

CLARKSVILLE-MONTGOMERY COUNTY

ECONOMIC DEVELOPMENT COUNCIL

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2008 AND 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clarksville-Montgomery County
Economic Development Council
Clarksville, Tennessee

We have audited the accompanying financial statements of the Clarksville-Montgomery County Economic Development Council (EDC) as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the EDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EDC as of June 30, 2008 and 2007, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008, on our consideration of the EDC'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis information, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the EDC's basic financial statements. The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Stone Rudolph & Henry, PLC

October 21, 2008

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

Our discussion and analysis of the Clarksville Montgomery County Economic Development Council's financial performance provides an overview of the Council's financial activity for the year ended June 30, 2008. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The Council's total assets were \$134,201 at the end of this year's operations.
- Income from operating revenues was \$741,371 while operating expenses were \$741,859.
- The increase in net assets for 2008 was \$140.

Required Financial Statements

The financial statements of the Clarksville Montgomery County Economic Development Council (EDC) report information about the EDC using generally accepted accounting principles. These statements offer financial information about its activities. The Statement of Net Assets includes all of the EDC's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the EDC's operations over the past year and can be used to determine if the EDC recovered all its costs through the funding provided. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the EDC's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Council

The financial statements of the EDC represent Aspire initiative activity and the cash flow of administrative operations related to its member organizations (Chamber of Commerce, Tourism Commission, and Industrial Development Board). In addition to the actual cash received and expended, the Council receives the benefit of private dollars through the marketing efforts of the Aspire Clarksville foundation. For fiscal year 2008, the foundation spent approximately \$236,900 for economic development, with more than \$22,700 representing direct image and market development efforts benefiting the EDC's operations. Over time, increases or decreases in net assets can show whether the business is improving or deteriorating. However, other non-financial factors such as economic conditions, the focus of the Aspire foundation and changes in legislation and the local legislative agenda should be considered.

One of the most important questions asked about the EDC's finances is "Is the organization as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets report information about the EDC's activities in a way that will help answer this question.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

Net Assets

An increase in net assets is usually an indicator that a business is improving. To begin our analysis, summaries of the Statements of Net Assets are presented in Table A-1.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007
TABLE A-1

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 134,201	\$ 218,845	\$ (84,644)	-39%
Property and Equipment (Net)	-	1,837	(1,837)	-100%
Total Assets	<u>\$ 134,201</u>	<u>\$ 220,682</u>	<u>\$ (86,481)</u>	-39%
 <u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities	\$ 47,889	\$ 134,510	\$ (86,621)	-64%
Long-Term Liabilities	77,000	77,000	-	-
Total Liabilities	<u>124,889</u>	<u>211,510</u>	<u>(86,621)</u>	-41%
Invested in Capital Assets	-	1,837	(1,837)	-100%
Unrestricted	9,312	7,335	1,977	27%
Total Net Assets	<u>9,312</u>	<u>9,172</u>	<u>140</u>	2%
Total Liabilities and Net Assets	<u>\$ 134,201</u>	<u>\$ 220,682</u>	<u>\$ (86,481)</u>	-39%

Nearly all liabilities incurred by the EDC initiate an equal receivable due from its partner agencies. As a result, the decrease in liabilities recorded for year-end expenses (current liabilities) also decreased year-end receivables (current assets). Property and equipment is made up of some furnishings but mostly automation that enable the EDC's staff to support its member organizations. Such assets were purchased primarily through the EDC's operating budgets and became fully depreciated in this reporting period. The long-term liabilities shown here represent refundable deposits made by the member agencies of the EDC. Such deposits enable the EDC to operate with less frequent reimbursements. Given the contractual relationship between the EDC and its partners, the modest decline in net assets shown in this report is expected to be offset by modest increases in future reporting periods.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

Revenue, Expenses and Changes in Net Assets

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets details the nature and source of these changes. In Table A-2 below, total revenue appeared to decrease almost \$179,000 while expenses appeared to decrease \$174,000. These apparent decreases are almost entirely the result of leasehold improvements that were completed in 2007. The EDC's principal role as an umbrella organization over its partner agencies produces very little change in net assets. Expenses incurred are most often reimbursed by its member agencies.

