

CLARKSVILLE-MONTGOMERY COUNTY
REGIONAL PLANNING COMMISSION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2009

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited).....	3
Audited Financial Statements:	
Governmental Fund Balance Sheet/Statement of Net Assets	11
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/ Statement of Activities	12
Notes to Financial Statements	14
Required Supplementary Information:	
Schedule of Funding Progress (unaudited)	22
Other Information:	
Schedule of Operating Income and Expenses.....	23
Schedule of Expenditures of Federal Awards.....	26
Schedule of Board of Commissioners and Director (unaudited)	28
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 <i>Government Auditing Standards</i>	29



STONE,
RUDOLPH
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified
Public
Accountants

www.srhcpas.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Clarksville-Montgomery County Regional Planning Commission
Clarksville, Tennessee

We have audited the accompanying financial statements of the governmental activities and major fund of Clarksville-Montgomery County Regional Planning Commission (the Planning Commission) as of and for the year ended June 30, 2009, which collectively comprise the Planning Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Planning Commission's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Planning Commission as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2009, on our consideration of the Planning Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis information and schedule of funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are 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 opinions on the financial statements that collectively comprise the Planning Commission'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, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stone Rudolph & Henry, PLC

October 5, 2009

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009 AND 2008

BACKGROUND

The Clarksville-Montgomery County Regional Planning Commission (the Planning Commission) is an independent body established in 1963 under State Law. The Commission consists of nine members serving the community and is selected on the following basis. Under the law, the County Mayor and the City Mayor or their designates always serve on the Planning Commission during their terms of office. The remaining members are nominated for appointment by the County Mayor and the City Mayor; however, the Tennessee State Planning Office actually designates or appoints all members of the Commission. The Planning Commissioners serve four-year terms. One Planning Commissioner will serve on the Regional Historic Zoning Commission as required by State law.

The composition of the Board of Commissioners is as follows:

- (1) City Mayor/designate
- (2) County Mayor/designate
- (3) City Council Member, chosen by City Mayor
- (4) County Commissioner, chosen by County Mayor
- (5) Three appointments made by the City Mayor
- (6) Two appointments made by the County Mayor

A full-time planning staff employed by the Planning Commission carries out all administrative activities. This agency provides technical and planning assistance in coordinating actions among federal, state, regional, and local governments.

The basic function and duty of the Planning Commission is to formulate and adopt a general regional plan for the physical development of the region. The plan is for the general purpose of guiding and accomplishing a coordinated, efficient, and economic development of the region which will, in accordance with present and future needs and resources, best promote the health, safety, morals, order, convenience, prosperity, and welfare of the inhabitants. The Planning Commission intends to promote efficiency and economy in the process of development, including, among other things, such distribution of population and the uses of the land for urbanization, trade, industry, habitation, recreation, agriculture, forestry, and other uses as will tend to create conditions favorable to transportation, health, safety, civic activities, and educational and cultural opportunities. Its plans entail reducing the wastes of financial and human resources which result from either excessive congestion or excessive scattering of population, and tend toward an efficient and economic utilization, conservation, and production of the supply of food, water, minerals, and other resources, as well as drainage, sanitary, and other facilities.

The Planning Commission employs a competent staff to oversee rezoning within the Clarksville-Montgomery County area, review subdivision development, and coordinate transportation planning within the Clarksville-Montgomery County area.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

As noted earlier, the Planning Commission processes and reviews requests for zoning changes, as well as proposed subdivisions within Clarksville and Montgomery County, Tennessee. We also process all site reviews for the City and County which are required in many zone districts. Also, the Planning Commission is responsible for carrying out the City and County's short and long range planning activities.

We have two employees that are involved in transportation planning activities. These staff members are funded through federal, state and some local monies.

ZONING, SUBDIVISION, AND SITE REVIEW CASES

The Clarksville-Montgomery County Regional Planning Commission is specifically responsible for recommendations concerning the rezoning of land in the City and County and for the proper subdivision of new developments in the City and County. Citizens file applications in our office to have their property rezoned, subdivided, or reviewed. After the Planning Commission has recommended approval or disapproval on zoning applications, the County cases are then heard by the Board of County Commissioners and the City cases are heard by the Clarksville City Council. Subdivision and site review cases are only acted on by the Planning Commission.

The Board of Commissioners meets on the Wednesday before the last Thursday of each month. The City Council meets informally on the last Thursday of each month and their formal meeting is held on the first Thursday of each month. The Board of County Commissioners meets informally on the first Monday of each month and their formal meeting is held on the second Monday of each month.

