Fort Campbell's approximately an annual payroll of over $4 billion, as reported by the Garrison Resource Management Office for fiscal year 2012. Fort Campbell is a city within itself, having six elementary schools, two middle schools, and one high school with a total enrollment of over 5,000 students. The Base also has a bowling alley, PX Mall, horseback riding, commissary, pools and a library. Blanchfield Army Community Hospital is a 66 bed facility and provides health care for the soldiers, eligible retirees and their family members at the Base. (See "RECENT DEVELOPMENTS" herein for information regarding potential significant Base reduction.)

The following is a list of the major employers in the County:

Major Employers in Montgomery County

Company	Product	Employment
Fort Campbell Military Base	Military	104,667
Montgomery County School System	Education	3,900
Wal-Mart Supercenter	Retail	1,363
Gateway Medical Center	Healthcare	1,165
Trane US, Inc.	Air Conditioning/Heating Units	1,000
City of Clarksville	Government	989
Montgomery County Government	Government	921
Austin Peay State University	Education	900
Convergys Corp.	Contact Center	800
Akebono Brake System	Anti-Lock Brake Systems	500
Agero	Call Center	460
Bridgestone Metalpha USA,Inc.	Steel Cord	400
Letica Corporation	Plastic Cups	400
Jostens, Print & Publish Div.	Yearbooks/Commercial Printing	400
Hendrickson Trailer Suspension Sys.	Tractor Trailer Air-ride	320
Progressive Directions, Inc.	Mental Health Services	300
Florim USA	Ceramic/Porcelain Tile	287
Premier Medical Group	Healthcare	275
Lowe's	Retail	250
Nyrstar.	Zinc refining	242
F&M Bank	Bank	231
Cumberland Electric Membership Corp.	Public Utility	225
Spear USA	Metalized Paper Labels	193
Centerstone	Behavioral Health Services	184

Company	Product	Employment
Sam's Club	Retail	170
Jenkins & Wynne	Retail	165
Beach Oil Company	Oil and Gas	150
Spring Meadows Health Center	Healthcare	150
Hollingsworth Oil	Petroleum	145
CDE Lightband	Public Utility	140
YMCA	Gym	140
Fort Campbell Credit Union	Bank	140
Gary Mathews Motors	Retail	138
Wyatt-Johnson, Inc.	Retail	137
Rivers End South	Knit/Woven Apparel	125
Nia Association	Community Support	115
Orgain Building Supply Co.	Wooden trusses	115
Clarksville Academy	Education	100
MW/MB LLC	Fiberglass Strands	100

Source: The Leaf-Chronicle 2014, Clarksville Area Chamber of Commerce 2013 Manufacturers Index and the Clarksville Montgomery County Industrial Development Board 2014.

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EMPLOYMENT INFORMATION

For the month of February 2015, the unemployment rate for Montgomery County stood at 6.2% with 72,070 persons employed out of a labor force of 76,870. The Clarksville, TN-KY MSA's unemployment for February 2015 was at 6.2% with 101,680 persons employed out of a labor force of 108,410.

Unemployment

	Annual Average **2010**	Annual Average **2011**	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**
National	9.6%	8.9%	8.1%	7.4%	6.2%
Tennessee	9.7%	9.2%	8.0%	8.2%	6.7%
Montgomery County	**9.1%**	**9.2%**	**7.8%**	**8.1%**	**6.7%**
Index vs. National	95	103	96	109	108
Index vs. State	94	100	98	99	100
Clarksville, TN-KY MSA	**10.0%**	**9.9%**	**8.5%**	**8.9%**	**6.9%**
Index vs. National	104	111	105	120	111
Index vs. State	103	108	106	109	103

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

ECONOMIC DATA

Per Capita Personal Income

	2009	**2010**	**2011**	**2012**	**2013**
National	$39,379	$40,144	$42,332	$44,200	$44,765
Tennessee	$34,439	$35,426	$37,151	$39,002	$39,558
Montgomery County	**$38,447**	**$39,834**	**$42,539**	**$41,460**	**$41,695**
Index vs. National	98	99	100	94	93
Index vs. State	112	112	115	106	105
Clarksville, TN-KY MSA	**$36,469**	**$37,231**	**$39,864**	**$39,172**	**$39,591**
Index vs. National	93	93	94	89	88
Index vs. State	106	105	107	100	100

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

Social and Economic Characteristics

	National	Tennessee	Montgomery County	Clarksville
Median Value Owner Occupied Housing	$176,700	$139,200	$141,800	$135,600
% High School Graduates or Higher Persons 25 Years Old and Older	86.0%	84.4%	90.9%	91.6%
% Persons with Income Below Poverty Level	15.4%	17.6%	16.4%	18.0%
Median Household Income	$53,046	$44,298	$49,617	$47,092

Source: U.S. Census Bureau State & County QuickFacts - 2013.

RECREATION

Clarksville Marina at Liberty Park. In 2014 The Clarksville Marina was added to the Liberty Park in downtown. The Marina features boat slips, boat storage, an extended RiverWalk, an amphitheatre, park amenities, future retail and dining establishments, and two event centers - Freedom Point and the Wilma Rudolph Event Center.

Dunbar Cave State Park. Dunbar Cave is located 60 minutes northwest of Nashville in Montgomery County. Dunbar Cave is the most prominent of several caves located in this designated natural area. In the roomy mouth of the cave, square dances, radio shows, and big band era concerts were once held. This 110-acre natural area in Montgomery County is honeycombed by caves and sinkholes, the most prominent being Dunbar Cave. This 8.1 mile cave has historical, natural, archaeological and geological significance. Excavations revealed that this cave has been occupied by man for thousands of years, drawn by its constant stream flow and natural air conditioning. Angling is a popular activity on beautiful Swan Lake. The lake is fed by the cold, clear stream that flows from the mouth of Dunbar Cave. Since it is only 15-acres in size, boating and swimming are not permitted. There is a Visitors Center, picnic facilities and many hiking trails also in the park.
Source: Tennessee State Parks.

Fort Defiance. Fort Defiance is a well-preserved Civil War outpost that was used by the Confederate Army. The fort overlooks both the Cumberland and Red Rivers and the Interpretive Center offers detailed insight into Clarksville's role in the War Between the States.

Montgomery Bell State Park. Montgomery Bell State Park is located Dickson County. The iron industry in the park has been long silent, but the 3,782 acres that make up Montgomery Bell State Resort Park still show the signs of its presence. The park has a conference style meeting room facilities with a restaurant, lodge, rental cabins, campsites and hiking trails. There is also an 18-hole golf course and three lakes to enjoy. The park is also the site of the first Cumberland Presbyterian Church and the remains of the Old Laurel Furnace.
Source: Tennessee State Parks.

RECENT DEVELOPMENTS

Agero, Inc. In 2014 the driver assistance call and date response center announced plans to increase its employment from 460 to over 500 by the beginning of 2015. Arego invested $8.2 million in its new facility in 2012. These centers provide critical roadside assistance to over 75 million drivers throughout the U.S. Agero is headquartered in Medford, Massachusetts.

Bridgestone Metalpha, U.S.A. In 2011 the Bridgestone Metalpha company completed a $75 million expansion at its plant in the Clarksville-Montgomery County Corporate Business Park South. The expansion provided an additional 45 jobs. This location serves as the US Corporate Headquarters for steel cord production.

Clarksville Regional Airport. The Clarksville Regional Airport completed in late 2014 a $3.2 million improvement project to accommodate business and private planes as well as some Fort Campbell air traffic. The improvements included a completely reconstructed apron area with two new helicopter landing pads, a new tie-down area supporting 55 aircraft and structural improvements to the apron design that expand the airport's service capabilities.

Fort Campbell Army Military Base. As of early 2015, Fort Campbell has about 31,092 in military employees, 65,220 in military retirees and about 8,355 in civilian employees. In 2014 the Army announced plans to reduce its across-the-board troop strength. This could mean that Fort Campbell might lose about half its personnel by 2020, bringing the post to only 16,281 soldiers and civilians.

In 2011 Fort Campbell had 32,000 active duty-soldiers. Since then 5,600 positions have already been cut, resulting in a current fort-related population of 89,500 (26,400 active-duty military and 53,100 family members). In a worst-case scenario, by 2020 Fort Campbell could be reduced by another 10,000 positions. The net regional population loss since 2011 would be 40,288, or 14 percent (16,000 soldiers and 24,288 spouses and children). This loss would have significant negative impacts to employment, income, tax receipts, housing values, and schools across the Clarksville MSA. Wage income is estimated to fall by $968.6 million, a 7.7% decrease from 2012 and amounting to a nearly $1 billion-per-year hit to the area economic impact.

The Army has not formally announced the official impact of the reduction to Fort Campbell as of early 2015, but the announcement is expected to be made soon.

Hankook Tire Co. Ltd. The South Korean-owned company Hankook Company began construction in late 2014 on a new $800 million facility. The 1.5 million-square-foot facility will be located in the Clarksville Corporate Business Park South. The company produces high-end performance tires. When the plant is completed by 2018, Hankook hopes to have hired about 200 administrative staff and 1,600 manufacturing staff, for a total of 1,800 people. The two-phased construction process will result in a huge manufacturing facility, that's designed to produce high-end performance tires at an annual production rate of about 11 million.

Hemlock Semiconductor. In 2013 the 1,215-acre polycrystalline silicon manufacturing plant closed just prior to launching production and laid off 300 people due to the global marketplace. The $1.2 billion plant began construction in 2009 at the Commerce Park megasite in Clarksville. The entire 2,200 acre site also included buffering acreage around the site. In 2014 Hemlock donated 833 acres of its 2,200 acre site to the County's Industrial Development Board to attract future facilities. The donated land has been named Montgomery County's Corporate Business Park North.

The facility, which is intended to produce a primary component used in the manufacture of solar panels and other energy equipment, could mean an investment of up to $2.5 billion dollars by the company with the potential of employing up to 900 people. If plans are fully implemented, the project would become the largest announced corporate capital investment in Tennessee history.

Hemlock Semiconductor Corporation is the world's leading provider of polycrystalline silicon and other silicon-based products used in the manufacturing of semiconductor devices and passive solar cells and modules. Headquartered in Hemlock, Michigan, Hemlock Semiconductor is owned in majority and managed by Dow Corning Corporation.

Dow Corning Corporation provides performance-enhancing solutions to serve the diverse needs of more than 25,000 customers worldwide. A global leader in silicon-based technology and innovation, offering more than 7,000 products and services, Dow Corning is equally owned by The Dow Chemical Company and Corning, Incorporated. More than half of Dow Corning's annual sales are outside the United States. In the past few years, Hemlock Semiconductor and their parent company, Dow Corning, have invested more than $4.5 billion dollars in new capacity.

Jostens, Inc. Jostens, a Minneapolis-based memory book and scholastic products corporation, purchased the former Quad Graphic Building in 2011 to establish a new memory book facility. The $47 million expansion investment resulted in over 300 jobs initially.

Public School Construction. Northwest High School completed a $15.6 million renovation in the fall of 2014. The school renovations include a secure, weather-free walkway, an improved theater, a new 7,000-square-foot auxiliary gym, and a larger cafeteria. A new elementary school, Pisgah Elementary, opened in August of 2013. Montgomery Central High School underwent renovations in 2012 to update the building and add space. Rossview Elementary School opened in fall of 2009 and completed the three school complex off of Rossview Road.

Quad Graphics. Quad Graphics closed its plant in Clarksville in 2010, resulting in 700 lost jobs. It had acquired the World Color magazine printing plant in the Clarksville-Montgomery County Corporate Business Park l in summer of 2010.

Shiloh Industries, Inc. Shiloh Industries opened its new aluminum die-casting plant in December of 2014 in the Clarksville-Montgomery County Corporate Business Park South. The company plans to hire 150 over the next five years in an estimated $20 million investment. The site was acquired by Shiloh in August 2013. The plant is approximately 125,000 square feet and one of five Shiloh large-tonnage, high-pressure die casting facilities in the U.S.

Sources: The Leaf Chronicle, Southern Standard, The Tennessean, and WBIR News.

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MONTGOMERY COUNTY, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

AMOUNT ISSUED	PURPOSE	DUE DATE	INTEREST RATE(S)	As of June 30, 2014 (1) OUTSTANDING
$ 2,470,731	Qualified Zone Academy Bonds, Series 2002	2016	Zero	$ 352,959
3,894,000	Qualified Zone Academy Bonds, Series 2006	2021	Zero	1,687,187
20,000,000	Qualified School Construction Bonds, Series 2009	2027	Fixed	15,216,120
22,000,000	General Obligation School and Public Improvement Bonds, Series 2004	April 2015	Fixed	100,000
40,000,000	General Obligation School and Public Improvement Bonds, Series 2005	April 2016	Fixed	650,000
63,945,000	General Obligation School and Refunding Bonds, Series 2006	April 2016	Fixed	10,330,000
18,000,000	General Obligation School and Public Improvement Bonds, Series 2007	May 2028	Fixed	14,025,000
18,450,000	General Obligation Industrial Park Bonds (Taxable), Series 2008	May 2024	Fixed	15,600,000
5,400,000	General Obligation Bonds, Series 2010 (Federally Taxable Build America Bonds)	April 2030	Fixed	5,400,000
74,155,000	General Obligation Refunding Bonds, Series 2010	April 2024	Fixed	65,490,000
62,335,000	General Obligation School and Public Improvement Bonds, Series 2011	April 2029	Fixed	60,335,000
19,465,000	General Obligation Refunding Bonds, Series 2010	April 2025	Fixed	17,735,000
28,040,000	(2) General Obligation School and Refunding Bonds, Series 2012	April 2029	Fixed	25,110,000
37,120,000	General Obligation Bonds, Series 2013 (Federally Taxable)	April 2020	Fixed	36,280,000
13,200,000	General Obligation Public Improvement Bonds, Series 2013	April 2028	Fixed	12,700,000
50,155,000	General Obligation Refunding Bonds, Series 2014	April 2026	Fixed	50,155,000
$ 478,629,731	**Outstanding Debt**			$ 331,166,266
18,060,000	General Obligation School Bonds, Series 2015	April 2035	Fixed	18,060,000
$ 496,689,731	**Net Direct Debt**			$ 349,226,266
	Overlapping Debt - As of June 30, 2014 (Estimated)			
103,204,355	City of Clarksville, Tennessee - (71.7660% of the Assessed Value of Montgomery County, TN)			103,204,355
$ 599,894,086	**Overall Net Debt**			$ 452,430,621

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Includes $415,000 payable by the Bi-County Solid Waste Management System.

MONTGOMERY COUNTY, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements.

	For Fiscal Year Ended June 30					After Issuance
INDEBTEDNESS	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
TAX SUPPORTED						
General Obligation Bonds & Notes						
Rural School Bonds & Notes	319,411,202	307,762,415	351,081,368	342,625,316	331,166,266	349,226,266
TOTAL TAX SUPPORTED	$ 319,411,202	$ 307,762,415	$ 351,081,368	$ 342,625,316	$ 331,166,266	$ 349,226,266
TOTAL DEBT	$ 319,411,202	$ 307,762,415	$ 351,081,368	$ 342,625,316	$ 331,166,266	$ 349,226,266
Less: Debt Service Fund	(28,454,661)	(29,167,425)	(31,895,211)	(35,030,595)	(37,572,524)	(37,572,524)
NET DIRECT DEBT	$ 290,956,541	$ 278,594,990	$ 319,186,157	$ 307,594,721	$ 293,593,742	$ 311,653,742
PROPERTY TAX BASE						
Estimated Actual Value*	$ 10,484,147,887	$ 10,601,169,182	$ 11,091,339,121	$ 11,656,429,368	$ 11,645,370,726	$ 12,315,290,725
Appraised Value	$ 10,484,147,887	$ 10,601,169,182	$ 10,818,492,179	$ 11,369,681,206	$ 11,266,896,177	$ 12,315,290,725
Assessed Value	$ 3,047,120,596	$ 3,076,154,871	$ 3,126,656,706	$ 3,289,142,549	$ 3,285,782,581	$ 3,553,987,730

Source: General Purpose Financial Statements and County Officials.

* Fort Campbell Base (the "Base"), the largest military base in the State of Tennessee and one of the largest in the USA, is located in Montgomery County. The Base is also the largest employer in Tennessee. The Base has significant development amounting to $6.7 billion as of 2010 (latest information available) with 85% of it located in Tennessee and 15% in Kentucky. The majority of the Base development in Tennessee is in Montgomery County except for a small portion of undeveloped land (25,973 acres) in Stewart County with an estimated value of $250 million. The total land area of the Base in Tennessee is 68,444 acres amounting to a projected value of Fort Campbell in the County of $5.5 billion. Additionally, the County has approximately $488 million of other property currently under In-Lieu of Tax Payment Plans.

	For Fiscal Year Ended June 30					After Issuance
DEBT RATIOS	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
TOTAL DEBT to Estimated Actual Value	3.05%	2.90%	3.17%	2.94%	2.84%	2.84%
TOTAL DEBT to Appraised Value	3.05%	2.90%	3.25%	3.01%	2.94%	2.84%
TOTAL DEBT to Assessed Value	10.48%	10.00%	11.23%	10.42%	10.08%	9.83%
NET DIRECT DEBT to Estimated Actual Value	9.55%	9.06%	10.21%	9.35%	8.94%	8.77%
NET DIRECT DEBT to Appraised Value	2.78%	2.63%	2.95%	2.71%	2.61%	2.53%
NET DIRECT DEBT to Assessed Value	9.55%	9.06%	10.21%	9.35%	8.94%	8.77%
PER CAPITA RATIOS						
POPULATION (1)	172,331	176,687	185,201	184,119	184,119	184,119
PER CAPITA PERSONAL INCOME (2)	$39,834	$42,539	$41,460	$41,695	$41,695	$41,695
Estimated Actual Value to POPULATION	60,837	60,000	59,888	63,309	63,249	66,888
Assessed Value to POPULATION	17,682	17,410	16,883	17,864	17,846	19,303
Total Debt to POPULATION	1,853	1,742	1,896	1,861	1,799	1,897
Net Direct Debt to POPULATION	1,688	1,577	1,723	1,671	1,595	1,693
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.65%	4.09%	4.57%	4.46%	4.31%	4.55%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	4.24%	3.71%	4.16%	4.01%	3.82%	4.06%

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

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

MONTGOMERY COUNTY, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION

F.Y. Ended	Existing Debt - General Obligation as of June 30, 2014 (1)				General Obligation Bonds, Series 2015			% 2015 Principal	Total Bonded Debt Service Requirements (1)				% All Principal
6/30	Principal	Gross Interest	Estimated U.S. Treasury Rebate (3)	TOTAL	Principal	Interest (2)	TOTAL	Repaid	Principal	Gross Interest	Estimated U.S. Treasury Rebate (3)	TOTAL	Repaid
2015	$ 24,554,049	$ 12,164,928	$ (90,031)	$ 36,628,946	$ -	$ -	$ -	0.00%	$ 24,554,049	$ 12,164,928	$ (90,031)	$ 36,628,946	7.03%
2016	24,549,048	11,479,646	(90,031)	35,938,664	100,000	571,987	671,987		24,649,048	12,051,634	(90,031)	36,610,651	
2017	25,292,569	10,736,565	(90,031)	35,939,103	100,000	649,631	749,631		25,392,569	11,386,196	(90,031)	36,688,734	
2018	26,502,569	9,883,268	(90,031)	36,295,806	100,000	647,631	747,631		26,602,569	10,530,899	(90,031)	37,043,438	
2019	27,422,569	8,992,081	(90,031)	36,324,620	100,000	645,631	745,631	2.21%	27,522,569	9,637,712	(90,031)	37,070,251	36.86%
2020	28,842,569	8,103,149	(90,031)	36,855,688	100,000	641,631	741,631		28,942,569	8,744,781	(90,031)	37,597,319	
2021	29,847,556	7,148,178	(90,031)	36,905,703	100,000	637,631	737,631		29,947,556	7,785,809	(90,031)	37,643,334	
2022	25,317,969	5,786,365	(90,031)	31,014,303	1,050,000	633,631	1,683,631		26,367,969	6,419,996	(90,031)	32,697,934	
2023	24,977,969	4,778,220	(83,011)	29,673,179	1,075,000	581,131	1,656,131		26,052,969	5,359,352	(83,011)	31,329,310	
2024	24,932,969	3,709,451	(75,082)	28,567,339	1,100,000	527,381	1,627,381	21.18%	26,032,969	4,236,832	(75,082)	30,194,720	76.19%
2025	21,727,969	2,734,744	(66,596)	24,396,117	1,125,000	483,381	1,608,381		22,852,969	3,218,126	(66,596)	26,004,498	
2026	20,005,816	1,876,700	(57,538)	21,824,978	1,150,000	438,381	1,588,381		21,155,816	2,315,081	(57,538)	23,413,359	
2027	11,297,645	1,207,232	(47,405)	12,457,473	1,175,000	392,381	1,567,381		12,472,645	1,599,614	(47,405)	14,024,854	
2028	10,600,000	702,800	(36,646)	11,266,154	1,200,000	357,131	1,557,131		11,800,000	1,059,931	(36,646)	12,823,286	
2029	4,570,000	213,325	(25,245)	4,758,080	1,225,000	321,131	1,546,131	53.71%	5,795,000	534,456	(25,245)	6,304,211	97.40%
2030	725,000	40,600	(13,187)	752,413	1,275,000	284,381	1,559,381		2,000,000	324,981	(13,187)	2,311,794	
2031	-	-	-	-	1,325,000	242,944	1,567,944		1,325,000	242,944	-	1,567,944	
2032	-	-	-	-	1,375,000	199,881	1,574,881		1,375,000	199,881	-	1,574,881	
2033	-	-	-	-	1,400,000	153,475	1,553,475		1,400,000	153,475	-	1,553,475	
2034	-	-	-	-	1,475,000	104,475	1,579,475	91.64%	1,475,000	104,475	-	1,579,475	99.57%
2035	-	-	-	-	1,510,000	52,850	1,562,850	100.00%	1,510,000	52,850	-	1,562,850	100.00%
	$ 331,166,266	$ 89,557,253	$ (1,124,953)	$ 419,598,566	$ 18,060,000	$ 8,566,700	$ 26,626,700		$ 349,226,266	$ 98,123,953	$ (1,124,953)	$ 446,225,266	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Average Coupon 3.5164%.