CLARKSVILLE-MONTGOMERY COUNTY
 ECONOMIC DEVELOPMENT COUNCIL
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 YEARS ENDED JUNE 30, 2008 AND 2007

TABLE A-2

	2008	2007	Dollar Change	Percent Change
Operating Revenues	\$ 741,371	\$ 920,468	\$ (179,097)	-19.5%
Non Operating Revenues	537	430	107	24.9%
Total Revenues	<u>741,908</u>	<u>920,898</u>	<u>(178,990)</u>	-19.4%
Operating Expenses	741,768	915,565	(173,797)	-19.0%
Interest Expense	-	455	(455)	-100.0%
Total Expenses	<u>741,768</u>	<u>916,020</u>	<u>(174,252)</u>	-19.0%
Change in Net Assets	140	4,878	(4,738)	-97.1%
Net Assets-Beginning	9,172	4,294	4,878	113.6%
Net Assets-Ending	<u>\$ 9,312</u>	<u>\$ 9,172</u>	<u>\$ 140</u>	1.5%

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

Cash Flows

The Statement of Cash Flows reports the net changes in cash resulting from operating, investing, and financing activities. It provides information about an entity's liquidity, financial flexibility and operating capacity. As shown in Table A-3, cash was decreased by \$53,000.

CLARKSVILLE-MONTGOMERY COUNTY
 ECONOMIC DEVELOPMENT COUNCIL
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2008 AND 2007
 TABLE A-3

	2008	2007
Cash Flows from Operating Activities	\$ (21,398)	\$ 22,697
Cash Flows from Non-Capital Financing Activities	(32,200)	(455)
Cash Flows from Investing Activities	537	430
Net Increase in Cash and Cash Equivalents	(53,061)	22,672
Cash and Cash Equivalents-Beginning	62,459	39,787
Cash and Cash Equivalents- Ending	\$ 9,398	\$ 62,459

Most of the cash generated is used for operating expenses and Aspire initiative expenses (marketing and development). The EDC had cash of \$9,398 at the end of this fiscal year. The most significant non-operating factor affecting the EDC's cash balance was the \$32,200 pay-off of the line of credit used to finance the Aspire Clarksville Foundation's fundraising campaign. The EDC's cash flow situation is healthy since all expenses are offset as they are incurred (either through reimbursements from agencies or Aspire grants).