In order to have adequate time to process the requests for zone changes, subdivision approvals, site reviews and abandonment applications, deadline dates have been established in accordance with current local zoning laws. A current listing of these deadlines is available in the Planning Commission office.

Applications must be received in our office by the close of business on the date set to be processed for the current month. Each case is taken in the order received. Fees have been established by resolution or ordinance of the appropriate body.

All fees will be processed in accordance with approved accounting policies for the Planning Commission. All zoning requests must be advertised in a newspaper of local general circulation within required time limits. Also, adjacent property owners are notified by mail as a courtesy, utilizing the latest available tax rolls on file in our office. Subdivision applications are not required to be advertised for public hearing. However, notices are required to be sent by mail within specified time limits to all adjacent property owners. Every effort is made to make sure every adjacent owner is notified.

All cases are processed according to specific guidelines and requirements established in the Clarksville city zoning ordinance, the Montgomery County zoning resolution, the subdivision regulations, etc.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

MAPS AND OTHER INFORMATION

The Planning Commission maintains and updates various city and county maps. Average daily traffic count maps are updated annually when new traffic counts are received from the Tennessee Department of Transportation (TDOT). Aerial photography and topographic maps are available through our office, as well as flood and census tract information. Official road name lists and up-to-date listings of county addresses for E-911 purposes are also maintained.

A wide variety of information, both current and historical, is available to anyone desiring this information. Our staff is ready to assist anyone needing this information.

REPORTING REQUIREMENTS

The Planning Commission is required to apply the Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments" ("GASB 34") for all accounting periods beginning after June 15, 2002.

Our discussion and analysis of the Planning Commission's financial performance provides an overview of the Planning Commission's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the Planning Commission's financial statements.

FINANCIAL HIGHLIGHTS

- The Planning Commission's net assets were \$572,962 compared to \$488,513 for the prior period (as adjusted).
- During the year, Planning Commission operating revenues were \$1,276,994, with operating expenses of \$1,198,084.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The Financial Statements report information about the Planning Commission using generally accepted accounting principles. The *Governmental Fund Balance Sheet/Statement of Net Assets* includes all 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 Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities*. This statement measures the success of operations over the past year.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

The following condensed financial information provides an overview of CMC-RPC's financial activities for the years ended June 30, 2009 and 2008.

NET ASSETS

	2009	2008	Dollar Change	Total Percent Change
Cash & cash equivalents	\$ 379,706	\$ 338,634	\$ 41,072	12.2%
Capital assets (net)	135,845	140,185	(4,340)	-3.1%
Other assets	287,865	208,424	79,441	38.1%
Total assets	<u>\$ 803,416</u>	<u>\$ 687,243</u>	<u>\$ 116,173</u>	16.9%
Current liabilities	\$ 17,586	\$ 11,915	\$ 5,671	47.7%
Other liabilities	212,868	186,815	26,053	13.9%
Total liabilities	<u>230,454</u>	<u>198,730</u>	<u>31,724</u>	16.0%
Unrestricted net assets	437,117	348,328	88,789	25.5%
Invested in capital assets, net of related debt	135,845	140,185	(4,340)	-3.1%
Total net assets	<u>572,962</u>	<u>488,513</u>	<u>84,449</u>	17.3%
Total liabilities and net assets	<u>\$ 803,416</u>	<u>\$ 687,243</u>	<u>\$ 116,173</u>	16.9%

Net assets -- Net assets increased \$84,449 primarily due to an increase in accounts receivable.

Long-term and other liabilities - Liabilities increased \$31,724 primarily due to an increase in unearned revenues.

Net assets - Net assets invested in capital assets were \$135,845 for the year ending June 30, 2009. Unrestricted net assets were \$437,117 this fiscal year. Unrestricted net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

CHANGES IN NET ASSETS FOR YEAR ENDED JUNE 30,

	<u>2009</u>	<u>2008</u>	<u>Dollar Change</u>	<u>Total Percent Change</u>
Total operating revenues	\$1,276,994	\$1,115,841	\$ 161,153	14.4%
Total operating expenses	(1,198,084)	(1,129,728)	68,356	6.1%
Other income	<u>5,539</u>	<u>2,068</u>	<u>3,471</u>	167.8%
Change in net assets	84,449	(11,819)	96,268	814.5%
Net assets, beginning of year	<u>488,513</u>	<u>500,332</u>	<u>(11,819)</u>	(2.4%)
Net assets, end of year	<u>\$ 572,962</u>	<u>\$ 488,513</u>	<u>\$ 84,449</u>	17.3%

Revenues – The Planning Commission generates revenue through the collection of filing fees for zoning cases, subdivision reviews and site reviews. We also receive yearly allocations from the City of Clarksville and Montgomery County, Tennessee. Federal funds are also received for transportation planning activities. For the year ended June 30, 2009, City and County funding was \$664,000, or 52.0%, of operating revenues. Grant contracts totaled \$229,284 or 18.0% of revenues.