(3) The original federal subsidy of 35.0% on the General Obligation Bonds, Series 2010 (Build America Bonds) ("BAB's") has been reduced by 7.3% for the federal fiscal year ending September 30, 2015 as a result of the sequestration by the Budget Control Act of 2011. After October 1, 2015, the sequestration rate will be subject to change.

FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the County. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts audited fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

	For the Fiscal Year Ended June 30,				
Fund Type	**2010**	**2011**	**2012**	**2013**	**2014**
Governmental Funds:					
General	$22,149,410	$22,060,717	$23,227,185	$23,737,681	$20,679,039
General Debt Service	28,454,661	29,167,425	31,895,211	35,030,595	37,572,524
General Capital Projects	3,132,866	2,124,037	38,233,152	23,796,446	13,906,254
Nonmajor Funds	2,018,952	2,738,946	2,957,945	3,656,404	3,853,074
TOTAL	**$55,755,889**	**$56,091,125**	**$96,313,493**	**$86,221,126**	**$76,010,891**
Internal Service Funds	$602,786	$9,275,120	$17,585,960	$25,434,459	$25,711,014

Source: Comprehensive Financial Audit Reports of the County.

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MONTGOMERY COUNTY, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	2010	2011	2012	2013	2014
Revenues:					
Local Taxes	$ 33,106,521	$ 33,659,026	$ 35,084,913	$ 35,276,838	$ 35,925,542
Licenses and Permits	1,661,972	1,050,400	1,300,513	820,090	695,798
Fines and Forfeits	1,363,614	1,169,054	1,057,431	1,034,240	1,020,151
Charges for Current Services	3,764,116	4,460,323	4,461,375	5,229,349	5,582,142
Other Local Revenues	2,930,627	2,045,233	2,014,931	2,080,583	2,114,113
Fees Recv'd from County Officials	7,750,178	7,611,008	8,576,188	8,703,138	8,503,296
State of Tennessee	5,534,055	5,556,004	6,833,540	7,558,183	6,774,803
Federal Government	1,194,831	1,219,731	1,323,753	797,911	814,843
Other Governments & Citizens Groups	270,227	608,822	376,916	225,543	567,380
Total Revenues	$ 57,576,141	$ 57,379,601	$ 61,029,560	$ 61,725,875	$ 61,998,068
Expenditures and Other Uses:					
General Government	$ 5,771,960	$ 6,407,864	$ 6,623,504	$ 6,634,477	$ 6,958,416
Finance	5,133,371	5,398,215	5,167,296	5,587,506	5,868,627
Administration of Justice	5,495,526	5,720,352	5,813,589	5,942,650	6,296,714
Public Safety	22,685,283	23,025,799	24,714,195	25,241,997	27,190,326
Public Health & Welfare	9,466,912	10,154,877	10,484,914	10,797,419	11,473,940
Social, Cultural, & Recreational Services	1,653,211	1,904,905	2,021,824	2,137,169	2,439,295
Agricultural & Natural Resources	393,348	358,754	366,881	367,617	392,822
Other Operations	4,460,822	4,362,226	4,480,549	4,208,241	4,239,059
Capital Outlay	117,730	118,436	124,155	126,507	132,403
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Total Expenditures	$ 55,178,163	$ 57,451,428	$ 59,796,907	$ 61,043,583	$ 64,991,602
Excess of Revenues & Over (under) Expenditures	$ 2,397,978	$ (71,827)	$ 1,232,653	$ 682,292	$ (2,993,534)
Other Financing Sources (Uses):					
Debt Proceeds	$ -	$ -	$ -	$ -	$ -
Insurance Recovery	16,028	15,501	32,343	10,251	27,115
Interfund Transfers - In	-	-	18,000	-	-
Interfund Transfers - Out	(125,951)	(32,367)	(116,528)	(84,788)	(92,223)
Total Other Financing Sources (Uses)	$ (109,923)	$ (16,866)	$ (66,185)	$ (74,537)	$ (65,108)
Excess of Revenue & Other Sources over (Under) Expenditures & Other Sources	$ 2,288,055	$ (88,693)	$ 1,166,468	$ 607,755	$ (3,058,642)
Fund Balance July 1	$ 19,861,355	$ 22,149,410	$ 22,060,717	$ 23,227,185	$ 23,737,681
Prior Period Adjustment	-	-	-	(97,259)	-
Fund Balance June 30	**$ 22,149,410**	**$ 22,060,717**	**$ 23,227,185**	**$ 23,737,681**	**$ 20,679,039**

Source: Comprehensive Annual Financial Report for Montgomery County, Tennessee.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle County operating funds is controlled by state statute and local policies and administered by the County Trustee. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the County. For reporting purposes, all investments are stated at cost which approximates market value. The County Trustee is responsible for all County investments.

PROPERTY TAX

Introduction. The County is authorized to levy a tax on all property within the County without limitation as to rate or amount. All real and personal property within the County is assessed in accordance with the state constitutional and statutory provisions by the County Property Tax Assessor except most utility property, which is assessed by the Office of State Assessed Properties. All property taxes are due on October 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes are delinquent on March 1 of the subsequent calendar year.

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

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

Once a municipality or county complies with state law and certifies a tax rate which provides the same property tax revenue as was collected before reappraisal, its governing body may vote to approve a tax rate change which would produce more or less tax revenue. The County has a reappraisal program, conducted by the State Board of Equalization, Division of Property Assessment, which was completed as of January 1, 2015.

Assessed Valuations. According to the Tax Aggregate Report, property in the County reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2014.

Class	**Estimated Assessed Valuation**	**Assessment Rate**	**Estimated Appraised Value***
Public Utilities	$ 82,248,851	55%	$ 188,167,992
Commercial and Industrial	1,088,184,436	40%	2,720,461,090
Personal Tangible Property	191,334,193	30%	637,780,643
Residential and Farm	2,192,220,250	25%	8,768,881,000
TOTAL	**$3,553,987,730**		**$12,315,290,725**

Source: 2014 Tax Aggregate Report of Tennessee and the County.

The estimated assessed value of property in the County for the fiscal year ending June 30, 2015 (tax year 2014) is $3,553,987,730 compared to $3,285,782,581 for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value* (excludes the Base as described below) of all taxable property for tax year 2014 is $12,315,290,725 compared to $11,645,370,726 for tax year 2013.

* Fort Campbell Base (the "Base"), the largest military base in the State of Tennessee and one of the largest in the USA, is located in Montgomery County. The Base is also the largest employer in Tennessee. The Base has significant development amounting to $6.7 billion as of 2010 (latest information available) with 85% of it located in Tennessee and 15% in Kentucky. The majority of the Base development in Tennessee is in Montgomery County except for a small portion of undeveloped land (25,973 acres) in Stewart County with an estimated value of $250 million. The total land area of the Base in Tennessee is 68,444 acres amounting to a projected value of Fort Campbell in the County of $5.5 billion. Additionally, the County has approximately $488 million of other property currently under In-Lieu of Tax Payment Plans.

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[1] The tax year coincides with the calendar year; therefore tax year 2013 is actually fiscal year 2013-2014.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the County for tax years 2010 through 2014 as well as the aggregate uncollected balances for each fiscal year ending June 30.

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**as of June 30, 2014 Amount**	**Pct**
2010	$3,076,154,871	$ 2.88	$ 88,593,260	$83,640,297	94.4%	$116,940	0.1%
2011	3,126,656,706	3.14	98,177,021	93,266,713	95.0%	515,153	0.5%
2012	3,289,142,549	3.14	103,279,076	95,472,606	92.4%	1,251,704	1.2%
2013	3,285,782,581	3.14	104,554,843	98,037,684	93.8%	6,517,159	6.2%
2014	3,553,987,730	2.9747	103,158,299	**IN PROGRESS**			

[1] The tax year coincides with the calendar year; therefore tax year 2014 is actually fiscal year 2014-2015.

Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the County are as follows:

	Taxpayer	**Business Type**	**Assessment**	**Taxes Paid**
1.	Clarksville Health System	Healthcare	$ 46,045,360	$1,369,711
2.	Cumberland Electric	Utility	38,313,376	1,139,708
3.	Governor's Square	Retail Shopping Mall	17,650,680	525,055
4.	Clarksville Nine LP	Real Estate	17,414,080	518,017
5.	IDB Florim USA	Manufacturing	14,373,160	427,558
6.	IDB Montgomery Co	Manufacturing	13,816,600	411,002
7.	Bellsouth Telecom	Telecommunications	13,630,001	405,452
8.	Akebono Brake	Brake Systems	12,562,175	373,587
9.	Bridgestone Metalpha	Steel Cord	11,459,284	340,879
10.	Pasminco Zinc	Manufacturing	11,265,035	335,101
	TOTAL		**$196,529,751**	**$5,846,070**

Source: The County.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2014 (tax year 2013), the ten largest taxpayers in the County are as follows:

	Taxpayer	Business Type	Assessment	Taxes Paid
1.	Clarksville Health System	Healthcare	$ 48,162,544	$1,512,303
4.	Cumberland Electric	Utility	36,518,547	1,146,682
2.	Governor's Square	Retail Shopping Mall	14,983,600	470,485
3.	Bellsouth Telecom	Telecommunications	12,794,121	401,735
5.	Pasminco Zinc	Manufacturing	11,681,480	366,798
6.	Akebono Brake	Brake Systems	11,427,095	358,811
7.	Trane Company	AC/Heating Units	11,378,110	353,273
8.	Bridgestone Metalpha	Steel Cord	11,060,567	347,302
9.	Clarksville Nine LP	Real Estate	10,260,060	322,166
10.	SC Waterford Landings LLC	Real Estate	9,444,320	296,551
	TOTAL		**$177,710,444**	**$5,576,106**

Source: The County.

LOCAL OPTION SALES TAX

Fiscal Year	Debt Service Fund	General Purpose School	Cities	Total
2010	$3,095,126	$33,320,858	$11,762,261	$48,178,245
2011	3,236,669	34,832,038	12,160,832	50,229,539
2012	3,805,449	41,032,880	14,489,406	59,327,735
2013	3,532,476	38,057,375	13,594,753	55,184,604
2014	3,622,287	39,033,394	13,868,926	56,524,607

Source: The County.

WHEEL TAX

Fiscal Year	Rate Per Vehicle	General Purpose School	% of Increase
2010	$30.50	$3,379,672	(8.93%)
2011	30.50	3,890,329	15.11%
2012	30.50	3,917,191	0.69%
2013	30.50	4,022,309	2.68%
2014	30.50	4,066,876	1.11%

Source: The County.

PENSION PLANS

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, become vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Montgomery County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

For additional information of the funding status, trend information and actuarial status of the County's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the County located herein.

OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

GASB Statement 45 establishes standards for the measurement, recognition, and display of Other Post-Employment Benefits ("OPEB") in the financial reports of state and local government employers. GASB 45 requires the recognition of the accrued liability for the respective year, plus the disclosure of the total unfunded liability. Cash funding of the unfunded liability is not required.

For more information see the Notes to the General Purpose Financial Statements located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

MONTGOMERY COUNTY, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2014

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of Montgomery County for the fiscal year ended June 30, 2014 which is available upon request from the County.

ANNUAL FINANCIAL REPORT

MONTGOMERY COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director

JEFF BAILEY, CPA, CGFM, CFE
Audit Manager

KENT WHITE, CPA, CGFM, CFE
EUGENE HAMPTON II, CPA, CGFM
Auditor 4s

CARRIE SABIN
NATHAN YORK
WENDY HEATH, CFE
State Auditors

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

MONTGOMERY COUNTY, TENNESSEE
TABLE OF CONTENTS

Summary of Audit Findings

Annual Financial Report
Montgomery County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Montgomery County as of and for the year ended June 30, 2014.

Results

Our report on Montgomery County's financial statements is unmodified.

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

Findings

The following are summaries of the audit findings:

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

- Material audit adjustments were required for proper financial statement presentation.
- Bond anticipation notes were not issued in compliance with state statutes.

INTRODUCTORY SECTION

Officials

Carolyn Bowers, County Mayor
Mike Frost, Highway Supervisor
Dr. B.J. Worthington, Director of Schools
Brenda Radford, Trustee
Erinne Hester, Assessor of Property
Kellie Jackson, County Clerk
Cheryl Castle, Circuit, General Sessions, and Juvenile Courts Clerk
Ted A. Crozier, Jr., Clerk and Master
Connie Bell, Register of Deeds
John Fuson, Sheriff
Jeffrey Taylor, Director of Accounts and Budgets
Jane Davis, Purchasing Agent

Board of County Commissioners

Carolyn Bowers, County Mayor, Chairperson
John Gannon, Sr.
Keith Politi
Edward Baggett
Mark Riggins
John Genis
Robert Gibbs, Jr.
Dalton Harrison
Robert Lewis
Ronald Sokol
Charles Keene
Martha Brockman
Joe Creek
Nick Robards
Loretta Bryant
Robert Nichols
Tommy Vallejos
Lettie Kendall
Glen Demorest
Mark Banasiak
Larry Rocconi
Jerry Allbert

Highway Commission

Mike Frost, Highway Supervisor, Chairman
Edgar Ray Groves
Orville Lewis

Board of Education

George Giles, Chairman
Horace Murphy, Jr.
Josh Baggett
Jimmie Garland
Stephanie Lobdell
Eula Dowdy
Anne Murtha

Audit Committee

John Gannon, Sr., Chairman
Martha Brockman
Larry Rocconi
Mark Banasiak
Lettie Kendall

FINANCIAL SECTION

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

DEPARTMENT OF AUDIT

DIVISION OF LOCAL GOVERNMENT AUDIT

SUITE 1500

JAMES K. POLK STATE OFFICE BUILDING

NASHVILLE, TENNESSEE 37243-1402

PHONE (615) 401-7841

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Emergency Communications District of Montgomery County, which represent 1.3 percent, .9 percent, and .8 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; the Bi-County Solid Waste Management System, which represent 3.9 percent, one percent, and 4.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; the Clarksville-Montgomery County Industrial Development Board, which represent 4.5 percent, 2.7 percent, and 3.9 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; the Clarksville-Montgomery County Public Library, which represent 1.1 percent, 1.3 percent, and one percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; and the Clarksville-Montgomery County Tourism Commission, which represent .3 percent, .4 percent, and .4 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Emergency Communications District of Montgomery County, the Bi-County Solid Waste Management System, the Clarksville-Montgomery County Industrial Development Board, the Clarksville-Montgomery County Public Library, and the Clarksville-Montgomery County Tourism Commission is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montgomery County, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Montgomery County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 70, *Accounting and Reporting for Nonexchange*

Financial Guarantees, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefits plans on pages 136 - 138 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clarksville-Montgomery School System (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clarksville-Montgomery School System (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Clarksville-Montgomery School System (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montgomery County's internal control over financial reporting and compliance.