Budgetary Highlights

Although the EDC is not legally required to adopt a budget, one is prepared annually for internal use only. The budget is comprised of two parts, the routine administration of the EDC and the Aspire initiatives. The executive committee and full board of the EDC approve the administration portion of the budget. The foundation board determines the Aspire initiatives that it intends to fund for the coming year and then the EDC's Aspire initiatives are funded by foundation grants. The administrative budget is then allocated to the Chamber of Commerce, the Tourism Commission, and the Industrial Development Board. These amounts are incorporated into each respective agency's budget. It is in effect for the entire calendar year. The EDC's management uses the budget as a planning tool for the coming year.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Most entities conduct business planning with the intent to increase sales to existing customers and to increase the overall customer base. A more appropriate goal for an entity such as the Economic Development Council is to successfully encourage economic growth throughout Montgomery County by facilitating and coordinating the efforts of its member agencies: the Industrial Development Board, the Convention and Visitor's Bureau (Tourism Commission), and the Clarksville Area Chamber of Commerce. A good measure of the financial health of the EDC can be obtained from a collective look at the performance of these agencies. External factors that can impact the financial condition of the EDC include member agency finances, city and county finances, regional economic trends, and Fort Campbell activities. Barring any unexpected changes in such external factors, we anticipate a continuation, if not acceleration, of the economic growth and health of the Clarksville and Montgomery County region. As a result, we do not expect significant changes in next year's budget.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances. If you have any questions about this report or need any additional information contact the Vice President of Finance and Human Resources, Clarksville-Montgomery County Economic Development Council, P.O. Box 883, Clarksville, Tennessee 37041-0883.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 9,398	\$ 62,459
Accounts Receivable	368	-
Aspire Grant Receivable	-	2,466
Due from Related Parties	112,170	150,747
Prepaid Expenses	12,265	3,173
Total Current Assets	<u>134,201</u>	<u>218,845</u>
<u>CAPITAL ASSETS</u>		
Furniture, Fixtures, and Equipment	53,492	53,492
Less: Accumulated Depreciation	(53,492)	(51,655)
Net Capital Assets	<u>-</u>	<u>1,837</u>
Total Assets	<u>\$ 134,201</u>	<u>\$ 220,682</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 17,839	\$ 64,457
Accrued Expenses	24,559	-
Line of Credit	-	32,200
Due to Related Parties	5,491	37,853
Total Current Liabilities	<u>47,889</u>	<u>134,510</u>
<u>LONG-TERM LIABILITIES</u>		
Deposits Payable to Related Parties	77,000	77,000
Total Long-Term Liabilities	<u>77,000</u>	<u>77,000</u>
Total Liabilities	<u>124,889</u>	<u>211,510</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	-	1,837
Unrestricted	9,312	7,335
Total Net Assets	<u>9,312</u>	<u>9,172</u>
Total Liabilities and Net Assets	<u>\$ 134,201</u>	<u>\$ 220,682</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>		
Aspire Grant	\$ 54,856	\$ 52,286
Other Income	7,456	775
Support Services Reimbursement	679,059	867,407
Total Operating Revenues	<u>741,371</u>	<u>920,468</u>
<u>OPERATING EXPENSES</u>		
Advertising	491	2,385
Build-Out Expense	15,650	167,520
Communications	13,081	16,692
Depreciation	1,837	2,696
Equipment Expense	2,218	7,952
Fringe Benefits	54,157	57,871
Grant Expense	39,727	118,324
Insurance	9,214	5,076
Internet	2,915	1,697
Lease Expense	55,214	13,611
Marketing and Public Relations	763	5,941
Miscellaneous	6,088	6,094
Payroll Taxes	28,821	25,803
Personnel	443,952	418,982
Printing and Stationery	2,684	5,055
Professional and Consulting	11,458	10,455
Repair and Maintenance	22,159	18,198
Supplies	15,933	9,497
Travel, Meals, and Entertainment	15,406	21,716
Total Operating Expenses	<u>741,768</u>	<u>915,565</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(397)</u>	<u>4,903</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Income	537	430
Interest Expense	-	(455)
Total Non-Operating Revenues (Expenses)	<u>537</u>	<u>(25)</u>
<u>NET INCOME (LOSS)</u>	140	4,878
<u>NET ASSETS - BEGINNING</u>	<u>9,172</u>	<u>4,294</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 9,312</u>	<u>\$ 9,172</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 7,088	\$ 775
Cash Paid to Suppliers	(327,130)	(439,091)
Cash Paid to Employees	(443,952)	(418,982)
Cash Received from Related Parties	742,596	879,995
Net Cash Provided by (Used in) Operating Activities	<u>(21,398)</u>	<u>22,697</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Interest Paid	-	(455)
Payments on Line of Credit	(32,200)	-
Net Cash Used in Noncapital Financing Activities	<u>(32,200)</u>	<u>(455)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	537	430
Net Cash Provided by Investing Activities	<u>537</u>	<u>430</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(53,061)	22,672
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>62,459</u>	<u>39,787</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 9,398</u>	<u>\$ 62,459</u>