The main source of the Planning Commission's non-operating revenues consists of interest earned on its investments. For the year ended June 30, 2009, the Planning Commission earned \$1,586, while in 2008 interest was \$1,416.

Expenses – The main expenditures for the Planning Commission are for salaries and employee benefits. A total of \$568,755 or 47.5% of total expenses was expended for salaries and payroll taxes and \$165,362 or 13.8% for employee benefits. A total of \$363,357 or 30.3% was expended for transportation related projects. The remaining was used for ordinary operating expenses such as office supplies, utilities, advertising fees, etc.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

COMPARISON OF FY 2008-09 BUDGET TO ACTUAL REVENUES/EXPENSES

The following table shows budgeted versus actual figures for revenues and expenses. Grant contracts – the full amount allocated to the Planning Commission through TDOT and KY Transportation Cabinet is placed in the budget to have access to it in case the City and/or County identify projects that need to be accomplished during that budget year. These funds are only drawn down when used for projects. This goes for administration money as well as project funds. We are reimbursed at a rate of 80/20 or 85/15 depending on the fund used. Contracted & professional services are the opposite side of this scenario – the full amount is also shown on the expense side but only reimbursed as used.

Estimates for charges for services are usually kept low because we can never know what fees will actually be filed with us. Much depends on the local economy and the volume of construction and building in the area.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

	Original/Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:			
City and County Funding	\$ 664,000	\$ 664,000	\$ -
Grant Contracts	373,927	299,284	(74,643)
Rent	-	144,500	144,500
MPO Match*	21,858	-	(21,858)
Interest	1,500	1,586	86
Other	500	3,953	3,453
Charges for Services	<u>61,000</u>	<u>169,210</u>	<u>108,210</u>
Total Revenues	<u>\$ 1,122,785</u>	<u>\$ 1,282,533</u>	<u>\$ 159,748</u>
Expenditures:			
Audit	\$ 11,000	\$ 10,900	\$ 100
Board Fees	6,000	4,850	1,150
Communications	8,000	7,429	571
Consultants	40,000	-	40,000
Depreciation	-	27,182	(27,182)
Dues & Memberships	3,500	2,957	543
Janitorial Services	5,000	3,720	1,280
Lease Payments	16,000	12,150	3,850
Legal Notices	62,000	44,212	17,788
Maintenance Agreements	15,200	15,058	142
Rent	-	144,500	(144,500)
Repairs & Maintenance	13,000	11,038	1,962
Postal Charges	5,000	2,829	2,171
Travel	17,000	19,869	(2,869)
Tuition	4,000	2,190	1,810
Contracted & Professional Services	228,288	103,640	124,648
Data Processing Supplies	5,000	2,541	2,459
Office Supplies	15,000	13,653	1,347
Periodicals	1,500	2,587	(1,087)
Utilities	28,000	19,665	8,335
Insurance	21,000	12,997	8,003
Salaries	551,211	529,406	21,805
Payroll Taxes	42,900	39,349	3,551
Employee Benefits	<u>178,416</u>	<u>165,362</u>	<u>13,054</u>
Total Operating Expenses	<u>1,277,015</u>	<u>1,198,084</u>	<u>78,931</u>
Equipment and Capital Outlay	<u>29,500</u>	<u>22,842</u>	<u>6,658</u>
Total Expenditures/Expenses	<u>\$ 1,306,515</u>	<u>\$ 1,220,926</u>	<u>\$ 85,589</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009 AND 2008

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At June 30, 2009, the Planning Commission had \$135,845 invested in its furniture, fixtures and equipment (see table below).

	<u>2009</u>
Property & Equipment	\$ 502,992
Total accumulated depreciation	<u>(367,147)</u>
Net capital assets	<u>\$ 135,845</u>

Liabilities – At June 30, 2009, the Planning Commission had outstanding liabilities of \$230,454, which consisted of accounts payable, accrued compensated absences and unearned revenue.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- It is anticipated that new housing development in Clarksville and Montgomery County will increase over the previous year. The local market appears to be above the national average. Commercial and industrial development is expected to be strong into the foreseeable future, especially with construction of the new Hemlock Semiconductor plant in Montgomery County.
- Population projections for Clarksville and Montgomery County indicate average yearly growth rates higher than those projected for the State of Tennessee.
- Anticipated projects for the coming year include the continual process of revising Clarksville and Montgomery County's zoning regulations.
- Funds have been budgeted to hire an additional planner on staff; however, this position is being held open until development trends increase.