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 18, 2014

JPW/sb

Basic Financial Statements

Exhibit A

Montgomery County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government	Component Units					
	Governmental Activities	Clarksville-Montgomery County School System	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District of Montgomery County	Clarksville-Montgomery County Tourism Commission
ASSETS							
Cash	$ 60,272	$ 587,904	$ 526,934	$ 4,266,647	$ 1,870,707	$ 1,740,383	$ 674,932
Equity in Pooled Cash and Investments	104,169,842	57,214,859	0	0	0	0	0
Investments	0	0	3,585,894	0	0	0	0
Inventories	92,881	487,722	0	51,324	0	0	2,819
Accounts Receivable	3,620,138	120,153	30,000	2,051,362	119,083	45,217	274,165
Allowance for Uncollectibles	(1,046,792)	0	0	0	0	0	0
Due from Other Governments	2,634,788	9,985,198	0	20,679	3,988,040	132,226	106,093
Due from Primary Government	0	346	0	0	0	0	0
Due from Component Units	1,212,714	0	0	0	0	0	0
Property Taxes Receivable	71,993,960	35,734,984	0	0	0	0	0
Allowance for Uncollectible Property Taxes	(1,888,879)	(928,243)	0	0	0	0	0
Prepaid Items	50,343	0	0	0	1,290	0	2,049
Notes Receivable	1,073,820	0	0	0	785,714	0	0
Advances to Other Funds	500,000	0	0	0	0	0	0
Unbilled Reimbursable Costs	0	0	0	0	603,299	0	0
Property Held for Sale or Lease	0	0	0	0	11,358,256	0	0
Due from Related Party	0	0	0	0	17,000	0	35,000
Capital Assets:							
Assets Not Depreciated:							
Land	8,011,240	13,865,563	0	1,238,908	37,641	0	21,000
Construction in Progress	11,350,314	14,838,897	0	0	362,952	0	0
Assets Net of Accumulated Depreciation:							
Buildings and Improvements	79,936,798	264,841,370	49,276	3,009,396	0	3,989,135	0
Other Capital Assets	5,237,673	16,891,683	996,728	7,381,552	1,668,548	303,840	288,129
Intangibles	1,817,734	0	3,999	0	0	0	0
Infrastructure	32,744,412	0	0	0	0	0	0
Total Assets	$ 321,571,258	$ 413,640,436	$ 5,192,831	$ 18,019,868	$ 20,812,530	$ 6,210,801	$ 1,404,187

(Continued)

Exhibit A

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

	Primary Government	Component Units					
	Governmental Activities	Clarksville-Montgomery County School System	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District of Montgomery County	Clarksville-Montgomery County Tourism Commission
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Charge on Refunding	$ 13,026,510	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Total Deferred Outflows of Resources	$ 13,026,510	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
LIABILITIES							
Accounts Payable	$ 1,603,383	$ 2,340,678	$ 5,731	$ 714,430	$ 4,421,861	$ 18,952	$ 22,258
Accrued Payroll	730,739	12,762,584	53,801	142,380	0	42,228	0
Payroll Deductions Payable	246,062	9,384,895	0	0	0	11,515	0
Accrued Interest Payable	2,312,856	0	0	0	0	5,460	0
Notes Payable	0	0	0	1,073,820	0	0	0
Contracts Payable	931,662	0	0	0	0	0	0
Retainage Payable	35,221	0	0	0	256,026	0	0
Due to State of Tennessee	66	0	0	0	0	0	0
Due to Primary Government	0	12,000	0	415,000	785,714	0	0
Due to Component Units	346	0	0	0	0	0	0
Due to Litigants, Heirs, and Others	5,175	0	0	0	0	0	0
Other Current Liabilities	0	0	0	51,519	0	0	0
Customer Deposits Payable	99,370	138,583	0	24,777	0	0	0
Advances from Other Funds	500,000	0	0	0	0	0	0
Due to Related Parties	0	0	0	0	271,861	0	25,827
Noncurrent Liabilities:							
Due Within One Year	29,323,291	1,664,191	0	0	181,132	593,141	0
Due in More Than One Year (net of unamortized premium on debt)	330,962,568	4,111,143	114,619	11,982,573	4,820,260	2,253,805	0
Total Liabilities	$ 366,750,739	$ 30,414,074	$ 174,151	$ 14,404,499	$ 10,736,854	$ 2,925,101	$ 48,085
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	$ 67,524,089	$ 33,552,276	$ 0	$ 0	$ 0	$ 0	$ 0
Deferred Inflow from Debt Reduction	0	0	0	0	0	80,000	0
Total Deferred Inflows of Resources	$ 67,524,089	$ 33,552,276	$ 0	$ 0	$ 0	$ 80,000	$ 0

(Continued)

Exhibit A

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

	Primary Government	Component Units					
	Governmental Activities	Clarksville-Montgomery County School System	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District of Montgomery County	Clarksville-Montgomery County Tourism Commission
NET POSITION							
Net Investment in Capital Assets	$ (10,507,706)	$ 310,437,513	$ 1,050,003	$ 10,095,563	$ 554,544	$ 1,477,974	$ 309,129
Restricted for:							
Capital Projects	(26,884)	3,121,109	0	0	0	0	0
Debt Service	50,504,723	0	0	0	0	0	0
Highways	4,040,641	0	0	0	0	0	0
Other Purposes	0	1,039,114	0	0	0	0	0
Library	0	0	3,870,381	0	0	0	0
General Government	289,216	0	0	0	0	0	0
Finance	1,198,169	0	0	0	0	0	0
Administration of Justice	787,858	0	0	0	0	0	0
Public Safety	184,596	0	0	0	0	0	0
Public Health and Welfare	82,926	0	0	0	0	0	0
Central Cafeteria	0	4,900,338	0	0	0	0	0
School Transportation	0	2,754,340	0	0	0	0	0
School Federal Projects	0	295,452	0	0	0	0	0
Unrestricted	(146,230,599)	27,126,220	98,296	(6,480,194)	9,521,132	1,727,726	1,046,973
Total Net Position	$ (99,677,060)	$ 349,674,086	$ 5,018,680	$ 3,615,369	$ 10,075,676	$ 3,205,700	$ 1,356,102

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

Exhibit B

Montgomery County, Tennessee
Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Units					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Clarksville-Montgomery County School System	Clarksville-Montgomery County Public Library	Clarksville-Solid Waste Management System	Clarksville-Clarksville-County Industrial Development Board	Clarksville-Communications District of Montgomery County	Clarksville-Montgomery County Tourism Commission
Primary Government:											
Governmental Activities:											
General Government	$ 14,769,353	$ 2,538,175	$ 502,681	$ 0	$ (11,728,497)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Finance	5,709,131	5,195,450	0	0	(513,681)	0	0	0	0	0	0
Administration of Justice	6,896,644	4,363,558	659,049	0	(1,874,037)	0	0	0	0	0	0
Public Safety	29,224,329	1,943,341	1,072,375	112,794	(26,095,819)	0	0	0	0	0	0
Public Health and Welfare	13,867,413	4,444,018	2,191,135	300,000	(6,932,260)	0	0	0	0	0	0
Social, Cultural, and Recreational Services	2,419,639	314,971	0	481,177	(1,623,491)	0	0	0	0	0	0
Agriculture and Natural Resources	430,434	0	0	0	(430,434)	0	0	0	0	0	0
Highways/Public Works	8,308,270	52,036	3,031,233	497,583	(4,727,418)	0	0	0	0	0	0
Education	47,510,347	32,234,691	0	0	(15,275,656)	0	0	0	0	0	0
Interest on Long-term Debt	14,669,726	0	0	0	(14,669,726)	0	0	0	0	0	0
Total Primary Government	$ 143,805,286	$ 51,086,240	$ 7,456,473	$ 1,391,554	$ (83,871,019)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Component Units:											
Clarksville-Montgomery County School System	$ 264,162,435	$ 5,497,327	$ 28,428,023	$ 568,010	$ 0	$ (229,669,075)	$ 0	$ 0	$ 0	$ 0	$ 0
Clarksville-Montgomery County Public Library	2,497,278	149,326	292,148	0	0	0	(2,055,804)	0	0	0	0
Bi-County Solid Waste Management System	13,248,044	12,722,654	0	0	0	0	0	(525,390)	0	0	0
Clarksville-Montgomery County Industrial Development Board	18,422,487	0	10,780,890	0	0	0	0	0	(7,641,597)	0	0
Clarksville-Montgomery County E-911	2,303,330	1,740,817	0	31,266	0	0	0	0	0	(531,247)	0
Clarksville-Montgomery County Tourism Commission	1,332,933	201,325	187,218	0	0	0	0	0	0	0	(944,390)
Total Component Units	$ 301,966,507	$ 20,811,449	$ 39,688,279	$ 599,276	$ 0	$ (229,669,075)	$ (2,055,804)	$ (525,390)	$ (7,641,597)	$ (531,247)	$ (944,390)

(Continued)

Exhibit B

Montgomery County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position						
						Component Units					
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Clarksville-Montgomery County School System	Clarksville-Montgomery County Public Library	Bi-County Solid Waste Management System	Clarksville-Montgomery County Industrial Development Board	Emergency Communications District of Montgomery County	Clarksville-Montgomery County Tourism Commission
General Revenues:											
Taxes:											
Property Taxes Levied for General Purposes					$ 35,934,876	$ 33,165,155	$ 0	$ 0	$ 0	$ 0	$ 0
Property Taxes Levied for Debt Service					33,917,821	0	0	0	0	0	0
Local Option Sales Tax					3,640,972	39,333,395	0	0	0	0	0
Hotel/Motel Tax					1,563,732	0	0	0	0	0	928,477
Wheel Tax					0	4,027,229	0	0	0	0	0
Business Tax					1,274,415	619,458	0	0	0	0	0
Mixed Drink Tax					0	394,424	0	0	0	0	0
Adequate Facilities/Development Tax					969,516	0	0	0	0	0	0
Litigation Tax					1,165,449	0	0	0	0	0	0
Wholesale Beer Tax					454,086	0	0	0	0	0	0
Mineral Severance Tax					215,913	0	0	0	0	0	0
Interstate Telecommunications Tax					4,015	18,584	0	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs					4,418,327	157,129,068	1,861,983	143,447	73,572	604,769	0
Interest Income					930,572	8,654	0	15,713	4,157	4,516	5,130
Miscellaneous					4,024,902	393,139	653,418	0	719,371	0	6,550
Total General Revenues					$ 88,514,096	$ 235,089,106	$ 2,515,401	$ 159,160	$ 797,100	$ 609,285	$ 940,157
Change in Net Position					$ 4,643,077	$ 5,420,031	$ 459,597	$ (366,230)	$ (6,844,497)	$ 78,038	$ (4,233)
Net Position, July 1, 2013					(104,320,137)	344,254,055	4,912,811	(641,291)	16,920,173	3,127,662	1,360,335
Prior-period Adjustment	See Note VI.Q.				0	0	(353,728)	0	0	0	0
Prior-period Adjustment	See Note VII.N.				0	0	0	4,622,890	0	0	0
Net Position, June 30, 2014					$ (99,877,060)	$ 349,674,086	$ 5,018,680	$ 3,615,369	$ 10,075,676	$ 3,205,700	$ 1,356,102

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

Exhibit C-1

Montgomery County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds General	Major Funds General Debt Service	Major Funds General Capital Projects	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
ASSETS					
Cash	$ 8,850	$ 0	$ 0	$ 1,422	$ 10,272
Equity in Pooled Cash and Investments	20,114,840	35,446,723	15,254,030	4,152,015	74,967,608
Inventories	92,881	0	0	0	92,881
Accounts Receivable	3,249,564	58,601	300,000	8,230	3,616,395
Allowance for Uncollectibles	(1,046,792)	0	0	0	(1,046,792)
Due from Other Governments	1,237,341	636,747	174,744	585,956	2,634,788
Due from Other Funds	0	36,223	22,716	0	58,939
Due from Component Units	0	785,714	0	0	785,714
Property Taxes Receivable	32,334,724	32,690,152	2,879,934	4,089,150	71,993,960
Allowance for Uncollectible Property Taxes	(840,228)	(886,123)	(55,249)	(107,279)	(1,888,879)
Prepaid Items	50,343	0	0	0	50,343
Notes Receivable - Current	0	1,073,820	0	0	1,073,820
Advances to Other Funds	0	500,000	0	0	500,000
Total Assets	$ 55,201,523	$ 70,341,857	$ 18,576,175	$ 8,729,494	$ 152,849,049
LIABILITIES					
Accounts Payable	$ 767,900	$ 0	$ 383,531	$ 427,068	$ 1,578,499
Accrued Payroll	619,282	0	0	110,485	729,767
Payroll Deductions Payable	217,846	0	0	19,816	237,662
Contracts Payable	0	0	931,662	0	931,662
Retainage Payable	0	0	35,221	0	35,221
Due to Other Funds	66,640	0	0	981	67,621
Due to State of Tennessee	66	0	0	0	66
Due to Litigants, Heirs, and Others	531	0	0	4,644	5,175

(Continued)

Exhibit C-1

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

	Major Funds General	Major Funds General Debt Service	Major Funds General Capital Projects	Nonmajor Funds Other Govern-mental Funds	Total Governmental Funds
LIABILITIES (CONT.)					
Current Liabilities Payable from Restricted Assets:					
Customer Deposits Payable	$ 15,800	$ 0	$ 0	$ 83,570	$ 99,370
Advances from Other Funds	0	0	500,000	0	500,000
Total Liabilities	$ 1,688,065	$ 0	$ 1,850,414	$ 646,564	$ 4,185,043
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	$ 30,358,517	$ 30,550,788	$ 2,779,491	$ 3,835,293	$ 67,524,089
Deferred Delinquent Property Taxes	1,005,773	1,109,649	40,016	129,783	2,285,221
Other Deferred/Unavailable Revenue	1,470,129	1,108,896	0	264,780	2,843,805
Total Deferred Inflows of Resources	$ 32,834,419	$ 32,769,333	$ 2,819,507	$ 4,229,856	$ 72,653,115
FUND BALANCES					
Nonspendable:					
Inventory	$ 92,881	$ 0	$ 0	$ 0	$ 92,881
Prepaid Items	50,343	0	0	0	50,343
Restricted:					
Restricted for General Government	289,216	0	0	0	289,216
Restricted for Finance	1,198,169	0	0	0	1,198,169
Restricted for Administration of Justice	787,858	0	0	0	787,858
Restricted for Public Safety	145,773	0	0	38,823	184,596
Restricted for Public Health and Welfare	82,926	0	0	0	82,926
Restricted for Highways/Public Works	0	0	0	3,814,251	3,814,251
Restricted for Debt Service	0	37,572,524	0	0	37,572,524
Restricted for Capital Projects	0	0	13,906,254	0	13,906,254

(Continued)

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

	Major Funds			Nonmajor Funds	
	General	General Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
FUND BALANCES (CONT.)					
Committed:					
Committed for General Government	$ 158,017	$ 0	$ 0	$ 0	$ 158,017
Committed for Public Safety	81,414	0	0	0	81,414
Committed for Social, Cultural, and Recreational Services	13,189	0	0	0	13,189
Assigned:					
Assigned for Finance	201,890	0	0	0	201,890
Unassigned	17,577,363	0	0	0	17,577,363
Total Fund Balances	$ 20,679,039	$ 37,572,524	$ 13,906,254	$ 3,853,074	$ 76,010,891
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 55,201,523	$ 70,341,857	$ 18,576,175	$ 8,729,494	$ 152,849,049

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

Exhibit C-2

Montgomery County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 76,010,891
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 8,011,240	
Add: construction in progress	11,350,314	
Add: buildings and improvements net of accumulated depreciation	79,936,798	
Add: other capital assets net of accumulated depreciation	5,237,673	
Add: intangibles net of accumulated depreciation	1,817,734	
Add: infrastructure net of accumulated depreciation	32,744,412	
Less: capital assets of internal service funds, which are included below in item (2)	(17,261)	139,080,910
(2) Internal service funds are used by management to charge the cost of liability, workers' compensation insurance, and employee dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net position.		25,711,014
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	$ (313,910,000)	
Less: other loans payable	(17,256,266)	
Add: due from component unit for debt retirement	415,000	
Add: deferred amount on refunding	13,026,510	
Less: other deferred revenue - premium on debt	(20,201,086)	
Less: accrued interest on bonds and other loans	(2,312,856)	
Less: other postemployment benefits liability	(2,375,113)	
Less: compensated absences payable	(2,995,090)	(345,608,901)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		5,129,026
Net position of governmental activities (Exhibit A)		$ (99,677,060)

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

Exhibit C-3

Montgomery County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	Major Funds			Nonmajor Funds	
	General	General Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Taxes	$ 35,925,542	$ 40,121,905	$ 1,224,102	$ 4,279,668	$ 81,551,217
Licenses and Permits	695,798	0	0	0	695,798
Fines, Forfeitures, and Penalties	1,020,151	0	0	18,464	1,038,615
Charges for Current Services	5,582,142	0	0	10,805	5,592,947
Other Local Revenues	2,114,113	405,488	52,488	63,052	2,635,141
Fees Received from County Officials	8,503,296	0	0	0	8,503,296
State of Tennessee	6,774,803	0	300,000	3,320,227	10,395,030
Federal Government	814,843	89,303	700,547	0	1,604,693
Other Governments and Citizens Groups	567,380	782,215	0	24,587	1,374,182
Total Revenues	$ 61,998,068	$ 41,398,911	$ 2,277,137	$ 7,716,803	$ 113,390,919
Expenditures					
Current:					
General Government	$ 6,958,416	$ 0	$ 0	$ 0	$ 6,958,416
Finance	5,868,627	0	0	0	5,868,627
Administration of Justice	6,296,714	0	0	10,743	6,307,457
Public Safety	27,190,326	0	0	37,356	27,227,682
Public Health and Welfare	11,473,940	0	0	0	11,473,940
Social, Cultural, and Recreational Services	2,439,295	0	0	0	2,439,295
Agriculture and Natural Resources	392,822	0	0	0	392,822
Other Operations	4,239,059	0	0	0	4,239,059
Highways	132,403	0	0	7,478,277	7,610,680
Debt Service:					
Principal on Debt	0	23,632,230	0	0	23,632,230
Interest on Debt	0	13,467,377	0	0	13,467,377
Other Debt Service	0	1,025,707	11,900	0	1,037,607

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	
	General	General Debt Service	General Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Expenditures (Cont.)					
Capital Projects	$ 0	$ 0	$ 27,353,471	$ 0	$ 27,353,471
Total Expenditures	$ 64,991,602	$ 38,125,314	$ 27,365,371	$ 7,526,376	$ 138,008,663
Excess (Deficiency) of Revenues Over Expenditures	$ (2,993,534)	$ 3,273,597	$ (25,088,234)	$ 190,427	$ (24,617,744)
Other Financing Sources (Uses)					
Bonds Issued	$ 0	$ 0	$ 13,200,000	$ 0	$ 13,200,000
Refunding Debt Issued	0	50,155,000	0	0	50,155,000
Premiums on Debt Issued	0	5,453,780	859,649	0	6,313,429
Insurance Recovery	27,115	0	161,046	6,243	194,404
Transfers In	0	36,223	977,347	0	1,013,570
Transfers Out	(92,223)	(971,347)	0	0	(1,063,570)
Payments to Refunded Debt Escrow Agent	0	(55,405,324)	0	0	(55,405,324)
Total Other Financing Sources (Uses)	$ (65,108)	$ (731,668)	$ 15,198,042	$ 6,243	$ 14,407,509
Net Change in Fund Balances	$ (3,058,642)	$ 2,541,929	$ (9,890,192)	$ 196,670	$ (10,210,235)
Fund Balance, July 1, 2013	23,737,681	35,030,595	23,796,446	3,656,404	86,221,126
Fund Balance, June 30, 2014	$ 20,679,039	$ 37,572,524	$ 13,906,254	$ 3,853,074	$ 76,010,891

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

Exhibit C-4

Montgomery County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:		
Net change in fund balances - total governmental funds (Exhibit C-3)		$ (10,210,235)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 12,171,900	
Less: current-year depreciation expense	(4,274,128)	
Add: current-year depreciation expense in internal service fund	991	7,898,763
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Add: capital assets donation	$ 92,804	
Less: loss on disposal of capital assets	(39,911)	52,893
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2013	$ (7,617,695)	
Add: deferred delinquent property taxes and other deferred June 30, 2014	5,129,026	(2,488,669)
(4) The issuance of long-term debt (e.g., notes, bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.		
Less: bond proceeds	$ (63,355,000)	
Add: principal payments on notes	43,180	
Add: principal payments on bonds	21,905,000	
Add: principal payments on other loans	1,684,050	
Less: debt service contributions from component unit to the primary government	(140,000)	
Add: payment to refunding agent	55,405,324	
Less: change in deferred amount on refunding debt	(1,580,293)	
Less: premiums on debt issued during the year	(6,313,429)	
Add: amortization of debt issuance premiums	1,971,981	9,620,813
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	$ 377,944	
Change in other postemployment benefits liability	(567,277)	
Change in compensated absences payable	(317,710)	(507,043)
(6) Internal service funds are used by management to charge the cost of liability, workers' compensation insurance, and employee dental benefits to individual funds. The net revenue (expense) of certain activities of the internal service funds is reported with governmental activities in the statement of activities.		276,555
Change in net position of governmental activities (Exhibit B)		$ 4,643,077

