LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Ripley, Tennessee

FINANCIAL STATEMENTS

June 30, 2012

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

TABLE OF CONTENTS

	Page
Schedule of Officials and Key Employees	
Independent Auditor's Report	1
Management's Discussion and Analysis	3-5
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet—Governmental Fund	8
Statement of Revenues, Expenditures, and Changes In Fund Balance—Governmental Fund	9-10
Notes to Financial Statements	11-16
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*	17-18
Schedule of Findings, Recommendations, and Replies	19

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Schedule of Officials and Key Employees

June 30, 2012

Board of Directors

Nancy Allen	Maurice Gaines	Felix Moore
Norfleet Anthony	Greg Hartsfield	Mike Moore
Michael Bursey	Joey Hassell	Jon Pavletic
Greg Crihfield	David Jennings	Rod Schuh
Martha Crites	Youlanda Jones-Wilcox	Ronnie Tatum
Debra Danley	Keith Kluttz	Lin Thompson
Keith Davidson	Samuel Lee	Ron Goforth
Regina Fleming	Barry Britt	Booker Nance
Billy Harmon	Kent Carter	Eugene Pugh
Reed Sanders	Craig Fitzhugh	Monty McWilliams
Lynnwood Shoemake	Brian Collins	Bill Ray

Administrative Staff

Susan Todd, Executive Director
Annette Sanders, Administrative Assistant
Jennifer Cooper, Executive Secretary

Independent Certified Public Accountant
Alexander Thompson Arnold PLLC
Dyersburg, Tennessee

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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Certified Public Accountants
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185 North Church St.
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Independent Auditor's Report

The Board of Directors of
Lauderdale Chamber/Economic
and Community Development, Inc.
Ripley, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lauderdale Chamber/Economic and Community Development, Inc. (a nonprofit organization) of Lauderdale County, Tennessee, (Chamber) as of and for the year ended June 30, 2012 which collectively comprise the Chamber's basic financial statements as listed in the table of contents. The financial statements are the responsibility of the Board of Directors of the Chamber. 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 amount 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 statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Chamber, as of June 30, 2012, and the respective changes in financial position thereof 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 April 24, 2013, on our consideration of the Chamber's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on pages 2 through 4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Alexander Thompson Arnold, PLLC

Dyersburg, Tennessee
April 24, 2013

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.
123 S JEFFERSON
2011RIPLEY, TENNESSEE 38063

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Lauderdale Chamber/Economic and Community Development, Inc.'s financial performance provides an overview of the Chamber's financial activities for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the Lauderdale Chamber/Economic and Community Development, Inc. exceeded its liabilities at the close of the most recent fiscal year by $344,988 (*net assets*). Of this amount $337,770 may be used to meet ongoing obligations to citizens and creditors.
- The total net assets decreased by $8,880 (3 percent) during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Lauderdale Chamber/Economic and Community Development, Inc.'s financial statements which are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Fund's finances, in a manner similar to private-sector business. The Chamber/ECD has only one fund.

The Statement of Net Assets presents information on all of the Fund's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Lauderdale Chamber/Economic and Community Development, Inc. is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event gives rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. accounts receivable and accounts payable).

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statement provides detailed information about the Chamber/ECD as a whole.

Government Funds. Government funds are used to account for essentially the same functions reported as governmental activities in the financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on the near-term inflows and out-flows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the end of the most recent fiscal year, the assets of the Lauderdale Chamber/Economic and Community Development, Inc. exceeded its liabilities by $344,988.

The largest portion of the Chamber/ECD's assets, $344,512 (96.9 percent) reflects cash and investments made on behalf of the Chamber. The Chamber/ECD has invested $10,500 (3 percent) in capital assets. Debt related to the capital assets equals $3,282. The Chamber/ECD uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Net Assets

	2012	2011
Current assets	$ 345,150	$ 349,432
Capital assets	10,500	18,163
Total Assets	$ 355,650	$ 367,595
Liabilities	$ 10,662	$ 13,727
Net assets		
Invested in capital assets, net of related debt	7,218	13,746
Unrestricted	337,770	340,122
Total Liabilities and Net Assets	$ 355,650	$ 367,595

Changes in Net Assets

	2012	2011
Support and revenue	$ 217,827	$ 273,050
Expenses	226,707	235,191
Increase (decrease) in net assets	(8,880)	37,859
Net assets at the beginning of the year	353,868	316,009
Net assets at the end of the year	$ 344,988	$ 353,868

Capital Assets

The Lauderdale Chamber/Economic and Community Development, Inc.'s investment in capital assets was $10,500 (net of accumulated depreciation) as of June 30, 2012. This included furniture, equipment, and vehicles.