As long as the housing and development markets improve, these factors are expected to enhance the operations of the Clarksville-Montgomery County Regional Planning Commission.

CONTACTING THE PLANNING COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers and elected officials with a general overview of the Planning Commission's finances and to show the Planning Commission's accountability for the money it receives. If you have any questions about this report, or need additional financial information, contact the Planning Commission's office at 329 Main Street, Clarksville, TN 37040.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Fund</u>	<u>Adjustments - Note 5</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and Cash Equivalents			
Unrestricted	\$ 379,706		\$ 379,706
Restricted	170,732		170,732
Accounts Receivable	117,133		117,133
Capital Assets, Net of Accumulated Depreciation		\$ 135,845	135,845
Total Assets	<u>\$ 667,571</u>	<u>\$ 135,845</u>	<u>\$ 803,416</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 17,586		\$ 17,586
Accrued Compensated Absences	42,136		42,136
Unearned Revenue	170,732		170,732
Total Liabilities	<u>230,454</u>	<u>-</u>	<u>230,454</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance:			
Unreserved	437,117	\$ 135,845	
Total Fund Balance	<u>437,117</u>	<u>135,845</u>	
Total Liabilities and Fund Balance	<u>\$ 667,571</u>		
Net Assets:			
Invested in Capital Assets			135,845
Unrestricted			437,117
Total Net Assets		<u>\$ 135,845</u>	<u>\$ 572,962</u>

The accompanying notes are an integral part of the financial statements

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

	<u>Governmental Fund</u>	<u>Adjustments - Note 5</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES:</u>			
Operating Expenses:			
Advertising and Legal Notices	\$ 44,212		\$ 44,212
Board Fees	4,850		4,850
Depreciation		\$ 27,182	27,182
Dues and Publications	5,543		5,543
Education	2,190		2,190
Employee Benefits	165,362		165,362
Insurance	12,997		12,997
Janitorial	3,720		3,720
Lease Expense – Office Equipment	12,150		12,150
Office Expenses, Printing, Postage	2,829		2,829
Payroll Taxes	39,349		39,349
Professional Services	114,540		114,540
Rent	144,500		144,500
Repairs and Maintenance	26,097		26,097
Salaries	529,406		529,406
Supplies	16,194		16,194
Telephone	7,429		7,429
Travel	19,869		19,869
Utilities	19,665		19,665
Total Operating Expenses	<u>1,170,902</u>	<u>27,182</u>	<u>1,198,084</u>
Capital Outlays	22,842	(22,842)	-
Total Expenditures/Expenses	<u>1,193,744</u>	<u>4,340</u>	<u>1,198,084</u>
<u>PROGRAM REVENUES:</u>			
Charges for Services	169,210		169,210
Operating Grant Contracts	299,284		299,284
Total Program Revenues	<u>468,494</u>	<u>-</u>	<u>468,494</u>
Net Program Expense	<u>725,250</u>	<u>4,340</u>	<u>729,590</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES (CONT'D)
YEAR ENDED JUNE 30, 2009

	<u>Governmental Fund</u>	<u>Adjustments - Note 5</u>	<u>Statement of Activities</u>
<u>GENERAL REVENUES</u>			
City and County Funding	664,000		664,000
Donated Facilities	144,500		144,500
Interest	1,586		1,586
Other	3,953		3,953
Total General Revenues	<u>814,039</u>	<u>-</u>	<u>814,039</u>
Excess of Revenues over (under) Expenditures	<u>88,789</u>	<u>(4,340)</u>	<u>84,449</u>
Change in Net Assets	88,789	(4,340)	84,449
Fund Balance/Net Assets:			
Balance, Beginning of Year	<u>348,328</u>	<u>-</u>	<u>488,513</u>
Balance, End of Year	<u>\$ 437,117</u>	<u>\$ -</u>	<u>\$ 572,962</u>

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

The Clarksville-Montgomery County Regional Planning Commission (the Planning Commission) was created on January 12, 1963, by the Tennessee State Planning Commission as authorized by Sections 13-201 through 13-212 of the Tennessee Code Annotated (TCA) to serve as the official planning body for the City of Clarksville and Montgomery County, Tennessee.