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

Exhibit C-5

Montgomery County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2014

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 35,925,542	$ 0	$ 0	$ 35,925,542	$ 36,585,690	$ 36,585,690	$ (660,148)
Licenses and Permits	695,798	0	0	695,798	643,800	643,800	51,998
Fines, Forfeitures, and Penalties	1,020,151	0	0	1,020,151	904,125	904,125	116,026
Charges for Current Services	5,582,142	0	0	5,582,142	5,535,750	5,535,750	46,392
Other Local Revenues	2,114,113	0	0	2,114,113	2,161,355	2,191,355	(77,242)
Fees Received from County Officials	8,503,296	0	0	8,503,296	8,159,250	8,159,250	344,046
State of Tennessee	6,774,803	0	0	6,774,803	6,342,514	7,286,317	(511,514)
Federal Government	814,843	0	0	814,843	25,200	1,064,059	(249,216)
Other Governments and Citizens Groups	567,380	0	0	567,380	257,943	275,047	292,333
Total Revenues	$ 61,998,068	$ 0	$ 0	$ 61,998,068	$ 60,615,627	$ 62,645,393	$ (647,325)
Expenditures							
General Government							
County Commission	$ 327,510	$ 0	$ 0	$ 327,510	$ 252,393	$ 336,800	$ 9,290
Board of Equalization	1,808	0	0	1,808	10,224	10,224	8,416
Beer Board	6,673	0	0	6,673	1,615	7,253	580
Other Boards and Committees	10,738	0	0	10,738	3,121	10,872	134
County Mayor/Executive	445,998	0	0	445,998	459,945	461,713	15,715
Personnel Office	320,948	0	0	320,948	340,303	340,303	19,355
County Attorney	29,305	0	0	29,305	60,000	60,000	30,695
Election Commission	619,706	0	0	619,706	465,516	662,881	43,175
Register of Deeds	431,206	0	0	431,206	430,728	451,728	20,522
Planning	303,364	0	0	303,364	303,364	303,364	0
Building	177,606	0	0	177,606	182,210	182,296	4,690
Codes Compliance	636,528	0	0	636,528	657,292	659,792	23,264
Geographical Information Systems	188,142	0	0	188,142	164,005	177,005	(11,137)
County Buildings	1,671,657	(2,098)	2,000	1,671,559	1,772,622	1,776,570	105,011
Other Facilities	1,057,300	0	3,723	1,061,023	1,133,612	1,152,843	91,820
Other General Administration	546,744	0	0	546,744	624,520	624,520	77,776
Preservation of Records	183,183	0	0	183,183	177,744	189,095	5,912

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance							
Accounting and Budgeting	$ 587,501	$ 0	$ 0	$ 587,501	$ 643,852	$ 643,852	$ 56,351
Purchasing	286,412	0	0	286,412	292,474	292,524	6,112
Property Assessor's Office	970,292	(754)	0	969,538	1,140,802	1,091,281	121,743
County Trustee's Office	565,259	0	0	565,259	546,531	583,125	17,866
County Clerk's Office	1,867,872	0	131	1,868,003	1,988,108	1,988,332	120,329
Data Processing	1,541,573	0	1,387	1,542,960	1,612,082	1,662,357	119,397
Other Finance	49,718	0	0	49,718	50,550	50,550	832
Administration of Justice							
Circuit Court	2,121,529	0	76,236	2,197,765	2,407,031	2,407,085	209,320
General Sessions Court	657,861	0	0	657,861	662,355	662,355	4,494
Drug Court	69,840	0	0	69,840	50,000	70,000	160
Chancery Court	493,317	0	0	493,317	526,807	533,706	40,389
Juvenile Court	910,691	(682)	0	910,009	1,053,728	1,074,410	164,401
Juvenile Court Clerk	407,457	0	0	407,457	491,638	491,638	84,181
District Attorney General	70,792	0	0	70,792	46,300	76,300	5,508
Office of Public Defender	7,725	0	0	7,725	7,725	7,725	0
Judicial Commissioners	214,407	0	0	214,407	258,668	258,668	44,261
Other Administration of Justice	512,148	0	0	512,148	91,557	513,639	1,491
Probation Services	830,947	0	0	830,947	921,684	935,334	104,387
Public Safety							
Sheriff's Department	9,028,823	(7,299)	16,190	9,037,714	8,507,584	9,254,738	217,024
Special Patrols	1,732,656	(4,446)	0	1,728,210	1,754,557	1,838,386	110,176
Administration of the Sexual Offender Registry	10,920	0	0	10,920	13,340	15,340	4,420
Jail	12,786,484	0	0	12,786,484	12,456,880	13,252,474	465,990
Workhouse	1,631,135	0	0	1,631,135	1,767,290	1,767,290	136,155
Correctional Incentive Program Improvements	435,107	0	0	435,107	483,873	488,089	52,982
Juvenile Services	205,553	0	0	205,553	142,429	223,219	17,666
Fire Prevention and Control	406,000	0	0	406,000	453,248	456,183	50,183
Civil Defense	408,545	0	0	408,545	432,331	432,331	23,786
Other Emergency Management	333,423	0	0	333,423	0	445,883	112,460

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Public Safety (Cont.)							
County Coroner/Medical Examiner	$ 211,680	$ 0	$ 0	$ 211,680	$ 215,500	$ 215,500	$ 3,820
Public Health and Welfare							
Local Health Center	232,483	0	0	232,483	224,365	303,875	71,392
Rabies and Animal Control	645,958	0	0	645,958	684,937	688,032	42,074
Ambulance/Emergency Medical Services	8,246,437	0	2,800	8,249,237	9,040,512	9,240,254	991,017
Other Local Health Services	2,073,193	0	0	2,073,193	2,263,600	2,622,300	549,107
Regional Mental Health Center	7,000	0	0	7,000	7,000	7,000	0
Appropriation to State	197,269	0	0	197,269	214,225	214,225	16,956
Other Local Welfare Services	57,800	0	0	57,800	62,825	62,825	5,025
Other Public Health and Welfare	13,800	0	0	13,800	12,500	12,500	(1,300)
Social, Cultural, and Recreational Services							
Libraries	1,861,983	0	0	1,861,983	1,861,983	1,861,983	0
Parks and Fair Boards	568,366	0	0	568,366	590,618	599,597	31,231
Other Social, Cultural, and Recreational	8,946	0	0	8,946	9,688	9,688	742
Agriculture and Natural Resources							
Agricultural Extension Service	357,993	0	0	357,993	383,713	418,623	60,630
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	32,829	0	0	32,829	32,850	32,850	21
Other Operations							
Tourism	1,238,476	0	0	1,238,476	1,289,350	1,289,350	50,874
Industrial Development	600,403	0	0	600,403	600,404	600,404	1
Airport	216,633	0	0	216,633	216,633	216,633	0
Veterans' Services	399,283	0	0	399,283	413,759	431,059	31,776
Other Charges	1,248,311	0	0	1,248,311	1,296,178	1,370,213	121,902
Contributions to Other Agencies	169,944	0	0	169,944	180,560	180,560	10,616
Employee Benefits	353,976	0	0	353,976	508,496	508,496	154,520
Miscellaneous	12,033	0	0	12,033	18,400	18,400	6,367
Highways							
Litter and Trash Collection	132,403	0	0	132,403	116,319	133,919	1,516
Total Expenditures	$ 64,991,602	$ (15,279)	$ 102,467	$ 65,078,790	$ 66,089,053	$ 69,964,359	$ 4,885,569

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2013	Add: Encumbrances 6/30/2014	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over Expenditures	$ (2,993,534)	$ 15,279	$ (102,467)	$ (3,080,722)	$ (5,473,426)	$ (7,318,966)	$ 4,238,244
Other Financing Sources (Uses)							
Insurance Recovery	$ 27,115	$ 0	$ 0	$ 27,115	$ 0	$ 20,859	$ 6,256
Transfers In	0	0	0	0	442,859	712,877	(712,877)
Transfers Out	(92,223)	0	0	(92,223)	0	(6,000)	(86,223)
Total Other Financing Sources	$ (65,108)	$ 0	$ 0	$ (65,108)	$ 442,859	$ 727,736	$ (792,844)
Net Change in Fund Balance	$ (3,058,642)	$ 15,279	$ (102,467)	$ (3,145,830)	$ (5,030,567)	$ (6,591,230)	$ 3,445,400
Fund Balance, July 1, 2013	23,737,681	(15,279)	0	23,722,402	19,120,773	19,120,773	4,601,629
Fund Balance, June 30, 2014	$ 20,679,039	$ 0	$ (102,467)	$ 20,576,572	$ 14,090,206	$ 12,529,543	$ 8,047,029

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

Exhibit D-1

Montgomery County, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2014

	Governmental Activities - Internal Service Funds
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 29,202,234
Cash with Paying Agents	50,000
Accounts Receivable	3,743
Due from Other Funds	8,682
Due from Component Units	12,000
Total Current Assets	$ 29,276,659
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	$ 24,803
Accumulated Depreciation - Buildings and Improvements	(7,542)
Total Noncurrent Assets	$ 17,261
Total Assets	$ 29,293,920
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 24,884
Accrued Payroll	972
Payroll Deductions Payable	8,400
Due to Component Units	346
Claims and Judgments Payable	1,774,152
Total Current Liabilities	$ 1,808,754
Noncurrent Liabilities:	
Claims and Judgments Payable	$ 1,774,152
Total Noncurrent Liabilities	$ 1,774,152
Total Liabilities	$ 3,582,906
NET POSITION	
Unrestricted	$ 25,711,014
Total Net Position	$ 25,711,014

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

Exhibit D-2

Montgomery County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for Current Services	$ 44,217,646
Total Operating Revenues	$ 44,217,646
Operating Expenses	
Personnel Office	$ 275
Risk Management	461,942
Probation Services	4,446
Jail	765
Other Local Health Services	620
Landfill Operation and Maintenance	9,112
Parks and Fair Boards	887
Other Charges	1,228,041
Depreciation	991
Employee Benefits	43,780,208
Other	49,626
Total Operating Expenses	$ 45,536,913
Operating Income (Loss)	$ (1,319,267)
Nonoperating Revenues (Expenses)	
Investment Income	$ 78,588
Miscellaneous Refunds	1,516,734
Contributions and Gifts	500
Total Nonoperating Revenues (Expenses)	$ 1,595,822
Changes in Net Position	$ 276,555
Net Position, July 1, 2013	25,434,459
Net Position, June 30, 2014	$ 25,711,014

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

Exhibit D-3

Montgomery County, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

		Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities		
Receipts from Interfund Services Provided	$	44,279,672
Other Self-Insured Claims		(45,257,641)
Other Receipts (Payments)		1,517,188
Net Cash Provided By (Used In) Operating Activities	$	539,219
Cash Flows from Investing Activities		
Investment Income	$	78,588
Net Cash Provided By (Used In) Investing Activities	$	78,588
Net Increase (Decrease) in Cash	$	617,807
Cash, July 1, 2013		28,634,427
Cash, June 30, 2014	$	29,252,234
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities		
Operating Income (Loss)	$	(1,319,267)
Miscellaneous Refunds		1,516,734
Contributions and Gifts		500
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense		991
(Increase) Decrease in Accounts Receivable		72,035
(Increase) Decrease in Due from Other Funds		(5,737)
(Increase) Decrease in Due from Component Units		5,427
Increase (Decrease) in Accounts Payable		(170,638)
Increase (Decrease) in Accrued Payroll		212
Increase (Decrease) in Payroll Deductions Payable		6,405
Increase (Decrease) in Due to Component Units		(57,909)
Increase (Decrease) in Claims and Judgments Payable		490,466
Net Cash Provided By (Used In) Operating Activities	$	539,219

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

Exhibit E

Montgomery County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2014

	Agency Funds
ASSETS	
Cash	$ 7,156,446
Equity in Pooled Cash and Investments	186,519
Accounts Receivable	4,328
Due from Other Governments	2,389,138
Total Assets	$ 9,736,431
LIABILITIES	
Accounts Payable	$ 4,613
Accrued Payroll	1,291
Due to Other Taxing Units	2,380,911
Due to Litigants, Heirs, and Others	7,255,336
Due to Joint Ventures	94,280
Total Liabilities	$ 9,736,431

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

MONTGOMERY COUNTY, TENNESSEE
Index of Notes to the Financial Statements

MONTGOMERY COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

MONTGOMERY COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

The Clarksville-Montgomery County School System operates the public school system in the county, and the voters of Montgomery County elect its board. The School System is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School System's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

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

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

Montgomery County since the county may unilaterally control the operations of the system.

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

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

The county, in conjunction with the City of Clarksville, has created the Clarksville-Montgomery County Tourism Commission to promote tourist and recreational activity in the Clarksville-Montgomery County area. The nine-member Tourism Commission is selected by and with the joint approval of the city mayor and county mayor. Major funding for this organization is from the hotel/motel tax. The annual budget of the Tourism Commission is prepared and legally adopted by the board of commissioners and approved by the Montgomery County Director of Accounts and Budgets.

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

Administrative Offices:

Emergency Communications District of Montgomery County
130 South First Street
Clarksville, TN 37040

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

Clarksville-Montgomery County Industrial Development Board
P.O. Box 883
25 Jefferson Street, Suite 300
Clarksville, TN 37040

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

Clarksville-Montgomery County Tourism Commission
25 Jefferson Street, Suite 300
Clarksville, TN 37040

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

B. Government-wide and Fund Financial Statements

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

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

Montgomery County issues all debt for the discretely presented Clarksville-Montgomery County School System. Net debt issues totaling $14,650,624 were contributed by the county to the School System during the year ended June 30, 2014.

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

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

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

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

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

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

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

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

Montgomery County reports the following major governmental funds:

> **General Fund** – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> **General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
>
> **General Capital Projects Fund** – This fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Montgomery County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Montgomery County, state grants and other restricted revenues held for the benefit of the Judicial District Drug Task Force, restricted revenues held for the benefit of the Office of District Attorney General, and assets held in a custodial capacity for a regional port authority. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Clarksville-Montgomery County School System reports the following major governmental funds:

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

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

Additionally, the Clarksville-Montgomery County School System reports the following fund type:

Special Revenue Funds – These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes cash on deposit with the county trustee and cash with paying agents.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds of Montgomery County, the Clarksville-Montgomery County School System, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, the Clarksville-Montgomery County Public Library, and the Montgomery County Rail Service Authority (joint venture). Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and General Debt Service funds. Montgomery County and the School System 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net position value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

Advances receivable between funds, as reported in the General Debt Service Fund financial statements are included in restricted fund balance.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Current liabilities payable from restricted assets reflected in the primary government funds represent deposits placed with Montgomery County for animal control spay/neuter vouchers ($11,300), rental deposits ($4,500), and road construction ($83,570). Claims and Judgments Payable totaling $3,548,304 for the primary government and $540,741 for the discretely presented Clarksville-Montgomery County School System are discussed in Note V.A. Risk Management.

Retainage payable in the primary government's General Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects.

3. **Inventories and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. **Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $25,000 ($5,000 for the School System) or more and an estimated useful life of more than two years (one year for the School System). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings and Improvements	5 - 50
Other Capital Assets	4 - 20
Intangibles	7 - 100
Infrastructure:	
Roads	100
Bridges	50

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

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

7. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

8. **Net Position and Fund Balance**

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

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

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

c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2014, Montgomery County had $178,009,964 in outstanding debt for capital purposes for the discretely presented Clarksville-Montgomery County School System. This debt is a liability of Montgomery County, but the capital assets acquired are reported in the financial statements of the School System. Therefore, Montgomery County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School System's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Budget Committee to make assignments for the general government. The Board of Education makes assignments for the School System.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Clarksville-Montgomery County School System

Exhibit K-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

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

Discretely Presented Clarksville-Montgomery County School System

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

At June 30, 2014, the Clarksville-Montgomery County School System reported the following significant encumbrance:

Fund	Description	Amount
School System:		
Major Fund:		
General Purpose School	Textbooks	$ 829,156

B. Expenditures Exceeded Appropriations

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

Fund/Major Appropriation Category		Amount Overspent
Primary Government:		
General:		
Geographical Information Systems	$	11,137
Other Public Health and Welfare		1,300
School System:		
General Purpose School:		
Interest on Debt - Education		2,240

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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 Comptroller's Office 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 fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2014, Montgomery County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Montgomery County and the discretely presented Clarksville-Montgomery County School System since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)		Fair Value
State Treasurer's Investment Pool	109	$	46,417

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Montgomery County has no investment policy that would further limit its investment choices. As of June 30, 2014, Montgomery County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Notes receivable in the General Debt Service Fund totaling $1,073,820 resulted from issuing a bond anticipation note to the Bi-County Solid Waste Management System for unanticipated equipment purchases and is included in the restricted fund balance account.

C. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government (Includes Internal Service Fund)

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	$ 7,979,240	$ 32,000	$ 0	$ 8,011,240
Construction in Progress	1,634,470	10,865,515	(1,149,671)	11,350,314
Total Capital Assets Not Depreciated	$ 9,613,710	$ 10,897,515	$ (1,149,671)	$ 19,361,554
Capital Assets Depreciated:				
Buildings and Improvements	$ 109,566,570	$ 0	$ (41,501)	$ 109,525,069
Infrastructure	49,706,298	777,815	0	50,484,113
Intangibles	9,599,049	0	0	9,599,049
Other Capital Assets	12,835,225	1,739,045	(251,778)	14,322,492
Total Capital Assets Depreciated	$ 181,707,142	$ 2,516,860	$ (293,279)	$ 183,930,723

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 26,956,411	$ 2,658,628	$ (26,768)	$ 29,588,271
Infrastructure	17,289,618	450,083	0	17,739,701
Intangibles	7,642,383	138,932	0	7,781,315
Other Capital Assets	8,284,934	1,026,485	(226,600)	9,084,819
Total Accumulated Depreciation	$ 60,173,346	$ 4,274,128	$ (253,368)	$ 64,194,106
Total Capital Assets Depreciated, Net	$ 121,533,796	$ (1,757,268)	$ (39,911)	$ 119,736,617
Governmental Activities Capital Assets, Net	$ 131,147,506	$ 9,140,247	$ (1,189,582)	$ 139,098,171

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

Governmental Activities:

General Government	$ 574,100
Finance	211,822
Administration of Justice	543,725
Public Safety	1,293,043
Public Health and Welfare	578,514
Social, Cultural, and Recreational Services	393,121
Agriculture and Natural Resources	34,982
Highway/Public Works	644,821
Total Depreciation Expense - Governmental Activities	$ 4,274,128

Discretely Presented Clarksville-Montgomery County School System

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Not Depreciated:				
Land	$ 13,865,563	$ 0	$ 0	$ 13,865,563
Construction in Progress	21,909,952	9,265,690	(16,336,745)	14,838,897
Total Capital Assets Not Depreciated	$ 35,775,515	$ 9,265,690	$ (16,336,745)	$ 28,704,460
Capital Assets Depreciated:				
Buildings and Improvements	$ 348,038,527	$ 16,370,885	$ 0	$ 364,409,412
Other Capital Assets	31,562,088	2,901,549	(1,849,532)	32,614,105
Total Capital Assets Depreciated	$ 379,600,615	$ 19,272,434	$ (1,849,532)	$ 397,023,517
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 91,785,834	$ 7,782,208	$ 0	$ 99,568,042
Other Capital Assets	15,622,454	1,914,474	(1,814,506)	15,722,422
Total Accumulated Depreciation	$ 107,408,288	$ 9,696,682	$ (1,814,506)	$ 115,290,464
Total Capital Assets Depreciated, Net	$ 272,192,327	$ 9,575,752	$ (35,026)	$ 281,733,053
Governmental Activities Capital Assets, Net	$ 307,967,842	$ 18,841,442	$ (16,371,771)	$ 310,437,513

Depreciation expense was charged to functions of the discretely presented School System as follows:

Governmental Activities:

Instruction	$ 61,320
Support Services	9,391,702
Operation of Non-instructional Services	243,660
Total Depreciation Expense - Governmental Activities	$ 9,696,682

D. Construction Commitments

At June 30, 2014, the General Capital Projects Fund had uncompleted construction contracts of approximately $6,823,495 for various construction projects. Funding for these future expenditures has been received.