Future Projections

The Chamber/ECD anticipates that providing services to Lauderdale County will result in operating revenues exceeding operating expenses for the foreseeable future. The organization will continue to play a primary role in the enhancing and promoting Lauderdale County in all areas of business and economic development. The Chamber/ECD continues to work closely with departments of the State of Tennessee to provide economic opportunities to the area residents.

Requests for Information

The financial report is designed to provide a general overview of the Lauderdale Chamber/Economic and Community Development, Inc.'s finances for those with an interest in the Chamber/ECD's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Executive Director, Lauderdale Chamber/Economic and Community Development, Inc., 123 S Jefferson, Ripley, Tennessee 38063.

Susan Todd
Executive Director
Lauderdale Chamber/Economic and Community Development
Lauderdale County, Tennessee

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Statement of Net Assets

June 30, 2012

ASSETS	
Cash in bank	$ 129,112
Certificates of deposit	215,400
Accrued interest receivable	638
Furniture and fixtures	63,716
Less accumulated depreciation	(53,216)
Total Assets	355,650
LIABILITIES	
Accounts payable	6,463
Compensated absences payable	917
Capital lease payable-current	1,126
Total Current Liabilities	8,506
Capital lease payable-non-current	2,156
Total Liabilities	10,662
NET ASSETS	
Invested in fixed assets, net of related debt	7,218
Unrestricted	337,770
Total Net Assets	$ 344,988

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

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Statement of Activities

June 30, 2012

SUPPORT AND REVENUE	
Appropriations from local governments	$ 20,000
Appropriations from local governments for economic and community development	54,404
Membership dues	56,707
Program service revenue	83,208
Interest income	1,952
Miscellaneous income	1,556
Total Support and Revenue	217,827
EXPENSES	
Administrative and general	132,987
Membership services	85,138
Economic and community development	8,582
Total Expenses	226,707
Changes in Net Assets	(8,880)
Net Assets At Beginning of Year	353,868
Net Assets At End of Year	$ 344,988

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

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Balance Sheet

Governmental Fund

June 30, 2012

ASSETS	
Cash in bank	$ 129,112
Certificates of deposit	215,400
Accrued interest receivable	638
Total Assets	$ 345,150
LIABILITIES	
Accounts payable	$ 6,463
Compensated absences payable	917
Total Liabilities	7,380
FUND BALANCE	
Unassigned	337,770
Total Liabilities and Fund Balance	$ 345,150

Fund Balance	$ 337,770
The amount reported for the governmental activity in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,500
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the current period.	(3,282)
Net Assets of the Governmental Activity	$ 344,988

The accompanying notes are and integral part of these financial statements.

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund

For the Year Ended June 30, 2012

SUPPORT AND REVENUE	
Appropriations from local governments	$ 20,000
Appropriations from local governments for economic and community development	54,404
Membership dues	56,707
Program service revenue	83,208
Interest income	1,952
Miscellaneous income	1,556
Total Support and Revenue	217,827
EXPENSES	
Administrative and general	
Salaries and wages	83,730
Payroll taxes	7,756
Insurance	2,141
Minor Equipment	351
Telephone	6,206
Professional fees	4,100
Postage	1,192
Maintenance	14,947
Utilities	4,579
Debt Service	
Principal retirement	1,135
Interest expense	322
Total Administrative and General	126,459
Membership services	
Advertising	23,215
Dues	2,043
Office expenses	3,034
Travel	1,658
Program expenses	53,749
Auto expense	939
Education/Scholarships	500
Total Membership Services	85,138

The accompanying notes are and integral part of these financial statements.

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Statement of Revenues, Expenditures, and Changes in Fund Balance-Governmental Fund

For the Year Ended June 30, 2012

Economic and Community Development	
Advertising	1,963
Dues	699
Office expenses	1,885
Travel	1,539
Out of area prospects	500
Auto expenses	1,496
Education/Scholarships	500
Total Economic and Community Development	8,582
Total Expenses	220,179
Excess of Support and Revenues Over Expenses	(2,352)
Other Financing Sources	
Net change in fund balance	(2,352)
Fund Balance, July 1, 2011	340,122
Fund Balance, June 30, 2012	$ 337,770

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

Net change in fund balance-the governmental fund	$ (2,352)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reflected on the governmental activities Statement of Activities	(7,663)
Repayment of long-term debt are reported as an expenditure in governmental funds, but are a reduction of long-term liabilities in the statement of net assets. In the current year, these amounts included principal repayments on notes.	1,135
Change in net assets of the governmental activity	$ (8,880)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Lauderdale Chamber/Economic and Community Development, Inc., (the Chamber) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Chamber are described below:

1. Reporting Entity
   The Chamber is a non-profit organization organized under Section 501(c)(6) of the Internal Revenue Code. The purpose of the organization is to promote business, industry, and economic and community development in the Lauderdale County area. The economic development portion of the organization was formed through an Interlocal Agreement between Lauderdale County, the City of Ripley, the Towns of Halls, Gates, and Henning and the Chamber. The Chamber has no component units.