The Planning Commission consists of nine total members, five of whom represent the City of Clarksville, and four who represent the remaining portion of Montgomery County outside the city limits of Clarksville.

The Planning Commission is considered a political subdivision and is exempt from federal and state income tax. The Planning Commission's operations alone constitute the reporting entity since it has no oversight responsibility for any other agencies and no component units.

The Planning Commission is deemed to be a governmental entity and applies all relevant Governmental Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Planning Commission does not apply FASB pronouncements issued after November 30, 1989.

Basis of Presentation

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

Funding

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

Restricted Assets

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Accounts Receivable

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

Capital Assets

Property and equipment are valued at historical cost. Expenditures of \$500 or more for improving or extending the life of property are capitalized; maintenance and repair expenditures are charged to operations. Depreciation of capital assets has been computed using the straight-line method over the estimated useful life of each asset, which range from 2 to 10 years for furniture, equipment and software, and 15 to 30 years for leasehold improvements.

Vacation Benefits

Vacation benefits are accrued as earned and charged to salaries.

Contract Income

Contract income is recognized as reimbursable costs are incurred. Any costs reimbursed before the expenses are actually incurred are classified as unearned revenue and the related cash is considered restricted until the conditions for use are met.

Interest Expense

The total interest incurred each year is expensed.

Program Revenues and Expenses

Charges for services and operating program grants are shown as program revenues. Substantially all expenditures are considered program expenditures. Indirect expenses are allocated to programs based upon a grantor-approved cost allocation formula.

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 period. Actual results could differ from those estimates.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Government-Wide Financial Statements

The adjustments to reconcile the governmental fund basis financial statements to the government-wide financial statements consist of the recognition of historical cost, accumulated depreciation, and depreciation expense for capital assets and the related adjustments to fund balance and net assets.

Concentrations of Credit Risk

Financial instruments that potentially subject the Planning Commission to significant concentrations of credit risk consist principally of cash and accounts receivable. The Planning Commission places its cash with federally-insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral. With respect to accounts receivable, credit risk is related to state grants (see Note 3). The Planning Commission does not obtain collateral for accounts receivable.

Date of Management's Review

Subsequent events have been evaluated through October 5, 2009, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

The Planning Commission considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. Cash and cash equivalents are carried at cost, which approximates market at June 30, 2009.

Investments are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States Government.

At June 30, 2009, cash included bank balances of \$585,096, all of which were insured by the FDIC or the State of Tennessee Collateral Pool. Cash also included funds from grant contracts totaling \$170,732 which were considered restricted.

3. Accounts Receivable - Contracts

Accounts receivable - contracts consisted of amounts due from:

Tennessee Department of Transportation funds	\$ 33,708
Kentucky Department of Transportation funds	<u>82,432</u>
	<u>\$ 116,140</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. Capital Assets

Changes in depreciable capital assets follow:

<u>Capital Assets</u>	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2009</u>
Furniture	\$ 43,368	\$ 4,413	\$ -	\$ 47,781
Equipment	189,513	18,168	-	207,681
Software	12,709	261	-	12,970
Leasehold improvements	<u>234,560</u>	<u>-</u>	<u>-</u>	<u>234,560</u>
	<u>\$ 480,150</u>	<u>\$ 22,842</u>	<u>\$ -</u>	<u>\$ 502,992</u>
 <u>Accumulated Depreciation</u>				
Furniture	\$ 30,197	\$ 2,719	\$ -	\$ 32,916
Equipment	163,677	8,560	-	172,237
Software	10,191	1,942	-	12,133
Leasehold improvements	<u>135,900</u>	<u>13,961</u>	<u>-</u>	<u>149,861</u>
	<u>\$ 339,965</u>	<u>\$ 27,182</u>	<u>\$ -</u>	<u>\$ 367,147</u>

The Planning Commission has no capital assets that are idle or nondepreciable or considered to be impaired.

5. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Assets:

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 assets includes those capital assets among the assets of the Commission, net of related accumulated depreciation.

Cost of capital assets	\$ 502,992
Less: Accumulated depreciation	<u>367,147</u>
	<u>\$ 135,845</u>

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.

Capital outlays	\$ (22,842)
Depreciation expense	<u>27,182</u>
	<u>\$ 4,340</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

6. Accumulated Sick Leave Benefits

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.

7. Accumulated Unpaid Vacation Benefits

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 two hundred forty (240) hours as of the employee's anniversary date. On termination of employment, the Planning Commission pays any accrued vacation leave in a lump cash payment to such employee.

