

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
JUNE 30, 2012 AND 2011

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
Schedule of Findings .....	20



STONE,  
RUDOLPH  
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified  
Public  
Accountants

[www.srhcpas.com](http://www.srhcpas.com)

## 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, 2012 and 2011, 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 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 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, 2012 and 2011, 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 17, 2012, 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 17, 2012

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2012

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, 2012. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The EDC's total assets were \$186,325 at the end of the year's operations.
- Income from operating revenues was \$785,061 while expenses were \$802,533.
- The decrease in net assets for 2012 was \$17,162.

Required Financial Statements

The financial statements of the 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 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 Aspire Clarksville (the Foundation). For fiscal year 2012, the Foundation spent approximately \$550,000 for economic development, with over \$21,000 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 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) (CONT'D)  
JUNE 30, 2012

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, 2012, 2011 AND 2010  
TABLE A-1

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u> <u>Percent</u> <u>Change</u>	<u>2011</u> <u>Percent</u> <u>Change</u>
Current assets	\$ 153,760	\$ 170,949	\$ 137,958	-10%	24%
Property and equipment (net)	32,565	48,658	32,173	-33%	51%
<b>TOTAL ASSETS</b>	<b>\$ 186,325</b>	<b>\$ 219,607</b>	<b>\$ 170,131</b>	-15%	29%
 <u>LIABILITIES AND NET ASSETS</u>					
Current liabilities	\$ 62,787	\$ 74,072	\$ 35,569	-15%	108%
Long-term liabilities	82,439	87,274	91,872	-6%	-5%
<b>TOTAL LIABILITIES</b>	<b>145,226</b>	<b>161,346</b>	<b>127,441</b>	-10%	27%
Invested in capital assets	22,278	33,772	12,914	-34%	162%
Unrestricted	18,821	24,489	29,776	-23%	-18%
<b>TOTAL NET ASSETS</b>	<b>41,099</b>	<b>58,261</b>	<b>42,690</b>	-29%	36%
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 186,325</b>	<b>\$ 219,607</b>	<b>\$ 170,131</b>	-15%	29%

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 decrease in the EDC's net assets is due primarily to the absence of any sizeable capital expenses as compared to 2011 (which included an upgrade of the computer server and related software). Decreases in current assets and current liabilities as compared to fiscal year 2011 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) (CONT'D)  
JUNE 30, 2012

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 a negative change in Net Assets for 2012. Generally, the operations of the EDC result in close to no change in net assets as a result of the reimbursement agreement maintained between the EDC and its member organizations. In 2012, this negative change is almost all related to the recognition of depreciation expense for the year. Prior year positive changes were due to the purchase of assets (2011 - computer server) and the timing of the Foundation's decision to grant funds for prior year initiatives (2010).

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2012, 2011 AND 2010  
TABLE A-2

	2012	2011	2010	2012 Percent Change	2011 Percent Change
Operating revenues	\$ 785,061	\$ 814,414	\$ 774,862	-4%	5%
Non-operating revenues	310	302	225	3%	34%
Total revenues	<u>785,371</u>	<u>814,716</u>	<u>775,087</u>	<u>-4%</u>	<u>5%</u>
Operating expenses	802,533	798,286	756,232	1%	6%
Non-Operating expenses	-	859	1,427	-100%	-40%
Total expenses	<u>802,533</u>	<u>799,145</u>	<u>757,659</u>	<u>0%</u>	<u>5%</u>
Change in net assets	(17,162)	15,571	17,428	-210%	-11%
Net assets, beginning	58,261	42,690	25,262	36%	69%
Net assets, ending	<u>\$ 41,099</u>	<u>\$ 58,261</u>	<u>\$ 42,690</u>	<u>-29%</u>	<u>36%</u>

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)  
JUNE 30, 2012

Cash Flows

The Statement 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 increased by \$16,000.