At June 30, 2014, the discretely presented School System's General Purpose School Fund had uncompleted construction contracts of approximately $1,645,789 for various construction projects. Funding for these future expenditures has been received.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General Debt Service	General	$ 36,223
General Capital Projects	"	22,716
Self-Insurance (Internal Service)	"	7,701
Unemployment Comp (Internal Service)	Nonmajor governmental	981
School System Component Unit:		
General Purpose School	Nonmajor governmental	495,100
"	Education Capital Projects	721
Nonmajor governmental	General Purpose School	43,324
"	Nonmajor governmental	24
Education Capital Projects	General Purpose School	49,866
"	Nonmajor governmental	17,522

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

Advances to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:	Primary Government:	
General Debt Service	General Capital Projects	$ 500,000

The balance of $500,000 due the General Debt Service Fund from the General Capital Projects Fund resulted from an advance to the General Capital Projects Fund to complete a construction project.

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
Primary Government:	**Component Unit:**	
General Debt Service	Industrial Development Board	$ 785,714
"	Bi-County Solid Waste Management System	415,000
	School System:	
Internal Service - Self-Insurance	Nonmajor governmental	12,000
Component Unit:		
School System:	**Primary Government:**	
General Purpose School	Internal Service - Self-Insurance	346

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

	Transfers In		
Transfers Out	General Debt Service Fund	General Capital Projects Fund	Agency Funds
General Fund	$ 36,223	$ 6,000	$ 50,000
General Debt Service Fund	0	971,347	0
Agency Fund	0	0	13,741

Discretely Presented Clarksville-Montgomery County School System

	Transfers In	
Transfers Out	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	$ 0	$ 1,000,000
Nonmajor governmental funds	344,902	1,248,993

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

F. Long-term Obligations

Primary Government

General Obligation Bonds and Other Loans

Montgomery County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School System. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund facilities and other capital outlay purchases, such as equipment.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 21 years for bonds and up to 17 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund.

General obligation bonds and other loans outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	2 to 5.625 %	4-1-30	$ 180,010,000	$ 109,225,000
General Obligation Bonds - Refunding	.2 to 5	4-1-29	272,255,000	204,685,000
Other Loans	variable	7-1-26	26,234,718	17,256,266

In prior years, Montgomery County entered into loan agreements with the Tennessee State School Bond Authority. Under these loan agreements, the authority borrowed $2,470,731 (Series 2001) and $3,763,987 (Series 2005) Qualified Zone Academy Bonds and loaned the proceeds to Montgomery County for various renovation and construction projects. These loans are repayable at zero percent interest with annual administrative fees of $847 and $1,246, respectively.

Qualified School Construction Bonds were issued through the State of Tennessee, and the proceeds were loaned to Montgomery County and various other local governments across Tennessee. The county pays interest of 1.515 percent on its share of the bonds and also pays a monthly administrative fee. The county and the other borrowers of the bond proceeds are required to comply with federal regulations established for the Qualified School Construction Bond program. Failure to comply with those requirements may result in the loss of the tax credit status on the bonds. This would result in further charges to the borrowers including the requirement to pay the tax-credit rate (5.86 percent) in addition to the 1.515 percent for a total rate of 7.375 percent.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending		Bonds				
June 30		Principal		Interest		Total
2015	$	22,870,000	$	11,825,025	$	34,695,025
2016		22,865,000		11,416,178		34,281,178
2017		23,785,000		10,692,004		34,477,004
2018		24,995,000		9,857,614		34,852,614
2019		25,915,000		8,985,334		34,900,334
2020-2024		127,290,000		29,134,078		156,424,078
2025-2029		65,465,000		6,669,012		72,134,012
2030		725,000		40,600		765,600
Total	$	313,910,000	$	88,619,845	$	402,529,845

Year Ending		Other Loans						
June 30		Principal		Interest		Other Fees		Total
2015	$	1,684,049	$	303,000	$	22,093	$	2,009,142
2016		1,684,048		303,000		22,093		2,009,141
2017		1,507,569		303,000		21,246		1,831,815
2018		1,507,569		303,000		21,246		1,831,815
2019		1,507,569		303,000		21,246		1,831,815
2020-2024		6,629,032		1,515,000		102,492		8,246,524
2025-2027		2,736,430		631,250		45,000		3,412,680
Total	$	17,256,266	$	3,661,250	$	255,416	$	21,172,932

There is $37,572,524 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and other loans, totaled $1,922, based on the 2010 federal census.

The Bi-County Solid Waste Management System, a component unit, is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the Bi-County Solid Waste Management System and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness		Outstanding 6-30-14
Bonds Payable		
Payable by Bi-County Solid Waste Management System		
Contributions to the General Debt Service Fund		
General Obligation Public Improvement	$	415,000

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Bonds	Other Loans
Balance, July 1, 2013	$ 323,685,000	$ 18,940,316
Additions	63,355,000	0
Reductions	(73,130,000)	(1,684,050)
Balance, June 30, 2014	$ 313,910,000	$ 17,256,266
Balance Due Within One Year	$ 22,870,000	$ 1,684,049

	Compensated Absences	Other Postemployment Benefits	Internal Service Claims and Judgments
Balance, July 1, 2013	$ 2,677,380	$ 1,807,836	$ 3,057,838
Additions	3,325,299	655,265	38,584,843
Reductions	(3,007,589)	(87,988)	(38,094,377)
Balance, June 30, 2014	$ 2,995,090	$ 2,375,113	$ 3,548,304
Balance Due Within One Year	$ 2,995,090	$ 0	$ 1,774,152

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	$ 340,084,773
Less: Due Within One Year	(29,232,291)
Add: Unamortized Premium on Debt	20,201,086
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 331,053,568

The internal service funds primarily serve the governmental funds. Accordingly, claims and judgments for the internal service funds are included as part of the above totals for governmental activities. Compensated absences and other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

Advance Refunding

On May 15, 2014, Montgomery County advance refunded two general obligation bond issues with a separate general obligation bond issue. The county issued $50,155,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 12 years will be reduced by $4,334,502, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of $3,624,250 was obtained.

Defeasance of Prior Debt

In prior years, Montgomery County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2014, the following outstanding bonds are considered defeased:

2004 General Obligation School and Public Improvement	$	18,300,000
2005 General Obligation School and Public Improvement		27,850,000
2004 General Obligation Public Improvement		2,700,000

Discretely Presented Clarksville-Montgomery County School System

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Clarksville-Montgomery County School System for the year ended June 30, 2014, was as follows:

	Other Postemployment Benefits	Compensated Absences	Claims and Judgments
Balance, July 1, 2013	$ 3,354,934	$ 1,349,665	$ 612,049
Additions	1,176,905	1,450,546	57,405
Reductions	(724,207)	(1,373,250)	(128,713)
Balance, June 30, 2014	$ 3,807,632	$ 1,426,961	$ 540,741
Balance Due Within One Year	$ 0	$ 1,384,152	$ 280,039

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	$ 5,775,334
Less: Due Within One Year	(1,664,191)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 4,111,143

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

G. On-Behalf Payments – Discretely Presented Clarksville-Montgomery County School System

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Clarksville-Montgomery County School System. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2014, were $96,894. The School System has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

Montgomery County issued revenue anticipation notes in advance of revenue collections and deposited the proceeds in the School Federal Projects Fund. These notes were necessary because funds were not available to meet obligations coming due before current revenue collections. Short-term debt activity for the year ended June 30, 2014, was as follows:

	Balance 7-1-13	Issued	Paid	Balance 6-30-14
Revenue Anticipation Notes	$ 0	$ 750,000	$ (750,000)	$ 0

V. OTHER INFORMATION

A. Risk Management

Montgomery County, the Clarksville-Montgomery County School System, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, and the Clarksville-Montgomery County Public Library, component units, have chosen to establish the Self-Insurance Fund for risks associated with the employees' health insurance plan. The Self-Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of $300,000 per specific loss. The county obtained a stop/loss commercial insurance policy to cover claims beyond this liability. The reinsurance carrier will pay 85 percent of paid claims exceeding $300,000 per specific loss to an unlimited maximum less the county's deductible.

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2012-13	$ 2,695,506	$ 33,165,940	$ (32,921,271)	$ 2,940,175
2013-14	2,940,175	38,232,893	(37,790,795)	3,382,273

Montgomery County has decided to maintain a self-insurance plan for risks associated with workers' compensation claims. Claims are paid from the

Workers' Compensation Fund. The county administers this plan internally instead of contracting out this service. The county retains the risk of loss to a limit of $300,000 per specific loss. All employees of Montgomery County, the Bi-County Solid Waste Management System, the Emergency Communications District of Montgomery County, and the Clarksville-Montgomery County Public Library participate. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2012-13	$ 30,806	$ 0	$ (8,813)	$ 21,993
2013-14	21,993	27,820	0	49,813

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2012-13	$ 95,670	$ 297,030	$ (297,030)	$ 95,670
2013-14	95,670	48,368	(27,820)	116,218

Montgomery County, the Clarksville-Montgomery County School System, the Emergency Communications District of Montgomery County, the Bi-County

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

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

It is the policy of the Clarksville-Montgomery County School System to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, and casualty losses. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2012-13	$ 606,091	$ 0	$ (35,799)	$ 570,292
2013-14	570,292	0	(48,888)	521,404

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

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2012-13	$ 57,314	$ 86,642	$ (102,199)	$ 41,757
2013-14	41,757	57,404	(79,824)	19,337

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67, replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70, relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On August 31, 2014, Carolyn Bowers left the Office of County Mayor and was succeeded by Jim Durrett, and Connie Bell left the Office of Register of Deeds and was succeeded by Connie Gunnett.

On October 21, 2014, and November 7, 2014, the county's General Debt Service Fund issued a $2,000,000 tax anticipation note to the General Fund and a $750,000 revenue anticipation note to the School Federal Projects Fund for temporary operating funds.

D. Contingent Liabilities

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

E. Changes in Administration

Director of Accounts and Budgets Erinne Hester resigned December 8, 2013, and was succeeded by Jeffrey Taylor effective March 3, 2014. Shannon Holt served as Interim Director of Accounts and Budgets between December 9, 2013, and March 2, 2014.

Assessor of Property Betty Burchett resigned November 30, 2013, and was succeeded by Erinne Hester effective December 9, 2013.

F. Landfill Closure/Postclosure Care Costs

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

G. Joint Ventures

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

Montgomery County and the City of Clarksville jointly created the Clarksville Montgomery County Airport and the Clarksville-Montgomery County Regional Planning Commission. These joint ventures are operated by county/city-appointed boards/commissions for the benefit of all citizens of the two entities. Montgomery County has control over budgeting and financing the joint ventures only to the extent of representation by the board members appointed. Each entity is responsible for funding 50 percent of any deficits from operations if not covered by prior earnings. Montgomery County contributed $216,633 for the operations of the airport during the year ended June 30, 2014.

The Joint Economic and Community Development Board is a joint venture between Montgomery County and the City of Clarksville. The board comprises the county mayor, city mayor, and several additional members. The purpose of the board is to foster communications relative to economic and community development between and among governmental entities, industry, and private citizens. The county and city will provide the majority of funding for the board based on the percentage of their population compared to the total census of the county when financial activity begins. Montgomery County did not appropriate any funds to the Economic and Community Development Board during the 2013-14 year.

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

The Nineteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Nineteenth Judicial District and Montgomery County. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general and the Montgomery County Sheriff. Montgomery County did not appropriate any funds to the DTF during the 2013-14 year.

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

Administrative Offices:

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

Administrative Offices (Cont.):

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

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

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

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

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

H. Jointly Governed Organization

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

I. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

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

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

Funding Policy

Montgomery County has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 14.33 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014, Montgomery County's annual pension cost of $9,861,110 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of

2.5 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 ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was two years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-14	$9,861,110	100%	$0
6-30-13	9,197,180	100	0
6-30-12	9,113,022	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 93.61 percent funded. The actuarial accrued liability for benefits was $193.03 million, and the actuarial value of assets was $180.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $12.33 million. The covered payroll (annual payroll of active employees covered by the plan) was $63.33 million, and the ratio of the UAAL to the covered payroll was 19.47 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SCHOOL TEACHERS

Plan Description

The Clarksville-Montgomery County School System contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with

30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the School System is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2014, was 8.88 percent of annual covered payroll. The employer contribution requirement for the School System is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2014, 2013, and 2012, were $10,592,992, $10,149,030, and $10,000,983, respectively, equal to the required contributions for each year.

2. Deferred Compensation – Primary Government

Montgomery County offers its employees two deferred compensation plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). All costs of administering and funding these programs are the responsibility of plan participants. The Section 401(k) and Section 457 plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution, and withdrawal provisions for the plans.

3. **Deferred Compensation – Discretely Presented Clarksville-Montgomery County School System**

The discretely presented Clarksville-Montgomery County School System offers its employees a deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding this program are the responsibility of plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plans.

J. **Other Postemployment Benefits (OPEB)**

Self-Insurance Plan

Plan Description

All full-time employees and eligible retirees of the primary government and the discretely presented Clarksville-Montgomery County School System are eligible to participate in the health and dental insurance cost sharing plan accounted for in the Self-Insurance Fund (internal service fund). For accounting purposes, the plan is an agent single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

Employees who retire from Montgomery County become eligible for retiree health coverage if they have 30 years of verified Tennessee Consolidated Retirement System service, or have reached 55 years of age with a minimum of 20 years of service and were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. The insurance coverage will remain in effect until the retiree becomes eligible for Medicare.

The School System also offers postemployment health care benefits to employees who have 30 years of verified Tennessee Consolidated Retirement System service, or have reached 55 years of age with a minimum of 20 years of service. The School System provides retirees and their spouses with the same health insurance coverage that full-time employees receive if the eligible employees were covered with the same before their retirement. A portion of the cost of the insurance premium will be paid by the School System. The insurance coverage will remain in effect for ten years after employment ends or until the retiree becomes eligible for Medicare, whichever comes first.

The School System also provides postemployment life insurance benefits to certified employees with 20 years of service. The School System pays 100 percent of life insurance premiums ($7,000 policy) until death. Anyone who is hired after July 1, 2007, is not eligible for this benefit.

Annual OPEB Cost and Net OPEB Obligation

	Primary Government	School System	Total
ARC	$ 656,937	1,174,555	$ 1,831,492
Interest on the NOPEBO	72,314	148,040	220,354
Adjustment to the ARC	(73,986)	(145,690)	(219,676)
Annual OPEB cost	$ 655,265	$ 1,176,905	$ 1,832,170
Amount of contribution	(87,988)	(724,207)	(812,195)
Increase/decrease in NOPEBO	$ 567,277	$ 452,698	$ 1,019,975
Net OPEB obligation, 7-1-13	1,807,836	3,354,934	5,162,770
Net OPEB obligation, 6-30-14	$ 2,375,113	$ 3,807,632	$ 6,182,745

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Primary Government	$ 438,199	17 %	$ 1,448,038
6-30-13	"	465,722	23	1,807,836
6-30-14	"	655,265	13	2,375,113
6-30-12	School System	1,336,653	51	3,008,093
6-30-13	"	1,123,615	69	3,354,934
6-30-14	"	1,176,905	62	3,807,632

Funded Status and Funding Progress

The funded status of the plans are as follows:

	Primary Government	School System
Actuarial valuation date	7-1-14	7-1-12
Actuarial accrued liability (AAL)	$ 5,937,419	$ 11,911,650
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 5,937,419	$ 11,911,650
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	$ 31,419,792	$ 137,701,251
UAAL as a % of covered payroll	19%	9%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2014, actuarial valuation for the primary government, the projected unit credit actuarial cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after six years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30-year period beginning with July 1, 2009.

In the July 1, 2012, actuarial valuation for the School System, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of nine percent initially, reduced by decrements to an ultimate rate of five percent after seven years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 30-year period beginning with July 1, 2009.

K. Office of Central Accounting, Budgeting, and Purchasing

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

L. Purchasing Laws

Office of Central Purchasing

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

Office of Director of Schools

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

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

A. Significant Accounting Policies

1. Reporting Entity

The Clarksville-Montgomery County Public Library was created on August 6, 1959, by an agreement between the City of Clarksville and Montgomery County. A joint City-County Public Library Board was charged with the maintenance and operation of the library for the benefit of residents of both Montgomery County and the City of Clarksville. The agreement functioned as a joint venture between the City of Clarksville and Montgomery County until July 1, 2004, when Montgomery County took over the funding of the library.

The library is a component unit of Montgomery County, Tennessee, which is the principal reporting entity and primary government. The library is treated as a discrete component unit of the county since the county may unilaterally control the operations of the library. The county is responsible for appointing all of the library's board of trustees and provides its primary funding support. The financial reporting entity of the library only includes the assets and operations of the library and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

2. Use of Estimates

The library's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from these estimates in the near term, and these variations can have a material effect on these financial statements.

3. Concentration of Credit Risk

Financial instruments that potentially subject the library to significant concentrations of credit risk consist principally of cash and receivables. The library is exposed to credit risk by placing its deposits in financial institutions. The library's risk is mitigated because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee Bank Collateral Pool. With respect to receivables, credit risk is dispersed across a large number of customers who are geographically concentrated in the service area of the library.

4. **Government-wide and Fund Financial Statements**

The government-wide financial statements (the governmental fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the nonfiduciary activities of the library.

The governmental fund financial statements are shown in combination with the government-wide financial statements.

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

5. **Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the related liabilities are incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the library considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The library's only fund is the General Fund. It accounts for all of the financial resources of the library. The Library has one component unit (see Note VI.N.).

6. **Cash and Cash Equivalents**

The library considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

7. **Customer Receivables**

Customer receivables consist primarily of late fees and penalties for lost books. Customer receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

8. **Allowance for Uncollectible Customer Receivables**

Bad debts are provided for using the allowance method. Management annually estimates an adequate allowance for uncollectible customer receivables based on historic collection rates. The allowance for uncollectible customer receivables was $1,622,657 as of June 30, 2014.

9. **Capital Assets**

Property and equipment are valued at cost for assets purchased. All assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of five years are capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Donated items are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs is not capitalized.

10. **Accrued Compensated Absences**

Vacation benefits are accrued as earned and charged to salaries.

11. **Fund Equity**

The library has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

> Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the library's governing body, using its highest level of decision-making authority (i.e., through a majority vote by the board of trustees during an official meeting). To be reported as committed, amounts cannot be used for any other purpose unless the board of trustees takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the library intends to use for a specific purpose. Intent can be expressed by management of the library.

Unassigned fund balance – amounts that are available for any purpose.

The details of the fund balances are included in the Governmental Fund Balance Sheet and in Note VI.J.

It is the library's policy to use restricted funds first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed by management. Decreases to fund balance first reduces unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

12. <u>Program Revenues and Expenses</u>

Charges for services, fines, and penalties are shown as program revenues. Substantially all expenditures are considered program expenditures.

13. <u>Funding</u>

General revenues include support from local governments and other miscellaneous revenues.

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

Cash and other deposits are restricted to deposits with federally insured institutions and must be approved by the board of commissioners.

Custodial credit risk for the library's deposits is the risk that in the event of a bank failure, the library's deposits may not be returned to it. As required by state statutes, the library's policy is to require financial institutions holding its deposits to be members of the State of Tennessee Bank Collateral Pool or pledge collateral of 105 percent for deposits in excess of federal depository insurance. The collateral is required to be held by the library or its agent in the library's name. At June 30, 2014, cash and other deposits included bank balances totaling $464,736, all of which were insured by the Federal Deposit Insurance Corporation (FDIC). Restricted cash of $219,731 included funds received from donors with restricted purposes.

Both cash and cash equivalents are carried at cost, which approximated fair value at June 30, 2014.