8. Other Liabilities

Changes in other liabilities (including current portions) for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009	Estimated Amount Due Year Ending June 30, 2010
Accrued Absences	\$ 37,940	\$ 4,196	\$ -	\$ 42,136	\$ 16,900

9. Sources of Income

Income is primarily derived from charges for reimbursable and allowable costs associated with federal and state programs. Portions of revenues are allocations from the City of Clarksville and Montgomery County for joint services provided by the Planning Commission. Miscellaneous income consists of charges and fees for zoning applications, maps, blueprints, and other reimbursements.

10. Postemployment Benefits

The Planning Commission provides support for medical insurance coverage and premiums, excluding dental and life, for qualifying retired employees. Qualifying retired employees must have a minimum of thirty 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 twenty years of service with the Planning Commission, and be at least age 60. Coverage will continue until the retired employee is eligible for Medicare. The retired employee must make premium payments to the Planning Commission 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 Planning Commission and must elect to receive this benefit at the time of retirement. For qualifying retired employees the Planning Commission pays a portion

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

10. Postemployment Benefits (Cont'd)

of the medical insurance premium for a maximum of ten years. The co-payment schedule is as follows:

<u>Months after Retirement</u>	<u>Planning Commission</u>	<u>Retiree</u>
0 to 24	75%	25%
25 to 60	70%	30%
61 to 120	50%	50%
More than 120	0%	100%

The Planning Commission pays and expenses the costs of the benefits as they are incurred. At June 30, 2009, the Planning Commission had no eligible retirees receiving benefits and incurred no expense for the year then ended.

11. In-Kind Donation of Office Space

The City of Clarksville provides office space to the Planning Commission at no cost. In recognition of the economic value provided by the use of this space, an estimated amount of \$144,500 for 2009 and 2008 was recorded in the financial statements as both revenue and an expense in accordance with FASB pronouncements. This value was determined by considering the age and condition of the building and the cost of rental space for property in the same vicinity.

12. Retirement Plan

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

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

12. Retirement Plan (Cont'd)

- a. Plan Description (Cont'd): The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.
- b. Funding Policy: The Planning Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5% of annual covered payroll.

The Planning Commission is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2009 was 16.55% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Planning Commission is established and may be amended by the TCRS Board of Trustees.

- c. Annual Pension Cost: For the year ending June 30, 2009, the Planning Commission's annual pension cost of \$86,256 to TCRS was equal to required and actual contributions. The required contribution was determined as part of the July 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% 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 Planning Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 12 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008. The TCRS Board of Trustees met on November 16, 2007, and revised the contribution rate to be used effective July 1, 2008 and will remain in effect through June 30, 2010.

Trend Information for the Planning Commission

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 86,256	100%	\$ 0.00
6/30/08	\$ 80,798	100%	\$ 0.00
6/30/07	\$ 74,231	100%	\$ 0.00
6/30/06	\$ 46,908	100%	\$ 0.00
6/30/05	\$ 55,731	100%	\$ 0.00

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

13. Concentrations

The Planning Commission received approximately 58% of its 2009 funding from the City of Clarksville and Montgomery County governments. A substantial decrease in funding from one or both of these sources could have an adverse effect on the operations of the Planning Commission.

14. Contingencies

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

15. Budget

The Commission prepares and adopts the budget for the next succeeding fiscal year prior to June 30 of the preceding year. This budget is also approved by both the City of Clarksville and 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 commissioners if no additional funding is required. Budget amendments requiring additional funding must be approved by the City and the County, in addition to the board of commissioners.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF FUNDING PROGRESS - PENSION PLAN - TENNESSEE CONSOLIDATED RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ 1,989,000	\$ 1,975,000	\$ (14,000)	100.71%	\$ 418,000	-3.35%
7/1/2005	\$ 1,764,000	\$ 1,945,000	\$ 181,000	90.69%	\$ 475,000	38.11%
7/1/2003	\$ 1,568,000	\$ 1,766,000	\$ 198,000	88.79%	\$ 549,000	36.07%
6/30/2001	\$ 1,371,000	\$ 1,576,000	\$ 205,000	86.99%	\$ 592,000	34.63%