CLARKSVILLE-MONTGOMERY COUNTY  
 ECONOMIC DEVELOPMENT COUNCIL  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2012, 2011 AND 2010  
 TABLE A-3

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities	\$ 20,280	\$ 17,554	\$ (42,951)
Cash Flows from Capital and Related Financing Activities	(4,599)	(29,754)	(5,746)
Cash Flows from Investing Activities	<u>310</u>	<u>302</u>	<u>225</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,991	(11,898)	(48,472)
Cash and Cash Equivalents-Beginning	<u>1,182</u>	<u>13,080</u>	<u>61,552</u>
Cash and Cash Equivalents- Ending	<u><u>\$ 17,173</u></u>	<u><u>\$ 1,182</u></u>	<u><u>\$ 13,080</u></u>

Most of the cash generated is used for operating expenses and Foundation expenses (marketing and development). The EDC had cash of \$17,173 at the end of this fiscal year. The most significant change in cash position for 2012 is due to the receipt of funds from the partner agencies for the 2011 purchase of an upgraded computer server. This transaction is also the most significant cause for the comparative difference from 2011 and 2010 due to the timing of that year end 2011 purchase and the related receivables from the agencies. The EDC's cash flow situation is healthy since all expenses are offset as they are incurred (either reimbursements from agencies or Foundation 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 Foundation 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 fiscal 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) (CONT'D)  
JUNE 30, 2012

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 EDC is to successfully encourage economic growth throughout Montgomery County by facilitating and coordinating the efforts of its member agencies: the Industrial Development Board, the Tourism Commission, and the Chamber of Commerce. A good measure of the financial health of the EDC can be obtained from a collective look at the performance of these agencies. External factors that can impact the financial condition of the EDC include member agency finances, City and County finances, regional economic trends, and Fort Campbell activities. Barring any unexpected changes in such external factors we anticipate a continuation, if not acceleration, of the economic growth and health of the Clarksville and Montgomery County region. As a result, we do not expect significant changes in next year's budget.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

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

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF NET ASSETS  
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 17,173	\$ 1,182
Accounts receivable	25,128	754
Aspire grant receivable	10,553	32,273
Due from related parties	82,399	119,604
Prepaid expenses	18,507	17,136
Total current assets	<u>153,760</u>	<u>170,949</u>
<u>CAPITAL ASSETS</u>		
Furniture, fixtures, and equipment	70,280	70,280
Vehicles	35,064	35,064
Total vehicles and equipment	<u>105,344</u>	<u>105,344</u>
Less: Accumulated depreciation	<u>(72,779)</u>	<u>(56,686)</u>
Net capital assets	<u>32,565</u>	<u>48,658</u>
 Total assets	 <u>\$ 186,325</u>	 <u>\$ 219,607</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 55,387	\$ 60,953
Due to related parties	2,552	8,507
Current portion of notes payable	4,848	4,612
Total current liabilities	<u>62,787</u>	<u>74,072</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable	5,439	10,274
Deposits payable to related parties	77,000	77,000
Total long-term liabilities	<u>82,439</u>	<u>87,274</u>
 Total liabilities	 <u>145,226</u>	 <u>161,346</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	22,278	33,772
Unrestricted	18,821	24,489
Total net assets	<u>41,099</u>	<u>58,261</u>
 Total liabilities and net assets	 <u>\$ 186,325</u>	 <u>\$ 219,607</u>

