

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2011 AND 2010

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	3
Audited Financial Statements:	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	12
Other Information:	
Directory of Officials (Unaudited)	17
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>	18

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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the EDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the EDC as of June 30, 2011 and 2010, 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 27, 2011, 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 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

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 do not express an opinion or provide any assurance on it.

Stone Rudolph & Henry, PLC

December 27, 2011

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

Our discussion and analysis of the Clarksville Montgomery County Economic Development Council's (EDC) financial performance provides an overview of the EDC's financial activity for the year ended June 30, 2011. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The EDC's total assets were \$219,607 at the end of the year's operations.
- Income from operating revenues was \$814,414 while expenses were \$798,286.
- The increase in Net Assets for 2011 was \$15,171.

Required Financial Statements

The financial statements of the Clarksville Montgomery County Economic Development Council 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 EDC

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 EDC receives the benefit of private dollars through the marketing efforts of the Aspire Clarksville foundation. For fiscal year 2011, the foundation spent approximately \$462,500 for economic development, with nearly \$42,300 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 Clarksville 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, 2011

Net Assets

An increase in net assets is 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, 2011, 2010, AND 2009
 TABLE A-1

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011 Percent Change</u>	<u>2010 Percent Change</u>
Current Assets	\$ 170,949	\$ 137,958	\$ 132,229	24%	4%
Property and Equipment (Net)	48,658	32,173	39,670	51%	-19%
TOTAL ASSETS	\$ 219,607	\$ 170,131	\$ 171,899	29%	-1%
 <u>LIABILITIES AND NET ASSETS</u>					
Current Liabilities	\$ 74,072	\$ 35,569	\$ 50,747	108%	-30%
Long-Term Liabilities	87,274	91,872	95,890	-5%	-4%
TOTAL LIABILITIES	161,346	127,441	146,637	27%	-13%
Invested in Capital Assets	33,772	12,914	16,606	162%	-22%
Unrestricted	24,489	29,776	8,656	-18%	244%
TOTAL NET ASSETS	58,261	42,690	25,262	36%	69%
TOTAL LIABILITIES AND NET ASSETS	\$ 219,607	\$ 170,131	\$ 171,899	29%	-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 asset position of the EDC. This year, however, the increase in the EDC's net assets is due primarily to the upgrade of the computer server and related software (included in Property and Equipment). Increases in current assets and current liabilities as compared to fiscal year 2010 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 budget. Of the long-term liabilities shown here, \$77,000 represents refundable deposits made by the member organizations 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, 2011

Revenue, Expenses and Changes in Net Assets

While the Statement of Net Assets show the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets detail the nature and source of these changes. In Table A-2 below, you will notice that the change in net assets is comparable for all three years presented. This is indicative of the reimbursement agreement maintained between the EDC and its member organizations. The difference between revenues and expenses for fiscal year 2010 is predominantly due to the Aspire Clarksville foundation's decision to grant funds toward Aspire initiatives carried out by the EDC in fiscal year 2009. For fiscal year 2011 the difference is due primarily to partner agency funding of computer server and software upgrades which appear on the Statement of Net Assets. New non-operating expenses for fiscal year 2010 and fiscal year 2011 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, 2011, 2010, AND 2009

TABLE A-2

	2011	2010	2009	2011 Percent Change	2010 Percent Change
Operating Revenues	\$ 814,414	\$ 774,862	\$ 775,242	4.9%	0.0%
Non-Operating Revenues	302	225	312	25.5%	-27.9%
Total Revenues	<u>814,716</u>	<u>775,087</u>	<u>775,554</u>	4.9%	-0.1%
Operating Expenses	798,286	756,232	759,604	5.3%	-0.4%
Non-Operating Expenses	859	1,427	-	-66.1%	n/a
Total Expenses	<u>799,145</u>	<u>757,659</u>	<u>759,604</u>	5.3%	-0.4%
Change in Net Assets	<u>15,571</u>	<u>17,428</u>	<u>15,950</u>	-15.6%	18.2%
Net Assets-Beginning	42,690	25,262	9,312	40.8%	171.3%
Net Assets-Ending	<u>\$ 58,261</u>	<u>\$ 42,690</u>	<u>\$ 25,262</u>	25.8%	74.6%