   The accompanying financial statements present only the financial information of the Chamber. Financial information of Lauderdale County, Tennessee or any of the municipalities located in Lauderdale County, Tennessee who provide funding for the Chamber is not included in this report. The Chamber operated independently, governs its affairs, and is not controlled by any of the governmental entities that provide support for its activities.

   Any business firm, association, corporation, governmental unit or person of good standing interested in the commercial, industrial and civic progress of Lauderdale County, Tennessee is eligible for active memberships in the Chamber. The Chamber is governed by a Board of Directors which is composed of the five (5) Mayors or their designees, the Superintendent of Schools, plus 20 or more additional persons, half of whom are elected by the active members and half selected under the provisions of State Chapter 1101. The four year terms are staggered and Board members may succeed themselves.

2. Financial Statements
   The financial statements (i.e., the statement of net assets and the statement of activities) report information on the activities of the Chamber.

   The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by revenues. Direct expenses are those that are clearly identifiable with a specific function or segments. *Support and revenue* include 1) charges to participants who purchase, use, or directly benefit from goods, services, or privileges provided by the Chamber; 2) appropriations from local governments that are available to meet the operational or capital requirements of the Chamber; and 3) other miscellaneous revenue.

3. Measurement Focus and Basis of Accounting
   The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. Assets, Liabilities and Net Assets

a) Cash and Certificates of Deposit
Cash and certificates of deposit consist of demand deposits and time deposits with financial institutions and are carried at cost.

b) Accounts Receivable
Accounts receivable are recorded at gross amount. Uncollectible amounts are recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amounts of such allowance would not be material to the basic financial statements.

c) Capital Assets
Capital assets include property, plant, and equipment. Assets are recorded at historic cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A minimum capitalization threshold has not been established.

Capital assts are depreciated using the straight-line methods over the following estimated useful lives:

Vehicles	5 years
Furniture and fixtures	5-7 years

d) Compensated Absences
All hourly employees of the Chamber with one year or more of service are entitled to two weeks paid vacation. The Executive Director is entitled to three weeks paid vacation. All personnel must complete one full year of employment before becoming eligible for paid vacation. One week of earned vacation may be carried over to the following year; however, any time accrued and not used in excess of one week is forfeited.

Employees of the Chamber earn one day of paid sick leave for each month of employment. Sick days may be accumulated not to exceed thirty days.

Upon termination of employment, and employee is entitles to be paid for unused vacation not exceeding the carryover limits outlined above.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, Liabilities and Net Assets

e) Long-term Obligations
Long-term debt is recorded as a liability in the appropriate section of the Statement of Net Assets.

f) Fund Equity
Governmental fund equity is classified as fund balance. Beginning with fiscal year 2011, the Chamber implemented GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. GASB 54 requires the fund balance amounts to be properly reported within one of the following fund balance categories:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources that are either (a) externally imposed by creditors (such as through debt covenants), grants, contributors, laws or regulations of the governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors (the highest level of decision-making authority). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB statement 54. The intent of an assigned fund balance should be expressed by the Board of Directors.

Unassigned: This classification is the residual fund balance for the General Fund. It also represents the fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The detail of governmental fund balance classifications are as follows:

	Governmental Funds
Unassigned	$ 337,770

When fund balance resources are available for a specific purpose in multiple classifications, the Board would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

On the government-wide financial statements equity is classified as net assets and displayed in the following:

- Invested in capital assets, net of related debt—Amounts of capital assets, net of accumulated depreciation, less outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Unrestricted net assets—Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

5. Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual result could differ from those estimates.

6. Subsequent Events
The subsequent events have been evaluated by management through April 24, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP AND COMPLIANCE
Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for Chamber funds. Budget is defined as the originally approved budget plus or minus approved amendments. The budget is approved by the Board of Directors prior to the beginning of the fiscal year. Budget appropriations not expended during the year are closed to fund balance. The Chamber did not have any material violations of legal or contractual provisions for the fiscal year ended June 30, 2012.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

1. Cash and Investments
The Chamber maintains two operating accounts and numerous certificates of deposit invested in area banks. All cash and investments are held by the depositories in the name of the Chamber. The certificates of deposits are in conformity with investments approved by the State of Tennessee guidelines.

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

1. Cash and Investments (continued)

Cash and investments consist of the following:

Deposits with financial institutions	$ 129,112
Certificates of deposit	215,400
Total	$ 344,512

Deposits and investments are subject to various risks. Presented below is a discussion of the Chamber's deposits and investments and the related risks.