Total investment income of $138,606 for the year ended June 30, 2014, consisted of earnings of $138,606.

C. Customer Receivables

Customer receivables, net are summarized as follows:

Customer Receivables Outstanding	$	1,652,657
Allowance for Uncollectible Accounts		(1,622,657)
Customer Receivables, Net	$	30,000

D. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014, is as follows:

		Balance 7-1-13		Increases		Decreases		Balance 6-30-14
Leasehold Improvements	$	164,765	$	17,012	$	0	$	181,777
Furniture and Fixtures		782,495		0		(710)		781,785
Machinery and Equipment		1,093,413		2,098		(27,369)		1,068,142
Software		243,754				(114,586)		129,168
Library Resources		4,012,862		285,967		(400,981)		3,897,848
Construction in Progress		2,720		14,292		(17,012)		0
Total Capital Assets	$	6,300,009	$	319,369	$	(560,658)	$	6,058,720

Construction in progress is not depreciated until placed in service. The library has no capital assets that are idle or impaired.

A summary of changes in accumulated depreciation for the year ended June 30, 2014, is as follows:

		Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Leasehold Improvements	$	107,470 $	25,031 $	0 $	132,501
Furniture and Fixtures		705,017	32,230	(273)	736,974
Machinery and Equipment		874,356	120,897	(26,553)	968,700
Software		238,880	874	(114,585)	125,169
Library Resources		3,154,622	291,732	(400,981)	3,045,373
Total Accumulated Depreciation	$	5,080,345 $	470,764 $	(542,392) $	5,008,717

E. Gracey Trust

The library was named as a beneficiary of a portion of the Estate of Finley Gracey. The principal of the bequest is held in trust for a period of 30 years from the settlement of the estate, and 28.5 percent of the income from this trust is to be paid to the library on at least a quarterly basis. Upon expiration of 30 years, 28.5 percent of the trust corpus will be delivered to the library. The estate was settled in 1992. During the current year, investment income of $136,764 was received by the library. The bequest is to be used for general library purposes as directed by its board of trustees.

F. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Position:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the library, net of related accumulated depreciation.

Cost of Capital Assets	$	6,058,720
Less: Accumulated Depreciation		5,008,717
Total	$	1,050,003

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense exceeded (was exceeded by) capital outlays in the current period.

Cost of Capital Assets	$	(302,357)
Loss on Disposal		1,255
Depreciation Expense		470,764
Total	$	169,662

G. Deferred Compensation Plan

The library offers its employees a supplemental deferred compensation plan created in accordance with Internal Revenue Code, Section 457 (the 457 Plan). The 457 Plan, available to all library employees, permits them to defer a portion of their salary until retirement. Employees can make voluntary pre-tax contributions; however, the library does not make any matching employer contributions. Employees are always 100 percent vested in their voluntary contributions. Employee contributions were $10,474 for the year ended June 30, 2014.

H. Defined Contribution 401(k) Plan

The library employees are eligible to participate in a Montgomery County 401(k) plan. All employees are immediately eligible to participate upon hire. The plan includes no employer matching contributions. Employee contributions were $5,278 for the year ended June 30, 2014.

I. Postemployment Benefit

The library provides support for medical and dental insurance coverage and premiums, excluding life, for qualifying retired employees. Qualifying retired employees must have a minimum of 30 years of creditable service in the Tennessee Consolidated Retirement System (TCRS), with or without military service or accumulated sick leave, at any age, or must have a minimum of 20 years of service with the library, and be at least age 55. Coverage will continue until the retired employee is eligible for Medicare. The retired employee must make premium payments to the library in a timely manner, must be a current participant, and must have participated for at least two years in the group medical insurance program. The employee must be eligible for, and begin receiving retirement benefits from TCRS at the time of retirement from the library and must elect to receive this benefit at the time of retirement. The co-payment schedule is as follows:

Months to age 65	Library	Retiree
0 - 120	85 %	15 %
121 - 132	80	20
133 - 144	75	25
145 - 156	70	30
157 - 168	65	35
169 - 180	60	40

This plan is a single-employer defined benefit plan. Prior to the year ended June 30, 2014, the plan was funded and expensed on a pay-as-you-go basis. The provisions of GASB Codification Po50 were retrospectively implemented in the year ended June 30, 2014. For 2014, the plan continued to be funded on a pay-as-you-go basis with expense calculated under the provisions of GASB Codification Po50 as described below. The plan does not issue stand-alone financial reports.

The GASB issued GASB Codification Po50, *Postemployment Benefits Other Than Pension Plan - Defined Benefit*, which requires employers that participate in single-employer or agent multiple-employer defined other postemployment benefit (OPEB) plans to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Codification Po50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the library's annual medical insurance OPEB cost for the year, the amount actually contributed to the plan, and changes in the library's net OPEB obligation:

Normal Cost	$	8,901
30 Year Amortization of Accrued Liability		4,561
Interest on Net OPEB Obligation		267
Annual Required Contribution	$	13,729
Interest on Net OPEB Obligation		1,240
Adjustment on Annual Required Contribution		(1,261)
Annual OPEB Expense	$	13,708
Contributions Made		(500)
Increase in Net OPEB Obligation	$	13,208
Net OPEB Obligation - Beginning		30,988
Net OPEB Obligation - Ending	$	44,196

The library's annual OPEB expense, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-14	$ 13,729	4 %	$ 13,208
6-30-13	8,774	3	8,482
6-30-12	8,105	3	7,835

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits for the fiscal year ended June 30, 2014, was $110,940, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $110,940. The covered payroll (annual payroll of active employees covered by the plan) was $1,162,975, and the ratio of the UAAL to the covered payroll was 9.54 percent. The ARC was 1.18 percent of covered payroll, and the funding was determined on a pay-as-you-go basis.

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumption included an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after six years. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, is 24 years.

The library funds and expenses the costs of the benefits as incurred. At June 30, 2014, the library had no eligible retirees receiving benefits.

J. **Fund Balance**

Restricted fund balance consisted of the following at June 30, 2014:

Library Foundation Donations	$	216,547
Memorial Donations		2,135
Friends of the Library Donations		849
Other Restricted Donations		200
Total Restricted Fund Balance	$	219,731

K. Funding Sources

The library's operating expenses are primarily funded by transfers of funds from Montgomery County. Other funding sources include memorials, donations, endowments, and fines and fees. The library received approximately 56 percent of its funding from Montgomery County. A substantial reduction in funding by Montgomery County could have an adverse effect on the future operations of the library's programs and activities.

L. Related-party Transactions

The building, which houses the library, is owned by Montgomery County. The library uses the building free of charge. The fair rental value of the building was $629,000 for the year ended June 30, 2014. The fair rental value of the building was determined by considering the age and condition of the buildings and the cost of similar rental space in the same vicinity. No recognition was made in these financial statements for in-kind rent.

M. Retirement Plan

Plan Description:

Employees of the library are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service, who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated* (*TCA*). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the library participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy:

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

The library is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 14.7 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the library is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014, the library's annual pension cost of $118,444 to TCRS was equal to required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The library's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was five years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012. The contribution rate is effective through June 30, 2014.

Trend Information for the Library

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-14	$ 118,444	100 %	$ 0
6-30-13	107,205	100	0
6-30-12	100,385	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.07 percent funded. The actuarial accrued liability for benefits was \$2.29 million and the actuarial value of assets was \$2.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.25 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.72 million, and the ratio of the UAAL to the covered payroll was 34.62 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

N. Component Unit

The Clarksville-Montgomery County Public Library Foundation is a legally separate, tax-exempt component unit of the library. The foundation's primary purpose is to provide assistance to the library through fundraising activities and through the management, investment, and administration of the funds under the foundation's control. The funds raised by the foundation are not to be used for the funding of day-to-day operations of the library but for special programs, activities, and capital projects. The four-member board is self-perpetuating and consists of residents of Montgomery County with diverse business, personal, and professional experience. Although the library does not control the timing or amount of receipts from the foundation, all of the resources that the foundation holds are restricted to library purposes. Because these resources can only be used by or for the benefit of the library, the foundation is considered a component unit of the library. The foundation is required to disburse not less than five percent of the total assets held by the foundation on December 31 of the previous year. The foundation's by-laws, adopted April 1, 2005, require the foundation's accounts to be audited annually.

O. Risk Management

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

The library, 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, workers compensation claims (including on-the-job injury), and unemployment compensation claims. The library is party to a lawsuit for which the ultimate outcome is not determinable. The library's management believes that the outcome of those proceedings will not have a materially adverse effect on the accompanying financial statements.

P. Budget

The library prepares and adopts the budget for the next succeeding fiscal year prior to June 30 of each year. This budget is also approved by Montgomery County for agreement to the amount of funding to be provided for the fiscal year. The operating budget is used as a planning tool and includes proposed expenditures and the means of funding them. Once a budget is approved, expenditures can be amended by approval of a majority of the members of the board of trustees if no additional funding is required. Budget amendments requiring additional funding must be approved by the county in addition to the board of trustees.

Q. Prior-period Adjustments

Accounts receivable, allowance for uncollectible accounts, accrued payroll, other postemployment benefits, and fund balance/net position were adjusted as of June 30, 2013, to correct accounting errors that occurred in previous years. These errors resulted from failure to reconcile accounts receivable to subsidiary ledgers, record other postemployment benefits, and record the accrued payroll obligation as of June 30, 2013.

Following is a schedule of adjustments to the June 30, 2013, governmental fund balance sheet/statement of net position:

	Fund Balance	Net Position
Increase in Customer Receivables	$ 911,984	$ 911,984
Increase in Allowance for Uncollectible Accounts	(1,209,048)	(1,209,048)
Increase in Accrued Payroll	(25,676)	(25,676)
Increase in Other Postemployment Benefits Liability	(30,988)	(30,988)
Total Decrease in Fund Balance/Net Position	$ (353,728)	$ (353,728)
Fund Balance/Net Position - 6-30-13, as Previously Reported	497,877	1,717,542
Fund Balance/Net Position- 6-30-13, as Restated	$ 144,149	$ 1,363,814

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

A. Summary of Significant Accounting Policies

1. Reporting Entity

Bi-County Solid Waste Management System was established by an inter-local agreement on July 22, 1974, by Montgomery County, Stewart County, and the City of Clarksville for the joint and cooperative operation and maintenance of a solid waste collection and disposal system. The system operates a landfill (permit number SNL 63-102-0108 MOD), a transfer station, and numerous convenience centers. The system office is located at the landfill site, which is on Highway 79, east of Oakwood, and approximately ten miles west of Clarksville, Tennessee.

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

2. Use of Estimates

The system's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates in the near term and these variations can have a material effect on these financial statements.

3. Concentration of Credit Risk

Financial instruments that potentially subject the system to significant concentrations of credit risk consist principally of cash and receivables. The system is exposed to credit risk by placing its deposits in financial institutions. The system has mitigated this risk because the bank balance in excess of the FDIC insurance limit is collateralized by the State of Tennessee Bank Collateral Pool. With respect to receivables, credit risk is dispersed across a large number of customers who are geographically concentrated in the system's service area. The system does not obtain collateral for receivables.

4. **Basis of Accounting**

As a proprietary fund, the system uses the economic resources measurement focus and the accrual basis of accounting. Revenue is recognized when earned and measurable, and expenses are recognized when the liability is incurred. Operating revenue is revenue that is generated from the primary operations of the system. All other revenue is reported as non-operating revenue. Operating expenses are those expenses that are essential to the primary operations of the system. All other expenses are reported as non-operating expenses.

Resources are classified for accounting reporting purposes in the following three net position groups:

Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The net investment in capital assets at June 30, 2014, was:

Capital Assets	$ 22,158,757
Accumulated Depreciation	(10,528,901)
Debt Related to Capital Assets	(1,534,293)
Total	$ 10,095,563

Restricted: Net position for which use is subject to externally imposed stipulations that can be fulfilled by actions of the system pursuant to those stipulations or that expire by the passage of time. The system had no restricted net position as of June 30, 2014.

Unrestricted: Net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets." Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The system had a deficit of unrestricted net position of $6,480,194, as of June 30, 2014.

5. **Cash and Cash Equivalents**

The system considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

6. **Uncollectible Accounts**

Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

7. **Inventories**

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

8. **Capital Assets**

Capital assets are valued at cost for assets purchased. All assets with an initial, individual cost of $10,000 or more and an estimated useful life exceeding two years are capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs are not capitalized.

Major outlays for capital assets and improvements are capitalized once the asset is placed in service.

Property, plant, and equipment are depreciated using the straight-line method with salvage value over the following estimated useful lives:

Assets	Years
Buildings and Improvements	15 - 30
Equipment and Vehicles	5 - 10

9. **Accrued Compensated Absences**

The system's policy is to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from service. The system also provides for time worked in excess of a 40-hour work week known as "comp time." Comp time is to be used within 12 months of being accrued or it will be forfeited. The granting of sick leave has no guaranteed payment attached, either through official policy or custom, and is therefore not required to be accrued or recorded.

10. **Restricted Net Position**

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

B. Deposits and Investments

The system participates in an internal cash and investment pool through the Office of Montgomery County Trustee. The trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. The system's portion of this pool is displayed on the Statement of Net Position as cash and cash equivalents. The system paid the trustee $81,478 during the year ended June 30, 2014, for these services.

Cash and other deposits are restricted to deposits with federally-insured institutions and must be approved by the board of directors.

Custodial credit risk for the system's deposits is the risk that in the event of a bank failure, the system's deposits may not be returned to it. As required by state statutes, the system's policy is to require financial institutions holding its deposits to be members of the State of Tennessee Bank Collateral Pool or pledge collateral of 105 percent for deposits in excess of federal depository insurance. The collateral is required to be held by the system or its agent in the system's name. At June 30, 2014, cash and other deposits included bank balances totaling $4,484,809, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

The system is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered bank and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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. The system is also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office 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 fair value of the securities on the day of purchase.

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. The system has no investment policy that would further limit its investment choices.

C. Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014, follows:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Land-Held for Expansion	$ 783,246	$ 0	$ (7,045)	$ 776,201
Land	462,707	0	0	462,707
Buildings and Improvements	4,240,641	0	0	4,240,641
Property and Equipment	13,302,058	1,375,732	(40,074)	14,637,716
Other Property	868,938	1,172,554	0	2,041,492
Total Capital Assets	$ 19,657,590	$ 2,548,286	$ (47,119)	$ 22,158,757

A summary of changes in accumulated depreciation for the year ended June 30, 2014, follows:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Buildings and Improvements	$ 1,120,391	$ 110,854	$ 0	$ 1,231,245
Property and Equipment	7,471,661	856,480	(36,732)	8,291,409
Other Property	850,174	156,073	0	1,006,247
Total Accumulated Depreciation	$ 9,442,226	$ 1,123,407	$ (36,732)	$ 10,528,901

Land included in the totals is not depreciated. Construction in progress is not depreciated until placed in service.

D. Due to Primary Government - Bonds Payable

Long-term debt consisted as follows:

	2014
$625,000 Series 2012 Public Improvement Bonds due in annual installments of $140,000 with a final payment of $135,000 on April 1, 2017, plus interest payable semi-annually on October 1 and April 1 at a rate of five percent	$ 415,000
Plus: Unamortized net bond premium	45,473
Total long-term debt	$ 460,473
Less: Current Portion	140,000
Total long-term debt excluding current portion	$ 320,473

Future payments on long-term debt are as follows:

Year Ending June 30	Principal	Interest
2015	$ 140,000	$ 20,750
2016	140,000	13,750
2017	135,000	6,750
Total future payments	$ 415,000	$ 41,250

Interest incurred of $11,701 was expensed during the year ended June 30, 2014.

A summary of changes in long-term debt is as follows:

	2014
Payable at July 1	$ 555,000
Proceeds	-
Repayments	(140,000)
Payable at June 30	$ 415,000

E. Note Payable

During the year ended June 30, 2014, the Montgomery County Commission advanced $1,073,820 cash for equipment purchases to be ultimately funded by bonds issued by Montgomery County in the fiscal year ending June 30, 2016. The system received an interest-free temporary loan from Montgomery County for the principal amount of the bonds in the fiscal year ended June 30, 2014. The system will make ten annual bond payments of principal and interest to Montgomery County upon issuance of the bonds.

F. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the system to place a final cover on its landfill sections when the section stops accepting waste and to perform certain maintenance and monitoring functions at the section 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 system reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill section capacity used as of each balance sheet date. Closure/postclosure costs are calculated based on an engineering evaluation. The $11,409,458 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 63 percent of the estimated capacity of the currently open sections of the landfill. The landfill will recognize an additional estimated cost of closure and postclosure care of $6,622,141 as the remaining estimated capacity is filled in those sections. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. Also, expansion of the landfill property could change these estimates. The system currently has 250 acres of unused land that it anticipates using for waste and estimates ample capacity to accept waste until 2107.

Montgomery and Stewart counties have executed a Contract in-Lieu-of Performance Bond of $20,297,563 to provide financial assurance to the State of Tennessee for estimated operation, closure, and postclosure costs.

Changes in long-term obligation for closure and postclosure costs:

Accrued Liability at July 1, 2013	$ 11,222,541
Current Year Accrual	798,132
Current Year Closure Costs	(611,215)
Accrued Liability at June 30, 2014	$ 11,409,458

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

G. Accrued Compensated Absences

Changes in accrued compensated absences for the year ended June 30, 2014, were as follows:

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Accrued Compensated Absences	$ 253,274	$ 26,594	$ 0	$ 279,868

H. Other Postemployment Benefits (OPEB)

The system provides support for medical and dental insurance coverage and premiums for qualifying retired employees. Qualifying retired employees must have a minimum of 30 years of creditable service in the Tennessee Consolidated Retirement System (TCRS), with or without military service or accumulated sick leave, at any age, or must have a minimum of 20 years of service with the system, and be at least age 55. Coverage will continue until the retired employee is eligible for Medicare. The retired employee must make premium payments to the director of accounts and budgets for Montgomery County in a timely manner, must be a current participant, and must have participated for at least two years in the group medical insurance program. The employee must be eligible for, and begin receiving retirement benefits from TCRS at the time of retirement from the system and must elect to receive this benefit at the time of retirement.

For qualifying retired employees the system pays a portion of the medical insurance premium until the retired employee is eligible for Medicare. The co-payment schedule is as follows:

Months up to age 65	System	Retiree
0 to 120	85 %	15 %
121 to 132	80	20
133 to 144	75	25
145 to 156	70	30
157 to 168	65	35
169 to 180	60	40

This plan is a single-employer defined benefit plan. Prior to the year ended June 30, 2010, the plan was funded and expensed on a pay-as-you-go basis. The provisions of Governmental Accounting Standards Board (GASB) Codification Po50 were retroactively implemented in the year ended June 30, 2010, to be effective as of June 30, 2009. For 2010 and forward, the plan continued to be funded on a pay-as-you-go basis with expense calculated under the provisions of GASB Codification Po50 as described below. The plan does not issue stand-alone financial reports.

The GASB issued GASB Codification Po50 *Postemployment Benefits Other Than Pension Plans-Defined Benefit,* which requires employers that participate in single-employer or agent multiple-employer defined other postemployment benefit (OPEB) plans to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting.

The annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Codification Po50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the system's annual medical and dental insurance OPEB cost for the year, the amount actually contributed to the plan, and changes in the system's net OPEB obligation:

	Year Ended 6-30-14
Normal Cost	$ 52,466
30 Year Amortization of Accrued Liability	35,572
Interest on Net OPEB Obligation	1,743
Annual Required Contribution	$ 89,781
Interest on Net OPEB Obligation	7,530
Adjustment on Annual Required Contribution	(7,842)
Annual OPEB Expense	$ 89,469
Contributions Made	(29,956)
Increase in Net OPEB Obligation	$ 59,513
Net OPEB Obligation - 7-1-13	188,261
Net OPEB Obligation - 6-30-14	$ 247,774

The system's annual OPEB expense, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-14	$ 89,469	33 %	$ 247,774
6-30-13	60,947	49	188,261
6-30-12	57,372	48	157,466

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $859,995, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $859,995. The covered payroll (annual payroll of active employees covered by the plan) was $2,856,924, and the ratio of the UAAL to the covered payroll was 30.1 percent. The ARC was 3.14 percent of covered payroll, and the funding was determined on a pay-as-you-go basis.

Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to be consistent with the long-term perspective of the calculations.

In the July 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumption included an annual healthcare cost trend rate of eight percent initially, reduced by decrements to an ultimate rate of five percent after six years. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, is 24 years.

The system pays and expenses the costs of the benefits as they are incurred. At June 30, 2014, the system had two eligible retirees receiving benefits.

I. Retirement Commitments

1. Plan Description

Certain employees of the system are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefits pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits, as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the system participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body. The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

2. **Funding Policy**

The system has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to five percent of annual covered payroll. Montgomery County is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 14.63 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirements for the system are established and may be amended by the TCRS Board of Trustees.

3. **Annual Pension Cost and Actuarial Information**

Pension costs and actuarial information for the system cannot be separately stated from that of Montgomery County. The system is a component unit of Montgomery County, and aggregated pension information is reported for all Montgomery County employees in the June 30, 2014, Montgomery County Annual Financial Report.

J. Concentrations

The system receives a substantial amount of its Charges for Services (tipping fees) from three entities: City of Franklin, Clarksville Disposal, and Queen City Disposals. These three haulers comprised 57.34 percent of tipping fee revenues earned during the year ended June 30, 2014, as well as $692,741 (47.37 percent) of accounts receivable balances at June 30, 2014. The system also collects a user fee from each household in Montgomery and Stewart counties. A major reduction in revenue from any of the above sources may have a significant effect on the future operations of the system.

K. Operating Leases

The system has convenience centers in 17 locations in Montgomery and Stewart counties. Twelve of these convenience centers are located on leased property. The system also had two short-term leases for dump trucks during the fiscal year ended June 30, 2014. The lease payments for the year ended June 30, 2014, were $169,465 and are included in the contracted services category on the Statement of Revenues, Expenses, and Changes in Net Position. This amount includes payments made for short- and long-term leases.

Future payments on lease obligations are as follows:

Year Ending June 30		Lease Payments
2015	$	32,702
2016		19,138
2017		12,580
2018		2,400
Total	$	66,820

L. Risk Management

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

The system, along with other Montgomery County component units, has chosen to establish a combined Self-Insurance Fund for risks associated with the employees' health insurance plan, worker's compensation claims (including on-the-job-injury) and unemployment compensation claims.

M. Commitments and Contingencies

In the normal course of conducting its business, the system may be involved in legal proceedings. Due to the nature and scope of the system's business, which brings it into regular contact with the general public, a variety of businesses, and multiple governmental entities, which regulate and examine its operations, the system is inherently subject to the hazards of potential litigation, claims, and assessments. Additionally, routine examination performed by the system's federal and state oversight agencies could result in findings and violations, which have an adverse effect on the system. Currently, management is not aware of any such conditions, which would have a material adverse effect on the system.

N. Prior-period Adjustment

Closure/postclosure liability and net position were adjusted as of June 30, 2013, to correct accounting errors that occurred in previous years. An error was discovered in the calculation for the closure/postclosure liability. The system began receiving waste on a new parcel of land during the year ended June 30, 2014. The state had included the closure/postclosure costs of the parcel in its calculation provided to system management since 2007 while the system believed it was not included. Therefore, management had to separate the parcels to recalculate the closure/postclosure liability based on the capacity of the separate parcels, creating a reduction in the closure/postclosure liability. It was also discovered that, as a result of overpayment from the user fee billing agent, user fee revenue had been recorded for customers who had not paid their user fee in previous years.

Following is a schedule of adjustments to the June 30, 2013, statement of financial position:

Decrease in Closure/Postclosure Liability	$	4,777,359
Decrease in User Fee Revenue		(50,519)
Total Increase to Net Position	$	4,726,840

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

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

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

The board is a component unit of Montgomery County, Tennessee, which is the principal reporting entity and primary government. The board is treated as a discrete component unit of the county since the county may unilaterally control the operations of the board. The county is responsible for appointing the majority of the board of directors and provides its primary funding support. The financial reporting entity of the board only includes the assets and operations of the board and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

In fiscal year 1995, the Clarksville-Montgomery County Tourism Commission (Tourism), the Clarksville Area Chamber of Commerce (Chamber), and the board jointly organized the Clarksville-Montgomery County Economic Development Council (EDC) to develop, coordinate, and implement a comprehensive marketing plan relating to economic prosperity of Clarksville-Montgomery County and the surrounding area. The board, Tourism, and Chamber evenly share the cost of EDC staff salaries, payroll taxes, benefits, and other operating costs and expenses related to the general administration of the EDC. All other expenses of the EDC are share based on usage allocations. The audited financial statements of the EDC can be obtained from the Vice President of Finance and Human Resources, Clarksville-Montgomery County Economic Development Council, P. O. Box 883, Clarksville, Tennessee 37041-0883.

2. <u>Use of Estimates</u>

The board's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from these estimates in the near term and these variations can have a material effect on these financial statements.

3. <u>Concentrations of Credit Risk</u>

Financial instruments that potentially subject the board to significant concentrations of credit risk consist principally of cash and receivables. The board is exposed to credit risk by depositing its cash in financial institutions. The board's risk is mitigated because the bank balance in excess of the FDIC deposit insurance limit is collateralized by the State of Tennessee bank collateral pool. With respect to receivables, credit risk is primarily limited to amounts due from escrow agents in connection with the sale of property and from grantors including Aspire Clarksville and the State of Tennessee.

4. <u>Government-wide Financial Statements</u>

The government-wide financial statements (the governmental fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the nonfiduciary activities of the board.

The governmental fund financial statements are shown in combination with the government-wide financial statements.

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

5. <u>Measurement Focus, Basis of Accounting, and Basis of Presentation</u>

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when the related liabilities are incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the board considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The board's only fund is the General Fund. It accounts for all of the financial resources of the board.

6. **Cash and Cash Equivalents**

The board considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

7. **Uncollectible Accounts**

Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

8. **Capital Assets**

Capital assets are valued at cost for assets purchased. All assets with an initial, individual cost of more than $500 and an estimated useful life in excess of two years are capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Donated capital assets are recorded at the estimated fair value at the date of the donation. The cost of normal maintenance and repairs is not capitalized.

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

Property held for sale or lease is recorded at cost or market, if lower. The cost of property sold is charged to expense using the specific identification method. If the property was originally contributed by the primary government, the value of the property sold is charged to contributed capital.

10. **Accrued Compensated Absences**

Employees are required to take earned vacation days within the fiscal year, and sick days are not paid upon separation. Therefore, compensated absences are not accrued.

11. **Fund Balance**

The board has implemented Governmental Accounting Standards Board (GASB) Codification 1800, *Classification and Terminology.* This code provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.

- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed Fund Balance – amounts constrained to specific purposes by the board's governing body, using its highest level of decision-making authority (i.e., by majority vote of the board of directors at an official meeting). To be reported as committed, amounts cannot be used for any other purpose unless the board of directors takes the same highest level action to remove or change the constraint.

- Assigned Fund Balance – amounts the board intends to use for a specific purpose. Intent can be expressed by management of the board.

- Unassigned Fund Balance – amounts that are available for any purpose.

The details of the fund balances are included in the Governmental Fund Balance Sheet and in Note VIII.Q.

It is the board's policy to use restricted funds first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed by management. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

12. <u>Funding</u>

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

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

Cash and other deposits are restricted to deposits with federally insured institutions and must be approved by the board of directors.

Custodial credit risk for the board's deposits is the risk that in the event of a bank failure, the board's deposits may not be returned to it. As required by state statutes, the board's policy is to require financial institutions holding its deposits to be members of the State of Tennessee Bank Collateral Pool or pledge collateral of 105 percent for deposits in excess of federal depository insurance. The collateral is required to be held by the board or its agent in the board's name. At June 30, 2014, cash and other deposits included bank balances totaling $1,873,734, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

C. **Investments and Other Deposits**

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States Government. Investments and other deposits are stated at cost or amortized cost, which approximates fair value at June 30, 2014. Following is a summary of the board's certificates of deposit at June 30, 2014, all of which were insured by the FDIC or the State of Tennessee Bank Collateral Pool.

	Carrying Amount	Market Value
Certificates of Deposit	$ 610,210	$ 610,210

D. **Note Receivable from Sale of Land**

The note receivable is a $5.5 million non-interest bearing note received in exchange for land.

	Balance 6-30-14
Hemlock Semiconductor, LLC (HSC) note	$ 785,714

The HSC note is due in seven annual installments of $785,714 with the final payment due during the fiscal year ending June 30, 2015.

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

A summary of property held for sale or lease follows:

	Acres Available	At Cost
Land-Park Expansion	417.530	$ 5,833,605
Goodpasture Property	20.190	125,032
Bell Property	50.080	184,309
Dunlop Property	18.300	3,734,085
Hamill Property	1.640	7,815
Hampton Station Property	3.360	111,724
Homemax Property	1.998	13,965
Lafayette Property	42.830	257,000
Pad-Ready Site	0.000	1,090,721
Total		$ 11,358,256

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

F. Capital Assets

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

Capital Assets		Balance 7-1-13	Additions	Balance 6-30-14
Equipment	$	75,416 $	0 $	75,416
Vehicles		36,790	0	36,790
Leasehold Improvements		48,793	0	48,793
Buildings		1,883,553	0	1,883,553
Land		37,641	0	37,641
Software		1,385	0	1,385
Total	$	2,083,578 $	0 $	2,083,578

Accumulated Depreciation				
Equipment	$	67,223 $	5,130 $	72,353
Vehicles		33,407	2,825	36,232
Leasehold Improvements		20,872	3,254	24,126
Buildings		196,204	47,089	243,293
Software		1,385	0	1,385
Total	$	319,091 $	58,298 $	377,389

Land is not depreciated or amortized. Capital assets with net book values totaling $1,677,902 were pledged as collateral for debt at June 30, 2014.

G. Construction in Progress

A summary of changes in construction in progress follows:

		Balance 7-1-13	Deductions	Balance 6-30-14
Rail to Park Expansion	$	362,952 $	0 $	362,952
Speculative Building		81,976	81,976	0
Total	$	444,928 $	81,976 $	362,952

Construction in progress is not depreciated until placed in service.

H. Land Sale Options

The board had two land sale options that were terminated during the year ended June 30, 2014. The first outstanding option, granted in fiscal year 2004, allows the holder to purchase a 20-acre tract of land for $6,000 per acre. The option was given for $6,400 consideration, with $7,200 additional consideration received in fiscal year 2009 in order to purchase the right of first refusal. This option expired in 2014.

On August 1, 2008, the board entered into a letter of agreement for the second land sale option in which a developer would purchase or lease a 225-acre lot for the development of approximately two million square feet of Class A bulk warehouse, manufacturing, office, and flex distribution space thereon. The developer paid $5,000 initial consideration and $50,000 earnest money. The purchase price of the lot was $34,000 per acre. During the year ended June 30, 2014, the board paid $162,500 to the developer to terminate the option early.

I. Notes Payable

Notes payable consisted of the following:

	2014
Note payable bearing interest at Wall Street Journal prime rate (4.5% as of June 30, 2014) secured by land and a building; principal and interest are payable in monthly installments, maturing May 2021.	$ 1,291,392
Note payable bearing interest at 3.25% secured by building in inventory; interest is payable in annual installments with a balloon payment due March 2019. The interest payments will be assumed by the county in fiscal year ending June 30, 2017, with the county funding the balloon payment if the building has not sold.	3,710,000
Total Notes Payable	$ 5,001,392
Less: Current Portion	(181,132)
Total Notes Payable Excluding Current Portion	$ 4,820,260

Changes in notes payable (including current portions) for the year ended June 30, 2014, were as follows:

	(Restated) Balance 7-1-13	Increases	Decreases	Balance 6-30-14	Estimated Amount Due in Year Ending 6-30-15
Notes Payable	$ 1,452,716	$ 3,710,000	$ 161,324	$ 5,001,392	$ 181,132

Future payments on notes payable are as follows:

Year Ending June 30	Total Principal	Total Interest
2015	$ 181,132	$ 175,519
2016	189,454	167,198
2017	198,157	158,494
2018	207,260	149,391
2019	3,926,782	139,869
2020-2021	298,607	10,178
Total	$ 5,001,392	$ 800,649

J. **Due to Montgomery County**

At June 30, 2014, the board owed $785,714 to the county in connection with funds that were contributed by the county to the board for the HSC project during the fiscal year ended June 30, 2009. The board holds a corresponding note receivable from HSC. Both the payable to the county and the note receivable from HSC are reduced as payments are received from HSC and then are remitted to the county.

K. **Adjustments to Governmental Fund Statements**

Governmental Fund Balance Sheet to the Statement of Net Position:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets of the board, net of related accumulated depreciation. The Statement of Net Position also includes the debt related to the capital assets and other debt among the liabilities of the board.

Cost of Capital Assets	$	2,083,578
Less: Accumulated Depreciation		(377,389)
Net Capital Assets	$	1,706,189

Debt Related to Capital Assets:		
Current Portion of Note Payable	$	153,791
Long-term Portion of Note Payable		1,104,780
Total Debt Related to Capital Assets	$	1,258,571
Other Debt:		
Current Portion of Note Payable	$	27,341
Long-term Portion of Note Payable		3,715,480
Total Other Debt	$	3,742,821
Total Debt	$	5,001,392

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from the sales of capital assets are excluded from the Statement of Activities since the proceeds are not a gain or loss associated with the sale. Governmental funds record borrowings as revenue and the principal portion of debt repayment as an expense, while the Statement of Net Position records borrowings as a liability and the Statement of Activities records the interest portion of payments as an expense.

Depreciation Expense	$	(58,298)
Debt Service Principal		161,324
Proceeds from Note Payable		(3,710,000)
Total	$	(3,606,974)

L. **Operating Leases**

The board leases office space in the Capital Bank building from the EDC under a five-year agreement. Rental expense under the operating lease was $26,664 for the year ended June 30, 2014. The lease expires in November 2016.

Future payments on lease obligations are as follows:

2015	$ 26,667
2016	26,667
2017	8,889
Total	$ 62,223

M. Lease Contracts

On June 27, 2008, the board entered into a lease contract with the State of Tennessee for rental of a medical office building. The lease contract ends December 31, 2020. Under the terms of the lease, the state makes monthly lease payments of $21,542 to the board. The state has one option to renew the lease for an additional ten years with monthly rent of $15,866.

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

Year Ending June 30	Lease Payments
2015	$ 258,513
2016	258,513
2017	258,513
2018	258,513
2019	258,513
2020	129,257
Total	$ 1,421,822

N. Retirement Plan

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

During the fiscal year ended June 30, 2014, contributions totaling $24,655 were paid and expensed by the board. Employee contributions to the plan were $26,991 for the year ended June 30, 2014.

O. Related-party Transactions

The board paid EDC $209,018 for its share of EDC expenses during the year ended June 30, 2014. The board had related-party payables at June 30, 2014, totaling $271,861, and related-party receivables of $17,000. Included in related party receivables at June 30, 2014, is $17,000 that was advanced to the EDC to facilitate payment of routine board expenses and is not expected to be collected within one year.

P. Fund Balance

The board has unassigned fund balance of $1,632,671 and nonspendable fund balance of $11,738,208 at June 30, 2014. Nonspendable fund balance consisted of the following:

Property Held for Sale or Lease	$ 11,358,256
Construction in Progress	362,952
Long-term Portion of Due from Related Parties	17,000
Total Nonspendable Fund Balance	$ 11,738,208

Q. Conduit Debt Obligations

The board has participated in several issues of industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The board is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the financial statements. The principal balance outstanding as of June 30, 2014, totaled $3,099,832,876.

R. Annual Budget Procedures

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

S. Commitments and Contingencies

Under terms of an interlocal agreement among Montgomery County, Tennessee, the City of Clarksville, Tennessee, and the board, the sales price of property held for sale or lease will be split 90 percent to the city and ten percent to the board. Any revenue in excess of the first $10,000 per acre (per transaction) will be split 45 percent to the city, 45 percent to the county, and ten percent to the board. The splitting of the proceeds will remain in effect until such time as either the city annexes the land being purchased for expansion or the city has recovered its investment, which shall include interest paid.

After such time as the city has either annexed the land being purchased or recovered its investment, the sale of the land shall be divided equally between the city and county after ten percent is deducted for the board. At June 30, 2014, there was an accrued liability of zero to the city and zero to the county.

The board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The board through its primary government, Montgomery County, has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the Tennessee County Services Association Pool. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years. The board has obtained commercial insurance for employees' health, unemployment compensation, and worker's compensation through the EDC.

T. Nonmonetary Transactions

During the year ended June 30, 2014, the board entered into three material nonmonetary transactions. In the first transaction, the board obtained land and a building in exchange for a note payable of $3,710,000. The property was placed in inventory and is included in the Dunlop Lane property described in Note E. The note payable terms are described in note I.

The second transaction involved the board contributing approximately 470 acres to Hankook Tire for construction of a new facility. The land had been donated by the county to the board. The book value of the land was $6,440,796 and is included in expense for sale of land.

Thirdly, the board contributed approximately 38 acres of land to the county for use by the county Highway Department. The land had been donated by the county to the board. The book value of the land was $531,487 and is included in distributions of capital.

U. Subsequent Event

On September 24, 2014, HSC contributed approximately 833 acres of land to the board to market to industries interested in relocating to Clarksville. The contributed land has an estimated value of $15,800,000 and will be recorded as inventory and revenue during the fiscal year ending June 30, 2015.

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

A. Summary of Significant Accounting Policies

Organization

The Clarksville Montgomery County Emergency Communications District was created as a "Municipality" or public corporation under authority of the provisions of Chapter 867 of the Tennessee Public Acts of 1984, and approved by the voters of Montgomery County, Tennessee, on November 4, 1986. The powers of the district are vested in and exercised by a majority of the Board of Directors. The board consists of nine members comprised of the county sheriff, Clarksville's chief of police, the chairman of the E-911 user group, three members (one of whom shall be a county commissioner) nominated by the county mayor and approved by the Montgomery County Board of Commissioners, and three members (one of whom shall be a member of the City Council) nominated by the mayor and approved by the City Council. The district is considered a political sub-division of the county, and is exempt from federal and state income tax.

Reporting Entity

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

Measurement Focus/Basis of Accounting

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

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

The district's financial statements have been prepared in accordance with generally accepted accounting principles and in conformity with all applicable GASB pronouncements.

Operating Revenues and Expenses

The accounts of the district are organized as a proprietary governmental 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 costs of providing services to the general public covered by the district are financed through user charges. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's ongoing operations.

The major sources of operating revenue are customer service charges, shared wireless charges, and operating subsidies. There is also other income that is considered substantial.

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

(2) Shared Wireless Charges – A monthly wireless E-911 fee is collected by the State of Tennessee from wireless customers and is remitted to the district.

(3) Operating Subsidies – The district receives an operating subsidy from the Tennessee Emergency Communications Board.

(4) The district also receives rent from the city and county on the 911 building as well as compensation for dispatch services provided from the county.