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

Cash Flows

The Statements of Cash Flows reports the net changes in cash resulting from operating, investing, and financing activities. It provides information on a company's liquidity, financial flexibility and operating capacity. As shown in Table A-3, cash decreased by nearly \$12,000.

CLARKSVILLE-MONTGOMERY COUNTY
 ECONOMIC DEVELOPMENT COUNCIL
 STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2011, 2010, AND 2009
 TABLE A-3

	2011	2010	2009
Cash Flows from Operating Activities	\$ 17,554	\$ (42,951)	\$ 68,448
Cash Flows from Capital and Related Financing Activities	(29,754)	(5,746)	(16,606)
Cash Flows from Investing Activities	302	225	312
Net Increase (Decrease) in Cash and Cash Equivalents	(11,898)	(48,472)	52,154
Cash and Cash Equivalents-Beginning	13,080	61,552	9,398
Cash and Cash Equivalents-Ending	\$ 1,182	\$ 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 \$1,182 at the end of this fiscal year. The most significant change in cash position for 2011 is due to the purchase of an upgraded computer server and the related software. For 2010 and 2009 it was the timing of year-end funding from related parties. The EDC's cash flow situation is healthy since all expenses are offset as they are incurred (either reimbursements from agencies or Aspire Clarksville 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 Tourism Commission, and the Industrial Development Board. These amounts are incorporated into each respective agency's budget. It is in effect for the entire calendar year. The EDC 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, 2011

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Most entities conduct business planning with the intent to increase sales to existing customers and to increase the overall customer base. A more appropriate goal for an entity such as the Economic Development Council is to successfully encourage economic growth throughout Montgomery County by facilitating and coordinating the efforts of its member agencies: the Industrial Development Board, the Convention and Visitor's Bureau (Tourism Commission), and the Clarksville Area Chamber of Commerce. A good measure of the financial health of the EDC can be obtained from a collective look at the performance of these agencies. External factors that can impact the financial condition of the 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 COUNCILS FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the EDC'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, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,182	\$ 13,080
Accounts Receivable	754	-
Aspire Grant Receivable	32,273	42,128
Due from Related Parties	119,604	74,394
Prepaid Expenses	17,136	8,356
Total Current Assets	170,949	137,958
 <u>CAPITAL ASSETS</u>		
Furniture, Fixtures, and Equipment	70,280	45,758
Vehicles	35,064	35,064
Total Vehicles and Equipment	105,344	80,822
Less: Accumulated Depreciation	(56,686)	(48,649)
Net Capital Assets	48,658	32,173
Total Assets	\$ 219,607	\$ 170,131

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 60,953	\$ 20,036
Due to Related Parties	8,507	11,146
Current Portion of Notes Payable	4,612	4,387
Total Current Liabilities	74,072	35,569
 <u>LONG-TERM LIABILITIES</u>		
Notes Payable	10,274	14,872
Deposits Payable to Related Parties	77,000	77,000
Total Long-Term Liabilities	87,274	91,872
Total Liabilities	161,346	127,441
 <u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	33,772	12,914
Unrestricted	24,489	29,776
Total Net Assets	58,261	42,690
Total Liabilities and Net Assets	\$ 219,607	\$ 170,131

