

CLARKSVILLE-MONTGOMERY COUNTY

ECONOMIC DEVELOPMENT COUNCIL

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2010 AND 2009

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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, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the EDC'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 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, 2010 and 2009, and the respective 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 December 22, 2010, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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

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.

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*

December 22, 2010

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2010

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, 2010. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The Council's total assets were \$170,131 at the end of this year's operations.
- Income from operating revenues was \$774,862 while operating expenses were \$756,232.
- The increase in net assets for 2010 was \$17,428.

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 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 2010, the foundation spent approximately \$428,000 for economic development, with nearly \$108,000 representing 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, 2010

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, 2010 AND 2009  
TABLE A-1

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	\$ 137,958	\$ 132,229	\$ 5,729	4%
Property and Equipment (Net)	32,173	39,670	(7,497)	-19%
Total Assets	<u>\$ 170,131</u>	<u>\$ 171,899</u>	<u>\$ (1,768)</u>	-1%
 <u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities	\$ 35,569	\$ 50,747	\$ (15,178)	-30%
Long-Term Liabilities	91,872	95,890	(4,018)	-
Total Liabilities	<u>127,441</u>	<u>146,637</u>	<u>(19,196)</u>	-13%
Invested in Capital Assets	12,914	16,606	(3,692)	-22%
Unrestricted	<u>29,776</u>	<u>8,656</u>	<u>21,120</u>	244%
Total Net Assets	<u>42,690</u>	<u>25,262</u>	<u>17,428</u>	69%
Total Liabilities and Net Assets	<u>\$ 170,131</u>	<u>\$ 171,899</u>	<u>\$ (1,768)</u>	-1%

Nearly all liabilities incurred by the EDC initiate an equal receivable due from its partner agencies. As a result, there is usually very little overall change in the net position of the EDC. This year, however, the increase in the EDC's net assets is due primarily to the Aspire Foundation's decision to grant funds for Aspire initiatives carried out by the EDC in the last half of fiscal year 2009. Increases in current assets and current liabilities as compared to fiscal year 2009 are normal timing variations experienced from year to year and are not to be considered indicative of a trend toward a healthier or less healthy net asset position. Property and equipment is made up of some furnishings, office automation, and a company vehicle. Such assets were purchased primarily through the EDC's operating budgets. The long-term liabilities shown here represent \$77,000 of refundable deposits made by the member agencies of the EDC. Such deposits enable the EDC to operate with less frequent reimbursements.

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2010

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, revenues and expenses were comparable to fiscal year 2009. This is indicative of the reimbursement agreement maintained between the EDC and its member organizations. New non-operative expenses for fiscal year 2010 are related to the financing of the EDC vehicle.

CLARKSVILLE-MONTGOMERY COUNTY  
 ECONOMIC DEVELOPMENT COUNCIL  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 YEARS ENDED JUNE 30, 2010 AND 2009  
 TABLE A-2

	2010	2009	Dollar Change	Percent Change
Operating Revenues	\$ 774,862	\$ 775,242	\$ (380)	0.0%
Non Operating Revenues	225	312	(87)	-27.9%
Total Revenues	<u>775,087</u>	<u>775,554</u>	<u>(467)</u>	-0.1%
Operating Expenses	756,232	759,604	(3,372)	-0.4%
Non Operating Expenses	1,427	-	1,427	N/A
Total Expenses	<u>757,659</u>	<u>759,604</u>	<u>(3,372)</u>	-0.4%
Change in Net Assets	<u>17,428</u>	<u>15,950</u>	<u>2,905</u>	18.2%
Net Assets-Beginning	<u>25,262</u>	<u>9,312</u>	<u>15,950</u>	171.3%
Net Assets-Ending	<u>\$ 42,690</u>	<u>\$ 25,262</u>	<u>\$ 18,855</u>	74.6%

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2010

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 nearly \$50,000.

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009  
TABLE A-3

	2010	2009
Cash Flows from Operating Activities	\$ (42,951)	\$ 68,448
Cash Flows from Capital and Related Financing Activities	(5,746)	(16,606)
Cash Flows from Investing Activities	225	312
Net Increase (Decrease) in Cash and Cash Equivalents	(48,472)	52,154
Cash and Cash Equivalents-Beginning	61,552	9,398
Cash and Cash Equivalents- Ending	\$ 13,080	\$ 61,552

Most of the cash generated is used for operating expenses and Aspire initiative expenses (marketing and development). The EDC had cash of \$13,080 at the end of this fiscal year. The most significant change in cash position, as compared to 2009, is due to the timing of year-end reimbursements from partner agencies (see \$16,000 difference in "Due From Related Parties" shown on the Statement of Net Assets). The EDC's cash flow situation is healthy since all expenses are offset as they are incurred (either 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 EDC 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 Tourist 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 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, 2010