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
SCHEDULE OF OPERATING INCOME AND EXPENSES
YEAR ENDED JUNE 30, 2009

	<u>Tennessee Dept. of Transportation</u>			<u>Kentucky Dept. of Transportation</u>		<u>Routine Services</u>	<u>Total</u>
	<u>CMAQ</u>	<u>FHWA</u>	<u>SPR</u>	<u>FTA</u>	<u>FHWA</u>		
<u>OPERATING INCOME</u>							
Gross Contract Income	\$ 26,550	\$ 190,796	\$ 72,804	\$ 30,146	\$ 32,909	\$ -	\$ 353,205
Less: Local Matching							
15% Rate	(4,800)	-	-	-	(4,937)	-	(9,737)
20% Rate	-	(38,155)	-	(6,029)	-	-	(44,184)
Net Contract Income	<u>21,750</u>	<u>152,641</u>	<u>72,804</u>	<u>24,117</u>	<u>27,972</u>	<u>-</u>	<u>299,284</u>
City and County Funding	-	-	-	-	-	664,000	664,000
Donated Facilities	-	-	-	-	-	144,500	144,500
Charges for Services	-	-	-	-	-	169,210	169,210
Miscellaneous	-	-	-	-	-	5,539	5,539
Total Operating Income	<u>\$ 21,750</u>	<u>\$ 152,641</u>	<u>\$ 72,804</u>	<u>\$ 24,117</u>	<u>\$ 27,972</u>	<u>\$ 983,249</u>	<u>\$ 1,282,533</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
SCHEDULE OF OPERATING INCOME AND EXPENSES (CONT'D)
YEAR ENDED JUNE 30, 2009

	Tennessee Dept. of Transportation			Kentucky Dept. of Transportation		Routine Services	Total
	CMAQ	FHWA	SPR	FTA	FHWA		
<u>OPERATING EXPENSES</u>							
Advertising and Legal Notices	\$ 26,550	\$ 7,274	\$ 2,410	\$ 271	\$ 790	\$ 6,917	\$ 44,212
Depreciation	-	-	-	-	-	27,182	27,182
Dues	-	1,760	694	-	674	1,340	4,468
Education	-	-	-	-	-	2,190	2,190
Employee Benefits	-	30,553	5,969	1,404	1,587	125,849	165,362
Insurance	-	-	-	-	-	12,997	12,997
Janitorial	-	-	-	-	-	3,720	3,720
Lease Expense - Office Equipment	-	-	-	-	-	12,150	12,150
Maintenance Agreement	-	5,571	-	-	-	9,488	15,059
Office Supplies and Postage	-	2,564	78	-	-	187	2,829
Other Contracted Services	-	-	-	-	-	12,462	12,462
Payroll Taxes	-	4,929	2,759	649	734	30,278	39,349
Professional Services	-	37,654	17,808	17,808	17,808	11,000	102,078
Publications	-	-	-	-	-	1,075	1,075
Rent	-	12,000	-	-	-	132,500	144,500
Repairs and Maintenance	-	-	-	-	-	11,038	11,038
Salaries & Board Fees	-	68,985	36,069	8,487	9,590	411,125	534,256
Supplies	-	-	-	-	-	16,194	16,194
Telephone	-	1,391	411	-	-	5,627	7,429

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
SCHEDULE OF OPERATING INCOME AND EXPENSES (CONT'D)
YEAR ENDED JUNE 30, 2009

	Tennessee Dept. of Transportation			Kentucky Dept. of Transportation		Routine Services	Total
	CMAQ	FHWA	SPR	FTA	FHWA		
<u>OPERATING EXPENSES (CONT'D)</u>							
Travel	-	9,164	114	-	-	10,591	19,869
Utilities	-	6,686	-	-	-	12,979	19,665
Total Direct Operating Expenses	26,550	188,531	66,312	28,619	31,183	856,889	1,198,084
Indirect Costs	-	12,417	6,492	1,527	1,726	(22,162)	-
Total Expenses - Allowable Program Costs	<u>\$ 26,550</u>	<u>\$ 200,948</u>	<u>\$ 72,804</u>	<u>\$ 30,146</u>	<u>\$ 32,909</u>	<u>\$ 834,727</u>	<u>\$ 1,198,084</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Program Title</u>		<u>Grant Number or Pass Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2008</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2009</u>
<u>U.S. Department of Transportation</u>							
Passed Through State of Tennessee							
Federal Highway Administration (Sec.112)	04/08 - 06/08	Z-06-030929-00	20.205	\$ 37,327	\$ 37,327	\$ -	\$ -
	07/08 - 06/09	Z-06-030929-00	20.205	-	97,746	152,641	54,895
TN SPR	07/08 - 06/09	Z-06-030929-00	20.205	-	47,817	72,804	24,987
CMAQ	04/08 - 06/08	070144	20.205	960	960	-	-
	07/08 - 06/09	080118	20.205	-	19,200	21,750	2,550
Passed Through State of Kentucky							
Federal Transit Administration (Sec. 8)	04/08 - 06/08	G02MPO3Z	20.507B	5,140	5,140	-	-
	07/08 - 06/09	G03MPO3Z	20.507B	-	5,098	24,117	19,019
Federal Highway Administration (Sec. 104(f))	01/08 - 03/08	700011935	20.507B	10,860	10,860	-	-
	04/08 - 06/08	700011935	20.507B	5,262	5,262	-	-
	07/08 - 06/09	700011935	20.507B	-	13,283	27,972	14,689
Total U.S. Department of Transportation				<u>59,549</u>	<u>242,693</u>	<u>299,284</u>	<u>116,140</u>
Total Federal Assistance				<u>\$ 59,549</u>	<u>\$ 242,693</u>	<u>\$ 299,284</u>	<u>\$ 116,140</u>