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2008 AND 2007

	2008	2007
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ (397)	\$ 4,903
Adjustments to Reconcile Operating Income (Loss) to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation	1,837	2,696
Changes in:		
Accounts Receivable	(368)	-
Due from Related Parties	38,577	(80,010)
Aspire Grant Receivable	2,466	2,460
Accounts Payable	(46,618)	58,080
Due to Related Parties	(32,362)	37,852
Prepaid and Accrued Expenses	15,467	(3,284)
Net Cash Provided by (Used In) Operating Activities	\$ (21,398)	\$ 22,697

The accompanying notes are an integral part of the financial statements.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

In fiscal year 1995, the Clarksville-Montgomery County Economic Development Council (EDC) was organized to develop, coordinate and implement a comprehensive marketing plan to promote the economic prosperity of Clarksville-Montgomery County and the surrounding area. The EDC represents a joint venture of the Clarksville-Montgomery Industrial Development Board (IDB), Clarksville Area Chamber of Commerce (Chamber), and the Clarksville-Montgomery County Tourism Commission (Tourism). The organizations are obligated to support the EDC financially as set forth in the annual budget. The EDC applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements or opinions conflict with or contradict GASB pronouncements.

The EDC, for financial statement purposes, includes all of the assets and liabilities relevant to the operations of EDC. The financial statements presented herein do not include any other funds, agencies, or organizations which are separate and distinct units of themselves.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the EDC to significant concentrations of credit risk consist principally of cash and accounts receivable. The EDC places its cash with federally-insured financial institutions. With respect to accounts receivable, credit risk is primarily limited to amounts due from related entities including the IDB, Chamber, and Tourism. The EDC does not obtain collateral for accounts receivable.

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.

EDC 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.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)

1. Summary of Significant Accounting Policies (Cont'd)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of 90 days or less. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Restricted Assets

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

Capital Assets

Equipment is recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. Capital assets are defined by the EDC as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of two years. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

Operating Revenues and Expenses

Operating revenues and expenses of the EDC are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Tax-Exempt Status

The EDC is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and is not classified as a private foundation. Accordingly, no provision for income tax has been made.

Advertising Costs

Advertising costs are expensed as incurred.

2. Cash and Cash Equivalents

Investments and other deposits are restricted by Tennessee state law to deposits with financial institutions and certain obligations guaranteed by the United States government. Cash and cash equivalents represent \$27,732 and \$66,591 held in federally-insured banks, all of which was insured at June 30, 2008 and 2007, respectively.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Capital Assets

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

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Furniture, Fixtures and Equipment	\$ <u>53,492</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>53,492</u>
Accumulated Depreciation	\$ <u>51,655</u>	\$ <u>1,837</u>	\$ <u>-</u>	\$ <u>53,492</u>

4. Line of Credit Guarantor

The EDC has an unsecured \$100,000 revolving line of credit with Regions (formerly AmSouth) Bank. Interest is payable monthly at a variable rate equal to the bank's prime rate plus 0.25% (5.25% at June 30, 2008). The line of credit was originally obtained for temporary cash flow needs. At June 30, 2008, the EDC had drawn \$-0-, leaving \$100,000 available to draw.

5. Related Party Transactions

During the years ended June 30, 2008 and 2007, the Chamber, Tourism, and IDB paid EDC a total of \$673,816 and \$781,770, respectively, for group purchases. These group purchases are primarily personnel and administrative expenses incurred by the EDC on behalf of the Chamber, Tourism, and IDB and are reimbursed one-third each by the related entities.

During the year ended June 30, 2007, the EDC incurred \$167,520 of expenses related to the build-out of leased office space in the Green Bank building. Those expenses were reimbursed and capitalized one-third each by the related entities.

The EDC had amounts payable to related parties of \$245 and \$37,853 and amounts due from related parties of \$110,486 and \$150,747 at June 30, 2008 and 2007, respectively. All of those amounts were classified as either current assets or liabilities. The EDC previously received deposits totaling \$77,000 from the Chamber, Tourism, and IDB. Those deposits were classified as long-term liabilities at June 30, 2008 because no portion was required to be repaid within the next fiscal year.