Deposits with Financial Institutions
Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000. Amounts above the FDIC insured limits are secured by the Tennessee Collateral Pool. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Interest rate risk is the risk that changes in market interest rates could adversely affect the fair value of an investment. The Chamber's investments bear a fixed interest rate and mature, generally, in twelve months or less, at par plus interest earned.

2. Capital Assets
Capital activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Furniture and Fixtures	$ 36,428	$ 0	$ 0	$ 36,428
Leasehold improvements	6,000	0	0	6,000
Vehicles	21,288	0	0	21,288
Subtotals	63,716	0	0	63,716
Less accumulated depreciation:				
Furniture and Fixtures	24,787	3,613	0	28,400
Leasehold improvements	2,671	857	0	3,528
Vehicles	18,095	3,193	0	21,288
Subtotals	45,553	7,663	0	53,216
Total capital assets being depreciated, net	$ 18,163	$ (7,663)	$ 0	$ 10,500
Less related long-term debt outstanding				3,282
Investment in capital assets, net of related debt				$ 7,218

Depreciation charged to expense was $ 7,663.

NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)

3. Long-term Obligations
The Chamber is obligated to repay Business Equipment Center for the purchase of office equipment. The note is payable in monthly installments of $121.46 at an 8.257% interest rate. The current portion of the note is $1,126. The note is secured by a copy machine.

Interest and principal repayments remaining are:

Year Ended:	Principal	Interest
6/30/2013	1,126	332
6/30/2014	1,329	129
6/30/2015	827	23
	$ 3,282	$ 484

Governmental Activities:	Balance 06/30/2011	Additions	Reductions	Balance 06/30/2012
Business Equipment Center	$ 4,417	$ 0	$ 1,135	$ 3,282

NOTE 4 – OTHER INFORMATION

1. Risk Management
The Chamber is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors or omissions, and acts of God. The organization purchases commercial insurance to defray these risks. No settlements have occurred in any of the prior three years.

2. Donated Services
The Chamber receives donated services from a variety of unpaid volunteers who assist the Chamber in its industry, business, and economic and community development activities. No amounts have been recognized in the accompanying statement of activities because of the criteria for recognitions of such volunteer effort under SFAS 116 have not been satisfied.

3. Concentration of Credit Risk
The Chamber's financial instruments that are exposed to concentrations of credit risk consist primarily of accounts receivable. The Chamber routinely assesses the financial strength of its members, and as a consequence, believes that its accounts receivable credit risk exposure is not material.

Members of:
American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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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*

The Board of Directors
Lauderdale Chamber/Economic
and Community Development, Inc.
Ripley, Tennessee

We have audited the financial statements of the governmental activities and the major fund for the Lauderdale Chamber/Economic and Community Development, Inc. (Chamber) as of and for the year ended June 30, 2012, which collectively comprise the Chamber's financial statements and have issued our report thereon dated April 24, 2013. 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 Chamber is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Chamber'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 Chamber's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chamber's internal control over financial reporting.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, recommendations and replies that we consider to be significant deficiencies in internal control over financial reporting. (Findings 1 and 2). 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.

Compliance and Other Matters

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

noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings, recommendations, and responses as findings 1 and 2.

The Chamber's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations, and replies. We did not audit the Chamber's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of The Board of Directors of Lauderdale Chamber/Economic and Community Development, Inc. management, and the State of Tennessee Office of the Comptroller and is not intended to be and should not be used by anyone other than those specified parties.

Alexander Thompson Arnold, PLLC

Dyersburg, Tennessee
April 24, 2013

LAUDERDALE CHAMBER/ECONOMIC AND COMMUNITY DEVELOPMENT, INC.

Schedule of Findings, Recommendations, and Replies

June 30, 2012

1. **Segregation of Duties**
   Finding 2011-1 – The Chamber has one employee who is responsible for maintaining basically all financial records and who also performs most of the day to day accounting and bookkeeping functions.

   Recommendation – We recommend that the Chamber try to segregate as many duties as possible.

   Reply – We concur: however, we do not feel that the cost benefit of hiring additional personnel is justifiable.

2. **Cash Receipt Process**
   Finding 2011-2 – It appears that receipts written to establish control over cash collections are not completed on the actual date the funds are received. In addition, the Chamber is not following the 3 day deposit rule required by State law.

   Recommendation – We suggest that the Chamber adhere strictly to the 3 day deposit requirement and that the actual duplicate reflect the actual date the funds were received.

   Reply – We concur.

Status of Prior Audit Findings

Finding 1 and 2 above are repeated from the prior year.