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, and the Clarksville Area Chamber of Commerce. A good measure of the financial health of the Council can be obtained from a collective look at the performance of these agencies. External factors that can impact the financial condition of the Council 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 V/P of Finance, 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, 2010 AND 2009

ASSETS

	2010	2009
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 13,080	\$ 61,552
Aspire Grant Receivable	42,128	7,042
Due from Related Parties	74,394	57,650
Prepaid Expenses	8,356	5,985
Total Current Assets	137,958	132,229
<u>CAPITAL ASSETS</u>		
Furniture, Fixtures, and Equipment	80,822	80,308
Less: Accumulated Depreciation	(48,649)	(40,638)
Net Capital Assets	32,173	39,670
Total Assets	\$ 170,131	\$ 171,899

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 20,036	\$ 29,099
Accrued Expenses	-	12,369
Due to Related Parties	11,146	5,105
Current Portion of Notes Payable	4,387	4,174
Total Current Liabilities	35,569	50,747
<u>LONG-TERM LIABILITIES</u>		
Notes Payable	14,872	18,890
Deposits Payable to Related Parties	77,000	77,000
Total Long-Term Liabilities	91,872	95,890
Total Liabilities	127,441	146,637
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	12,914	16,606
Unrestricted	29,776	8,656
Total Net Assets	42,690	25,262
Total Liabilities and Net Assets	\$ 170,131	\$ 171,899

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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>OPERATING REVENUES</u>		
Aspire Grant	\$ 82,680	\$ 25,684
Other Income	3,250	3,900
Support Services Reimbursement	688,932	745,658
Total Operating Revenues	<u>774,862</u>	<u>775,242</u>
<u>OPERATING EXPENSES</u>		
Advertising	1,301	-
Communications	13,556	14,672
Depreciation	8,011	-
Equipment Expense	5,338	3,732
Fringe Benefits	65,187	60,035
Grant Expense	56,010	52,354
Insurance	6,813	10,259
Internet	2,981	3,873
Investor Relations	1,004	1,534
Lease Expense	61,233	61,644
Miscellaneous	6,543	6,690
Payroll Taxes	27,611	29,050
Personnel	418,428	447,849
Printing and Stationery	2,007	2,738
Professional and Consulting	25,671	12,724
Repair and Maintenance	22,861	23,893
Supplies	16,426	15,535
Travel, Meals, and Entertainment	15,251	13,022
Total Operating Expenses	<u>756,232</u>	<u>759,604</u>
<u>OPERATING INCOME</u>	<u>18,630</u>	<u>15,638</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Expense	(1,427)	-
Interest Income	225	312
Total Non-operating Revenues (Expenses)	<u>(1,202)</u>	<u>312</u>
<u>NET INCOME</u>	17,428	15,950
<u>NET ASSETS - BEGINNING</u>	<u>25,262</u>	<u>9,312</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 42,690</u>	<u>\$ 25,262</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, 2010 AND 2009

	2010	2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 3,250	\$ 4,268
Cash Paid to Suppliers	(353,596)	(306,405)
Cash Paid to Employees	(418,428)	(447,849)
Cash Received from Related Parties	725,823	818,434
Net Cash Provided by (Used in) Operating Activities	(42,951)	68,448
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on Notes Payable	(3,805)	-
Interest Paid	(1,427)	-
Purchases of Capital Assets	(514)	(16,606)
Net Cash Used in Capital and Related Financing Activities	(5,746)	(16,606)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	225	312
Net Cash Provided by Investing Activities	225	312
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
	(48,472)	52,154
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>		
	61,552	9,398
<u>CASH AND CASH EQUIVALENTS - ENDING</u>		
	\$ 13,080	\$ 61,552

During the year ended June 30, 2009, the EDC purchased a vehicle in exchange for a bank note payable of \$23,064.

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, 2010 AND 2009

	2010	2009
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES</u>		
Operating Income	\$ 18,630	\$ 15,638
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	8,011	-
Changes in:		
Accounts Receivable	-	368
Due from Related Parties	(16,744)	33,527
Aspire Grant Receivable	(35,086)	13,951
Accounts Payable	(9,063)	11,260
Due to Related Parties	6,041	(386)
Prepaid and Accrued Expenses	(14,740)	(5,910)
Net Cash Provided by (Used In) Operating Activities	\$ (42,951)	\$ 68,448

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 Commission is exposed to concentration of 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 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.

Date of Management's Review

Subsequent events have been evaluated through December 22, 2010, which is the date the financial statements were available to be issued.

Changes in Presentation

Certain items in the prior year financial statements have been reclassified to conform to current year presentation.

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

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. Custodial credit risk for the EDC's deposits is the risk that in the event of a bank failure, the EDC's deposits may not be returned to it. Cash and cash equivalents represent \$18,430 and \$1,736 held in federally-insured banks, all of which was insured at June 30, 2010 and 2009, respectively.