6. Operating Lease

Effective November 30, 2006, the EDC entered into an agreement with Green Bank for the lease of 10,000 square feet of office space. The lease term is five years beginning December 1, 2006, and ending November 30, 2011, with the option of extending the lease for two additional five-year periods. Rent terms for months 1-6 of the term rental are \$0.00 per square foot; months 7-12 are \$4.00 per square foot (\$3,333 monthly); and months 13-60 are \$6.00 per square foot (\$5,000 monthly). EDC has subleases with the Chamber, IDB, and Tourism Commission which fully offsets this lease obligation.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS (CONT'D)

7. Pension Plan

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

Total employee contributions for the years ended June 30, 2008 and 2007 were \$40,099 and \$31,754, respectively. Employer expenses of \$51,683 and \$41,243 were incurred and reimbursed by the related organizations for those years.

8. Contingencies

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

9. Concentration of Revenues

The EDC is primarily funded by reimbursements of expenses paid on behalf of the Chamber, Tourism, and IDB. A major reduction in funding by one or more of these entities could have a significant effect on the future operations of the EDC.

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
DIRECTORY OF OFFICIALS
(UNAUDITED)
JUNE 30, 2008

Board Members:

William S. Stuard, Jr., Chairman	Member
Gary Norris, Secretary-Treasurer	Member
Louisa Cooke	Member
Timothy Hall	Ex-Officio
Michael Harris	Ex-Officio
Mark Holleman	Member
Dr. Sherry Hoppe	Member
Rep. Curtis Johnson	Ex-Officio
Rep. Phillip Johnson	Ex-Officio
Sen. Rosalind Kurita	Ex-Officio
Fred Landiss	Member
Frank Lott	Ex-Officio
Brad Martin	Member
Rep. Joe Pitts	Ex-Officio
Dr. Carmen Reagan	Member
Tom Skrodzki	Member

Chamber of Commerce Appointees:

Khandra Smalley
David Smith

Industrial Development Board Appointee:

William Linscott

Tourism Commission Appointees:

Fred Landiss
Toni Reid

City Council Appointee:

Mayor Johnny Piper

County Commission Appointees:

Mayor Carolyn Bowers
Loretta Bryant

Management:

James Chavez, President and CEO
Shannon Green, Vice President of Finance and Human Resources



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Directors
Clarksville-Montgomery County
Economic Development Council
Clarksville, Tennessee

We have audited the accompanying basic financial statements of Clarksville-Montgomery County Economic Development Council (EDC) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 21, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the EDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the EDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the EDC's financial statements that is more than inconsequential will not be prevented or detected by the EDC's internal control. We consider the deficiencies described on the following page as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

2008-1 (Recurring Finding) Management Oversight of Financial Reporting: We noted a lack of management oversight over financial reporting that includes the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). Three adjusting entries were required for the financial statements to be presented in conformity with GAAP. Two of the three adjusting entries were calculated by management.

Recommendation: We recommend management implement review procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

Management Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit.

2008-2 Control Operating Effectiveness Deficiencies: We noted operating effectiveness deficiencies in the following controls:

- 1) Review of the payroll reports was not documented.
- 2) Review of the payroll entries was not documented.
- 3) Review of the financial report was not documented in the minutes for one month's Board meeting.

Recommendation: We recommend that management implement procedures to ensure that each control is operating with sufficient effectiveness by:

- 1) Documenting the review of the payroll reports.
- 2) Documenting the review of the payroll entries.
- 3) Reviewing and documenting the review of the financial report at each Board meeting.

Management Response: Management will implement procedures to document the review of payroll reports and ensure full implementation of existing procedures for the review and documentation of financial reports and payroll entries.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the EDC's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2008-1 and 2008-2 to be material weaknesses.

The EDC did not resolve prior year finding number 2007-1. The finding recurred in the current year and is reported as finding 2008-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The EDC's responses to the findings identified in our audit are described on the preceding page. We did not audit the EDC's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and board of directors of the EDC and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Stone Rudolph & Henry, PLC

October 21, 2008