Operating expenses for enterprise funds include expenses incurred relating to the operation and maintenance of its system. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents

Cash and cash equivalents, as shown in the Statement of Cash Flows, includes all cash in bank accounts and on hand that is allocated for use by the district. For the purposes of the Statement of Cash Flows, the district considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. As of June 30, 2014, there were no cash equivalents.

Accounts Receivable/Due from Tennessee Emergency Communications Board

The district has receivables due from communication service providers and the state ECB for service charges and tariffs. Based on the nature of the revenues, there will always be at least one month's receivable at the end of the year.

There has been no allowance for doubtful accounts recorded because the probability of non-payment is low. Accounts receivable are recorded when incurred.

Accounts receivable from other than the TECB is concentrated with two vendors. Both vendors are pass-through entities that collect and forward wireless and land line collections from customers in Montgomery County.

Capital Assets and Depreciation

Capital assets are recorded at cost. Capital expenditures of $10,000 or more and certain sensitive equipment, such as computer equipment, are capitalized for future depreciation. General equipment costing less than $10,000 is an expense of the period when placed in service. Computer software is not considered capital equipment. Depreciation and accumulated depreciation are recorded on capitalized equipment. Assets are depreciated using the straight-line basis, and a 5 - 40 year expected useful life as required by the Accounting and Financial Reporting Manual. The district capitalizes all significant purchases over the capitalization amount with a useful life greater than five years.

Budgets and Budgetary Accounting

The district board of directors formally approves the budget. The budget is adopted on a basis consistent with generally accepted accounting principles. The district is required by Section 7-86-120, *Tennessee Code Annotated,* to adopt and operate under an annual budget. In addition, the *Accounting and Financial Reporting Manual for Tennessee Emergency Communication Districts* established the legal level of control, which is defined to be at the line-item level.

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

The budget was amended during the year by vote of the board of directors.

Leave Policies

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

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

Encumbrances

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

Risk Management

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

Use of Estimates

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

Cash Funds

Cash funds of the district are combined with other county funds and managed by the county trustee. Interest earned on these combined cash funds is allocated as directed by the County Commissioners. Interest income of $4,516 was allocated to the district during the current year.

Deferred Inflows

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of revenue until that time.

B. Cash Deposits

Cash deposits are carried at cost, which approximates fair value. The carrying amount of deposits is separately displayed on the balance sheet at $1,740,383.

Custodial credit risk for the district's deposits is the risk that in the event of a bank failure, the district's deposits may not be returned to it. At June 30, 2014, a portion of the deposits of the district were held by the Montgomery County Trustee in a combined fund with other Montgomery County deposits. The deposits of the Montgomery County Trustee that exceed Federal Deposit Insurance Corporation insurance limits are further insured by securities set aside as collateral and pledged to the State Treasurer of the State of Tennessee. This pledging is accomplished as prescribed by Tennessee State Code, Public Funds Collateral Pool Board.

State statutes authorize the district to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposit, other time deposits and repurchase agreements. The district's investment policy – via Montgomery County – follows state law, which authorizes investments for emergency communications districts in *Tennessee Code Annotated,* Section 5-8-301.

The district's deposits with financial institutions consist of the following at June 30, 2014:

Cash	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Held in Pooled Checking	N/A	variable	$ 1,740,383	$ 1,749,146

C. Accounts Receivable

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

AT&T	$ 31,002
Other Service Providers	13,585
Miscellaneous	630
Due From TECB	132,226
Total	$ 177,443

D. Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

	Balance 7-1-13	Additions	Deletions	Balance 6-30-14
Capital Assets Depreciated:				
Buildings and Improvements	$ 5,314,855	$ 0	$ 0	$ 5,314,855
Communication Equipment	367,022	44,501	(20,995)	390,528
Other Capital Assets	52,120	0	0	52,120
Total Capital Assets Depreciated	$ 5,733,997	$ 44,501	$ (20,995)	$ 5,757,503
Less: Accumulated Depreciation For:				
Buildings and Improvements	1,192,756	132,964	0	1,325,720
Communication Equipment	51,330	67,841	(18,895)	100,276
Other Capital Assets	31,831	6,701	0	38,532
Total Accumulated Depreciation	$ 1,275,917	$ 207,506	$ (18,895)	$ 1,464,528
Total Capital Assets Depreciated, Net	$ 4,458,080	$ (163,005)	$ (2,100)	$ 4,292,975

E. Operating Lease and Related-party Transactions

The district entered into a lease effective July 1, 2005, with Montgomery County, Tennessee, a related party, to lease the second floor of the E-911 Building. The base term of this lease is three years from July 1, 2005, continuing through June 30, 2008. A new two-year agreement was entered into for the period from July 1, 2013, to June 30, 2015, at $6,533 per month. In addition, the lessee signed a new one-year agreement from July 1, 2013, to June 30, 2014, agreeing to pay a portion of the utility costs, maintenance salaries, custodial supplies, and trash collection on an annual basis. Said reimbursement shall be made monthly at $3,710 per month and shall be in an amount based on the prior-year's costs.

The district also signed interlocal agreements with Montgomery County to receive compensation for dispatch services provided by the district. The interlocal agreement for the dispatch services was in place from July 1, 2013, through June 30, 2014, at $37,083 per month. There were no amounts due to or from Montgomery County at June 30, 2014.

Finally, the City of Clarksville signed a one-year agreement from July 1, 2013, through June 30, 2014, to lease a portion of the 911 building at $4,546 per month.

F. Retirement Plan

Plan Description

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

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

Funding Policy

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

The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2014, was 12.01 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Montgomery County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2014, the district's annual pension cost of $135,919 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the social security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was eight years. An actuarial valuation was performed July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-14	$ 135,919	100%	$ 0
6-30-13	131,080	100	0
6-30-12	127,272	100	0

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.38 percent funded. The actuarial accrued liability for benefits was $3.02 million, and the actuarial value of assets was $2.7 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.32 million. The covered payroll (annual payroll of active employees covered by the plan) was $1.08 million, and the ratio of the UAAL to the covered payroll was 29.80 percent.

The Schedule of Funding Progress presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-13	$ 2,696	$ 3,016	$ 320	89.38 %	$ 1,075	29.80 %
7-1-11	2,290	2,566	276	89.25	995	27.73
7-1-09	1,745	1,932	187	90.32	968	19.31

G. **Long-term Debt**

In 2001, an interlocal agreement was signed by the City of Clarksville and the district whereby the City of Clarksville agreed to furnish the land and issue revenue bonds for the construction of the new emergency dispatch center, and the district became responsible for reimbursing the city for the debt service to retire the revenue bonds. When the debt service is retired, the city will transfer title to the land and building to the district in fee simple free of all liens and encumbrances. This agreement constitutes a lease purchase; and, therefore a liability for the amount of the bond payable still outstanding for the city is recorded on the district's books.

In 2014, the city reissued these bonds. The bonds were reissued at a lower interest rate and at a premium, which reduced the city's debt obligation by $80,000. See Note IX.H.

The interlocal agreements call for the payments of the debt service to be due annually on June 1 and December 1 until 2022. The interest rate varies on this debt from three percent to four percent based on the rate of interest paid by the city on the bond issue.

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Lease Payable Principal		Interest
2015	$ 525,000	$	88,213
2016	285,000		72,100
2017	295,000		60,700
2018	305,000		48,900
2019	315,000		39,750
Thereafter	1,010,000		61,350
Total	$ 2,735,000	$	371,013

Long-term debt for the year ended June 30, 2014, is as follows:

	Balance 7-1-13	Additions	Reductions	Balance 6-30-14	Due Within One Year
Revenue Bonds	$ 2,815,000	$ 0	$ (80,000)	$ 2,735,000	$ 525,000

The total interest incurred on these liabilities for the year ended June 30, 2014, was $70,350. The amount due within one year includes $260,000 billed by the City of Clarksville in July 2014, and $265,000 due on June 1 of 2015. The July 2014 billing was previously scheduled to be billed in June 2014 but was postponed due to the refinancing of the city's underlying debt.

H. Deferred Inflows

In 2014, the city reissued the bonds issued for the construction of the emergency communications building. The bonds were reissued at a lower interest rate and at a premium, which reduced the city's debt obligation by $80,000. Accordingly, the city passed through the debt reduction to the district. This reduction is reported on the Statement of Net Position as deferred inflows and is being recorded as a $10,000 per year reduction in interest expense over the remaining life of the bonds beginning June 30, 2015.

I. Economic Dependency

As of and for the year ended June 30, 2014, the district has the following balances and transactions with respect to major customers:

	Revenues	A/R
TECB	$ 1,220,235	$ 132,226
AT&T	406,347	31,002

J. Other Postemployment Benefits (OPEB) Self-Insurance Plan

Plan Description

All full-time employees and eligible retirees of the primary government of Montgomery County including the emergency communications district are eligible to participate in the health and dental insurance cost sharing plan accounted for in the Self-Insurance Fund (internal service fund). For accounting purposes, the plan is an agent single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The county develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums.

An employee who retires from Montgomery County become eligible for retiree health coverage if they have 20 years of service and were enrolled in the health insurance program for at least two years. Montgomery County pays a portion of the premium for retirees and their spouses. Once the retirees or their dependent(s) become eligible for Medicare, the county coverage will become the secondary insurance provider.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution	$	20,449
Interest on the Net OPEB Obligation		1,041
Adjustment to the Annual Required Contributions		(1,025)
Annual OPEB Cost	$	20,465
Amount of Contribution		(2,695)
Increase/Decrease in Net OPEB Obligation	$	17,770
Net OPEB Obligation, 7-1-13		26,035
Net OPEB Obligation, 6-30-14	$	43,805

Fiscal Year Ended	Plan		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed			Net OPEB Obligation at Year End
6-30-14	Emergency Communications District	$	20,465	13.17	%	$	43,805
6-30-13	"		14,814	1.73			26,035
6-30-12	"		13674	1.73			11,477

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows:

Actuarial valuation date		7-1-14
Actuarial accrued liability (AAL)	$	167,598
Actuarial value of plan assets	$	0
Unfunded actuarial accrued liability (UAAL)	$	167,598
Actuarial value of assets as a % of AAL		0%
Covered payroll (active plan members)	$	1,125,349
UAAL as a % of covered payroll		14.89%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included at six percent investment rate of return (net of administrative expenses) and an annual healthcare cost of nine percent grading six percent over six years for 2012, with the assumption that annual medical costs will increase eight percent per year.

X. OTHER NOTES – DISCRETELY PRESENTED CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION

A. Summary of Significant Accounting Policies

Reporting Entity

The Clarksville-Montgomery County Tourism Commission was created by Private Chapter No. 167, Senate Bill No. 1414, by the ninety-first General Assembly, State of Tennessee, on June 4, 1979. On May 22, 2000, Private Chapter No. 140, Senate Bill No. 3303, was passed to amend Chapter No.

167. The purpose of the commission is to promote tourist and recreational activity in the Clarksville-Montgomery County area. The commission office is located in Clarksville, Tennessee.

The commission is a component unit of Montgomery County, Tennessee, which is the principal reporting entity and primary government. The commission is treated as a discrete component unit of the county since the county may unilaterally control the operations of the commission. The county provides its primary funding support. The financial reporting entity of the commission only includes the assets and operations of the commission and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

The commission is jointly-governed by the governments of Montgomery County and the City of Clarksville and is exempt from federal and state income tax. The commission's operations alone constitute the reporting entity since it has no oversight responsibility for any other agencies and no component units. In fiscal year 1995, the commission, the Clarksville Area Chamber of Commerce, and the Clarksville-Montgomery County Industrial Development Board (IDB) jointly organized the Clarksville-Montgomery County Economic Development Council (EDC) to develop, coordinate, and implement a comprehensive marketing plan relating to the economic prosperity of Clarksville-Montgomery County and the surrounding area. The commission, chamber, and IDB evenly share the cost of the EDC staff's salary, payroll taxes, benefits and other operating costs and expenses related to general administration of the EDC. All other expenses of the EDC are shared based on usage allocations. The audited financial statements of the EDC can be obtained from the Vice President of Finance and Human Resources, Clarksville-Montgomery County Economic Development Council, P. O. Box 883, Clarksville, Tennessee 37041-0883.

Use of Estimates

The commission's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from these estimates in the near term, and these variations can have a material effect on these financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the commission to significant concentrations of credit risk consist principally of cash and receivables. The commission is exposed to credit risk by placing its deposits in financial institutions. The commission has mitigated this risk because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee

Bank Collateral Pool. With respect to receivables, credit risk is dispersed across a large number of businesses and certain governmental and nonprofit entities, which are geographically concentrated in Montgomery County. The commission does not obtain collateral for receivables.

Government-wide and Fund Financial Statements

The government-wide financial statements (the governmental fund balance sheet/statement of net position and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the nonfiduciary activities of the commission.

The governmental fund financial statements are shown in combination with the government-wide financial statements.

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

Measurement Focus, Basis of Accounting, and Basis of Presentation

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flow.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the commission considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The commission's only fund is the General Fund. It accounts for all of the financial resources of the commission.

Cash and Cash Equivalents

The commission considers all highly liquid debt investments purchased with maturities of 90 days or less to be cash equivalents.

Uncollectible Accounts

Receivable are reported net of an allowance for uncollectible accounts and revenues net of uncollectible accounts.

Inventories

Inventories consist of retail merchandise available for sale and are valued at average cost. The cost is expensed at the time individual items are sold and not at the time purchased.

Capital Assets

Capital assets are valued at cost for assets purchased. All assets with an initial, individual cost of $500 or more and an estimated useful life in excess of two years are capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs are not capitalized.

Accrued Compensated Absences

Employees are required to use earned vacation days within the fiscal year, and sick days are not paid upon separation. Therefore, compensated absences are not accrued.

Fund Equity

The commission has implemented GASB Codification 1800, *Classification and Terminology*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the commission's governing body, using its highest level of decision-making authority (i.e., through a majority vote by the board of commissioners during an official meeting). To be reported as committed, amounts cannot be used for any other purpose unless the board of commissioners takes the same highest level of action to remove or change the constraint.

- Assigned fund balance – amounts the commission intends to use for a specific purpose. Intent can be expressed by management of the commission.

- Unassigned fund balance – amounts that are available for any purpose.

The details of the fund balances are included in the Governmental Fund Balance Sheet and in Note X.G.

It is the commission's policy to use restricted funds first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed by management. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Advertising Costs

Advertising costs are expensed as incurred.

B. Cash and Other Deposits

Cash and other deposits are restricted to deposits with federally-insured institutions and must be approved by the board of commissioners.

Custodial credit risk for the commission's deposits is the risk that in the event of a bank failure, the commission's deposits may not be returned to it. As required by state statutes, the commission's policy is to require financial institutions holding its deposits to be members of the State of Tennessee Bank Collateral Pool or pledge collateral of 105 percent for deposits in excess of federal depository insurance. The collateral is required to be held by the commission or its agent in the commission's name. At June 30, 2014, cash and other deposits included bank balances totaling $730,294, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

Both cash and cash equivalents are carried at cost, which approximated fair value at June 30, 2014.

C. Capital Assets

Changes in capital assets follow:

	Balance 7-1-13	Additions	Balance 6-30-14
Land	$ 21,000	$ 0	$ 21,000
Building	128,769	0	128,769
Furniture, Fixtures and Equipment	41,858	549	42,407
Leasehold Improvements	252,147	0	252,147
Vehicle	34,657	0	34,657
Total Capital Assets Depreciated	$ 478,431	$ 549	$ 478,980
Less: Accumulated Depreciation For:			
Building	$ 52,829	$ 3,301	$ 56,130
Furniture, Fixtures and Equipment	34,217	2,499	36,716
Leasehold Improvements	34,647	16,943	51,590
Vehicle	18,484	6,931	25,415
Total Accumulated Depreciation	$ 140,177	$ 29,674	$ 169,851

The commission has no capital assets that are idle or impaired. Land is not depreciated.

D. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Position:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the commission, net of related accumulated depreciation.

Cost of Capital Assets	$ 478,980
Less: Accumulated Depreciation	(169,851)
Total	$ 309,129

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Proceeds and gain or loss from the sale of capital assets are excluded from the Statement of Activities since the proceeds are not a gain or loss associated with the sale.

Capital Outlays	$ 549
Depreciation Expense	(29,674)
Total	$ (29,125)

E. Gifts in Kind

The commission received contributed services from volunteers during the fiscal year ended June 30, 2014. The value of those contributed services could not be reasonably determined and, therefore, are not recorded in the financial statements.

F. Related-party Transactions

The commission paid the EDC $208,947 for its share of EDC expenses during the year ended June 30, 2014. The commission had related-party payables at June 30, 2014, totaling $25,827, and related-party receivables of $35,000 that was advanced to the EDC in a previous year to facilitate payment of routine commission expenses and is not expected to be collected within one year.

G. Fund Balance

The commission had unassigned fund balance of $976,471, committed fund balance of $30,634, and nonspendable fund balance of $39,868 at June 30, 2014. Committed fund balance consisted of amounts set aside by the board of commissioners through a majority vote in an official meeting for the Civil War Sesquicentennial marketing campaign. Nonspendable fund balance consisted of the following:

Inventories	$ 2,819
Prepaid Expenses	2,049
Long-term Portion of Due from Related Party	35,000
Total Nonspendable Fund Balance	$ 39,868

H. Leases

Beginning December 2006, the commission began leasing office space in the Capital Bank building from EDC under a five-year agreement. This lease expired in November 2011, and was renewed for an additional five years ending November 2016. The commission entered into a lease for parking space during the fiscal year ended June 30, 2012. Rental expense under the operating leases was $41,051 for the year ended June 30, 2014.

Future payments on lease obligations are as follows:

2015	$ 38,667
2016	38,667
2017	21,089
2018	12,600
2019	12,600
2020-2028	112,980
Total Nonspendable Fund Balance	$ 236,603

The commission has subleased half of the parking lot space to a third party. The above lease commitments will be offset by annual sublease rental income of $6,000 through March 2017, $6,300 through March 2022, and $6,615 through March 2028.

The commission entered into a sublease agreement with the City of Clarksville on May 5, 2006, for the Post House located on Fort Campbell Boulevard. The lease term was for 77 years and required an annual rent payment of $1. The commission was entitled to receive the monthly rentals for placement of an ATM machine on the premises. The commission cancelled this lease during the year ended June 30, 2014.

I. <u>Retirement Plan</u>

The EDC maintains a defined contribution 401 (k) plan administered by American Chamber of Commerce Executives (ACCE). All employees who have completed one year of service, reached age 21, and work 1,000 hours or more per year are eligible to participate. Employees can make pre-tax contributions from one to 100 percent of total annual earnings (subject to IRS limitations) in which they are immediately vested. The commission will match 100 percent of the participant's pre-tax contributions up to a maximum of four percent as the employer matching contribution and the participant is immediately vested.

During the fiscal year ended June 30, 2014, contributions totaling $28,357 were paid and expensed by the commission. Employee contributions to the plan were $28,783 for the year ended June 30, 2014.

J. <u>Concentrations</u>

The commission's primary source of funding is hotel/motel taxes collected by Montgomery County businesses. The amount of taxes collected each fiscal year is impacted by fluctuations in spending for tourism and for industrial and military-related travel. A major reduction in hotel/motel tax collections could have a significant effect on the future operations of the commission.

K. Contingencies

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

L. Budget

The annual budget is prepared and legally adopted by the board of commissioners and approved by the Montgomery County director of accounts and budgets. The budget is prepared using the modified accrual basis of accounting. The board members review the commission's needs for the year as well as prior-year expenditures to arrive at the current-year budget. The "encumbrance" method of budgeting and accounting for expenditures is not used.

Copies of the complete financial statements of the County for the current Fiscal Year are available at http://www.comptroller1.state.tn.us/la/CountySelect.asp