Note: See information regarding matching contributions on the accompanying schedule of operating income and expenses.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Planning Commission and is presented on the accrual basis of accounting. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation thereof, the basic financial statements.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL PLANNING COMMISSION
SCHEDULE OF BOARD OF COMMISSIONERS AND DIRECTOR (UNAUDITED)
JUNE 30, 2009

BOARD OF COMMISSIONERS

		<u>Term Expires</u>
* Mr. Gary Norris, Chairman	County	Jan. 10, 2011
* Mr. Eric Burnett, Vice-Chairman	City	Jan. 10, 2010
Mr. Joe Creek (Coterminous with County Commission Term)	County	Sep. 01, 2010
Mr. Mark Grant	City	Jan. 10, 2011
Mr. Geno Grubbs (Coterminous with City Council Term)	City	Jan. 01, 2011
Mr. John Laida	City	Jan. 10, 2013
* Ms. Mable Larson (Coterminous with County Mayor's Term)	County	Sep. 01, 2010
Mr. George Marks	County	Jan. 10, 2012
* Mr. Ricky Thomas (Coterminous with City Mayor's Term)	City	Jan. 01, 2011

* Indicates members of the Executive Committee.

DIRECTOR

Mr. David Riggins

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 Commissioners
Clarksville-Montgomery County
Regional Planning Commission
Clarksville, Tennessee

We have audited the accompanying financial statements of the governmental activities and major fund of Clarksville-Montgomery County Regional Planning Commission (the Planning Commission), as of and for the year ended June 30, 2009, which collectively comprise the Planning Commission's basic financial statements and have issued our report thereon dated October 5, 2009. 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 Planning Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Planning Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Planning Commission'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 on the next page, 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 Planning Commission'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 Planning Commission's financial statements that is more than inconsequential will not be prevented or detected by the Planning Commission's internal control. We consider the deficiencies described on the following page as items 2009-1, 2009-2 and 2009-3 to be significant deficiencies in internal control over financial reporting. The Planning Commission did not resolve prior year finding numbers 2008-1. The finding

recurred in the current year and is reported as finding 2009-1. The Planning Commission resolved prior-year findings number 2008-2 and 2008-3 by performing the specific tasks outlined in our report dated December 16, 2008.

2009-1 (Recurring Finding) Management Oversight of Financial Reporting: We noted a lack of management oversight of financial reporting to include the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). Six adjusting entries were required for the financial statements to be presented in conformity with GAAP.

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 an independent audit.

2009-2 Control Operating Effectiveness Deficiencies: We noted that the review of voided receipts was not documented.

Recommendation: We recommend management implement procedures to ensure the review of voided receipts is properly documented.

Management Response: The Office Manager or the Director will approve all voided receipts. If a receipt needs to be voided, the reason for this will be written on the receipt.

2009-3 Bank Reconciliation: We noted one bank account that was not properly reconciled. The amount per the bank reconciliation did not match the amount on the trial balance.

Recommendation: We recommend management implement procedures to ensure reconciled amounts equal the amounts listed on the trial balance.

Management Response: The bank account in question was reconciled properly. However, an adjusting entry was posted twice, which then caused the bank account balance to be overstated. The mistake was identified after the trial balance was given to the auditors. This mistake was reported to the auditors. In the future, more diligence will be used in the checking to see that the proper balances are reflected in the trial balance.

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 Planning Commission's internal control.

Our consideration of 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 the 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, of the significant deficiencies described on the previous page, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Planning Commission'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 Planning Commission's responses to the findings identified in our audit are described on the previous page. We did not audit the Planning Commission's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, the Board of Commissioners, federal awarding agencies, pass-through entities, 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 5, 2009