3. Capital Assets

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>Capital Assets</b>				
Furniture, Fixtures and Equipment	\$ 45,244	\$ 514	\$ -	\$ 45,758
Vehicles	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>35,064</u>
	<u>\$ 80,308</u>	<u>\$ 514</u>	<u>\$ -</u>	<u>\$ 80,822</u>
<b>Accumulated Depreciation</b>				
Furniture, Fixtures and Equipment	\$ 40,638	\$ 998	\$ -	\$ 41,636
Vehicles	<u>-</u>	<u>7,013</u>	<u>-</u>	<u>7,013</u>
	<u>\$ 40,638</u>	<u>\$ 8,011</u>	<u>\$ -</u>	<u>\$ 48,649</u>

4. Line of Credit Guarantee

The EDC is guarantor for Aspire Clarksville for an unsecured \$300,000 revolving line of credit with Regions Bank. Interest is payable monthly at a variable rate equal to the bank's prime rate plus 1.95% (5.20% at June 30, 2010). The line of credit was originally obtained for temporary cash flow needs. At June 30, 2010, Aspire Clarksville had drawn \$204,816, leaving \$95,184 available to draw.

5. Related Party Transactions

During the years ended June 30, 2010 and 2009, the Chamber, Tourism, and IDB paid EDC a total of \$688,932 and \$745,658, 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.

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

5. Related Party Transactions (Cont'd)

The EDC had amounts payable to related parties of \$11,146 and \$5,105 and amounts due from related parties of \$74,394 and \$57,650 at June 30, 2010 and 2009, 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, 2010 because no portion is 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 8,333 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.

7. Long-Term Debt

Long-term debt consists of the following:

	<u>2010</u>	<u>2009</u>
Note payable bearing interest at 5.0% secured by a vehicle; principal and interest are payable in monthly installments, maturing June 2014.	\$ 19,259	\$ 23,064
Less Current Portion	<u>4,387</u>	<u>4,174</u>
Total Long-Term Debt Excluding Current Portion	<u>\$ 14,872</u>	<u>\$ 18,890</u>

Changes in long-term debt (including current portions) for the year ended June 30, 2010, were as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Estimated</u> <u>Amount Due</u> <u>in Year Ending</u> <u>June 30, 2011</u>
Notes Payable	<u>\$ 23,064</u>	<u>\$ -</u>	<u>\$ 3,805</u>	<u>\$ 19,259</u>	<u>\$ 4,387</u>

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

7. Long-Term Debt (Cont'd)

Future payments on notes payable are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>
2011	\$ 4,387	\$ 845
2012	4,612	620
2013	4,848	384
2014	5,412	136
Total	<u>\$ 19,259</u>	<u>\$ 1,985</u>

The EDC receives half of the monthly payment from the Chamber and half from the IDB which fully offsets this obligation.

8. 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, 2010 and 2009 were \$47,066 and \$48,760, respectively. Employer expenses of \$55,189 and \$53,263 were incurred and reimbursed by the related organizations for those years.

9. 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.

10. 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, 2010

Board Members:

Mr. Mark Holleman, Chairman	Member
Mr. Bryce Sanders, Vice Chairman	Member
Mr. Jerry Allbert, Secretary/Treasurer	Member
Sen. Tim Barnes	Ex-Officio
Dr. Jeannie Beauchamp	Member
Mr. Mark Briggs	Member
Mr. James Chavez	Ex-Officio
Dr. Timothy Hall	Ex-Officio
Mr. Michael Harris	Ex-Officio
Rep. Curtis Johnson	Ex-Officio
Rep. Phillip Johnson	Ex-Officio
Mr. Fred Landiss	Member
Mr. Frank Lott	Ex-Officio
Mr. Jay Patel	Member
Rep. Joe Pitts	Ex-Officio
Mr. Tom Skrodzki	Member
Mr. David Smith	Member

Chamber of Commerce Appointees:

Mr. O. B. Garland  
Ms. Khandra Smalley

Industrial Development Board Appointee:

Mr. William Linscott  
Dr. Linda Rudolph

Tourism Commission Appointees:

Mr. Geno Grubb  
Ms. Toni Reid

City Council Appointee:

Mr. David Allen  
Mayor Johnny Piper

County Commission Appointees:

Mayor Carolyn Bowers  
Mr. Charlie Keene

Management:

Mr. James Chavez, President and CEO  
Mr. 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 financial statements of Clarksville-Montgomery County Economic Development Council (EDC) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described on the following page, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described on the following page as finding 2010-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The EDC did not resolve prior year finding number 2009-1. The finding recurred in the current year and is reported as finding 2010-1.

2010-1 (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). Four adjusting entries and two reclassifying entry were required for the financial statements to be presented in conformity with GAAP. One of the four adjusting entries was 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.

#### 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 response to the finding identified in our audit is described above. We did not audit the EDC's response and, accordingly, we express no opinion on it.

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

December 22, 2010