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>OPERATING REVENUES</u>		
Aspire Grant	\$ 42,291	\$ 82,680
Other Income	-	3,250
Support Services Reimbursement	772,123	688,932
Total Operating Revenues	<u>814,414</u>	<u>774,862</u>
<u>OPERATING EXPENSES</u>		
Advertising	-	1,301
Communications	15,723	13,556
Depreciation	8,037	8,011
Equipment Expense	4,155	5,338
Fringe Benefits	61,555	65,187
Grant Expense	42,291	56,010
Insurance	9,618	6,813
Internet	2,879	2,981
Investor Relations	849	1,004
Lease Expense	62,087	61,233
Miscellaneous	6,431	6,543
Payroll Taxes	35,012	27,611
Personnel	482,551	418,428
Printing and Stationery	1,844	2,007
Professional and Consulting	15,476	25,671
Repair and Maintenance	23,976	22,861
Supplies	16,817	16,426
Travel, Meals, and Entertainment	8,985	15,251
Total Operating Expenses	<u>798,286</u>	<u>756,232</u>
<u>OPERATING INCOME</u>	<u>16,128</u>	<u>18,630</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest Expense	(859)	(1,427)
Interest Income	302	225
Total Non-operating Revenues (Expenses)	<u>(557)</u>	<u>(1,202)</u>
<u>NET INCOME</u>	<u>15,571</u>	<u>17,428</u>
<u>NET ASSETS - BEGINNING</u>	<u>42,690</u>	<u>25,262</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 58,261</u>	<u>\$ 42,690</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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ -	\$ 3,250
Cash Paid to Suppliers	(275,561)	(353,596)
Cash Paid to Employees	(482,551)	(418,428)
Cash Received from Related Parties	775,666	725,823
Net Cash Provided by (Used in) Operating Activities	<u>17,554</u>	<u>(42,951)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on Notes Payable	(4,373)	(3,805)
Interest Paid	(859)	(1,427)
Purchases of Capital Assets	(24,522)	(514)
Net Cash Used in Capital and Related Financing Activities	<u>(29,754)</u>	<u>(5,746)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	<u>302</u>	<u>225</u>
Net Cash Provided by Investing Activities	<u>302</u>	<u>225</u>
<u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u>	(11,898)	(48,472)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>13,080</u>	<u>61,552</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 1,182</u>	<u>\$ 13,080</u>

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

CLARKSVILLE-MONTGOMERY COUNTY
ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH</u>		
<u>FROM OPERATING ACTIVITIES</u>		
Operating Income	\$ 16,128	\$ 18,630
Adjustments to Reconcile Operating Income to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation	8,037	8,011
Changes in:		
Accounts Receivable	(754)	-
Due from Related Parties	(45,210)	(16,744)
Aspire Grant Receivable	9,855	(35,086)
Accounts Payable	40,917	(9,063)
Due to Related Parties	(2,639)	6,041
Prepaid Expenses	(8,780)	(2,371)
Accrued Expenses	-	(12,369)
Net Cash Provided by (Used In) Operating Activities	\$ 17,554	\$ (42,951)

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 has not elected to follow FASB pronouncements issued after November 30, 1989.

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 in the near term and those variations could have a material effect on the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the EDC to significant concentrations of credit risk consist principally of cash and receivables. The EDC is exposed to credit risk by placing its deposits in financial institutions. The EDC has mitigated this risk because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool. With respect to receivables, credit risk is primarily limited to amounts due from related entities including the IDB, Chamber, Tourism, and Aspire Clarksville. The EDC does not obtain collateral for receivables.

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.

Operations of the EDC 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 27, 2011, 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.

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 \$18,588 and \$18,430 held in federally-insured banks, all of which was insured at June 30, 2011 and 2010, respectively.

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

3. Capital Assets

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

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital Assets				
Furniture, Fixtures and				
Equipment	\$ 45,758	\$ 24,522	\$ -	\$ 70,280
Vehicles	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>35,064</u>
	<u>\$ 80,822</u>	<u>\$ 24,522</u>	<u>\$ -</u>	<u>\$ 105,344</u>
Accumulated Depreciation				
Furniture, Fixtures and				
Equipment	\$ 41,636	\$ 1,024	\$ -	\$ 42,660
Vehicles	<u>7,013</u>	<u>7,013</u>	<u>-</u>	<u>14,026</u>
	<u>\$ 48,649</u>	<u>\$ 8,037</u>	<u>\$ -</u>	<u>\$ 56,686</u>

4. Line of Credit Guarantee

The EDC is guarantor for Aspire Clarksville for an unsecured \$350,000 revolving line of credit with Regions Bank. Interest is payable monthly at a variable rate equal to the bank's prime rate plus 2.75% (6.00% at June 30, 2011). The line of credit was originally obtained for temporary cash flow needs. At June 30, 2011, Aspire Clarksville had drawn \$138,278, leaving \$211,722 available to draw.

5. Related Party Transactions

During the years ended June 30, 2011 and 2010, the Chamber, Tourism, and IDB paid EDC a total of \$767,772 and \$688,932, 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.

The EDC had amounts payable to related parties of \$8,507 and \$11,146 and amounts due from related parties of \$119,604 and \$74,394 at June 30, 2011 and 2010, 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, 2011 because no portion is required to be repaid within the next fiscal year.

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

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. The total amount of lease expense for the years ended June 30, 2011 and 2010 was \$62,087 and \$61,233, respectively. During the year ended June 30, 2011, the EDC selected the option to extend the lease five additional years through November 30, 2016.

7. Long-Term Debt

Long-term debt consists of the following:

	2011	2010
Note payable bearing interest at 5.0% secured by a vehicle; principal and interest are payable in monthly installments, maturing June 2014.	\$ 14,886	\$ 19,259
Less: Current Portion	4,612	4,387
Total Long-Term Debt Excluding Current Portion	\$ 10,274	\$ 14,872

Changes in long-term debt (including current portions) for the year ended June 30, 2011, were as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Estimated</u> <u>Amount Due</u> <u>in Year Ending</u> <u>June 30, 2012</u>
Notes Payable	\$ 19,259	\$ -	\$ 4,373	\$ 14,886	\$ 4,612

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>
2012	\$ 4,612	\$ 620
2013	4,848	385
2014	5,426	136
Total	\$ 14,886	\$ 1,141

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

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

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, 2011 and 2010 were \$47,756 and \$47,066, respectively. Employer expenses of \$59,259 and \$55,189 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, 2011

Board Members:

Mr. David Smith, Chairman	Member
Mr. Jay Patel, Vice Chairman	Member
Dr. Linda Rudolph, Secretary/Treasurer	Member
Mr. Jerry Allbert	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
Ms. Paige King	Ex-Officio
Mr. Steve Kemmer	Member
Rep. Joe Pitts	Ex-Officio
Mr. Bryce Sanders	Member
Mr. Steve Stroman	Member

Chamber of Commerce Appointees:

Ms. Donna Bright
Mr. O. B. Garland

Industrial Development Board Appointees:

Mr. John Wallace Crow
Mr. Don Jenkins

Tourism Commission Appointees:

Mr. Geno Grubbs
Ms. Pennie Smith

City Council Appointees:

Mr. David Allen
Mayor Kim McMillan

County Commission Appointees:

Mayor Carolyn Bowers
Mr. Glen Demorest

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, 2011, and have issued our report thereon dated December 27, 2011. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 2011-1 to be a material weakness.

The EDC did not resolve prior year finding number 2010-1. The finding recurred in the current year and is reported as finding 2011-1.

2011-1 (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). Seven adjusting entries and two reclassifying entries were required for the financial statements to be presented in conformity with GAAP. Four of the seven adjusting entries were calculated by management.

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

Management Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance prior to the independent audit to prepare financial statements and footnotes in accordance with generally accepted accounting principles. However, we believe that our knowledge and experience enables us to review the report and understand it fully. We take full responsibility for the financial statements and all adjusting and reclassification entries.

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 27, 2011