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

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>OPERATING REVENUES</u>		
Aspire grant	\$ 21,779	\$ 42,291
Other income	24,500	-
Support services reimbursement	738,782	772,123
Total operating revenues	<u>785,061</u>	<u>814,414</u>
<u>OPERATING EXPENSES</u>		
Advertising	514	-
Communications	14,913	15,723
Depreciation	16,093	8,037
Equipment expense	12,241	4,155
Fringe benefits	65,957	61,555
Grant expense	21,779	42,291
Insurance	10,095	9,618
Investor relations	1,247	849
Lease expense	61,764	62,087
Miscellaneous	5,040	9,310
Payroll taxes	32,009	35,012
Personnel	462,904	482,551
Printing and stationery	2,410	1,844
Professional and consulting	39,105	15,476
Repairs and maintenance	34,734	35,676
Supplies	4,091	5,117
Travel, meals, and entertainment	17,637	8,985
Total operating expenses	<u>802,533</u>	<u>798,286</u>
<u>OPERATING INCOME (LOSS)</u>	<u>(17,472)</u>	<u>16,128</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Interest expense	-	(859)
Interest income	310	302
Total non-operating revenues (expenses)	<u>310</u>	<u>(557)</u>
<u>NET INCOME (LOSS)</u>	<u>(17,162)</u>	<u>15,571</u>
<u>NET ASSETS - BEGINNING</u>	<u>58,261</u>	<u>42,690</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 41,099</u>	<u>\$ 58,261</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash paid to suppliers	\$ (330,473)	\$ (275,561)
Cash paid to employees	(462,904)	(482,551)
Cash received from related parties	813,657	775,666
Net cash provided by operating activities	<u>20,280</u>	<u>17,554</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on notes payable	(4,599)	(4,373)
Interest paid	-	(859)
Purchases of capital assets	-	(24,522)
Net cash used in capital and related financing activities	<u>(4,599)</u>	<u>(29,754)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	<u>310</u>	<u>302</u>
Net cash provided by investing activities	<u>310</u>	<u>302</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	15,991	(11,898)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>1,182</u>	<u>13,080</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 17,173</u>	<u>\$ 1,182</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, 2012 AND 2011

	2012	2011
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>		
<u>NET CASH FROM OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (17,472)	\$ 16,128
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	16,093	8,037
Changes in:		
Accounts receivable	(24,374)	(754)
Due from related parties	37,205	(45,210)
Aspire grant receivable	21,720	9,855
Accounts payable	(5,566)	40,917
Due to related parties	(5,955)	(2,639)
Prepaid expenses	(1,371)	(8,780)
Net cash provided by operating activities	\$ 20,280	\$ 17,554

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.

The EDC is qualified as a tax-exempt organization 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. However, the EDC does file informational returns required by the Internal Revenue Service (IRS). The EDC is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2009.

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.

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

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

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.

Cash and Cash Equivalents

The EDC considers all highly liquid investments purchased with a maturity date of 90 days or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Restricted Assets

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

Capital Assets

Capital assets are recorded at historical cost or, if contributed, at estimated fair values at the date of receipt. All assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of two years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expenses as incurred. Depreciation is provided over the estimated useful lives of the respective assets on a 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.

Advertising Costs

Advertising costs are expensed as incurred.

Uncollectible Accounts

Bad debts are charged to the related revenue account using the direct-write-off method, which is not materially different from the allowance-for-bad-debt method.

Date of Management's Review

Subsequent events have been evaluated through December 17, 2012, which is the date the financial statements were available to be issued.

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

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

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 \$33,313 and \$18,588 held in federally-insured banks, all of which was insured at June 30, 2012 and 2011, respectively.

3. Capital Assets

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets				
Furniture, Fixtures and Equipment	\$ 70,280	\$ -	\$ -	\$ 70,280
Vehicles	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>35,064</u>
	<u>\$ 105,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,344</u>
Accumulated Depreciation				
Furniture, Fixtures and Equipment	\$ 42,660	\$ 9,080	\$ -	\$ 51,740
Vehicles	<u>14,026</u>	<u>7,013</u>	<u>-</u>	<u>21,039</u>
	<u>\$ 56,686</u>	<u>\$ 16,093</u>	<u>\$ -</u>	<u>\$ 72,779</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 2.75% (6.00% at June 30, 2012). The line of credit was originally obtained for temporary cash flow needs. At June 30, 2012, Aspire Clarksville had drawn \$-0-, leaving \$300,000 available.

5. Related Party Transactions

During the years ended June 30, 2012 and 2011, the Chamber, Tourism, and IDB paid EDC a total of \$735,702 and \$767,772, 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 \$2,552 and \$8,507 and amounts due from related parties of \$82,399 and \$119,604 at June 30, 2012 and 2011, respectively. All of those

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

5. Related Party Transactions (Cont'd)

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, 2012 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. The option was exercised to extend the lease for an additional five-year period through November 30, 2016. Rent terms are \$8.00 per square foot (\$6,667.00 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, 2012 and 2011 was \$61,764 and \$62,087, respectively.

7. Long-Term Debt

Long-term debt consists of the following:

	2012	2011
Note payable bearing interest at 5.0% secured by a vehicle; principal and interest are payable in monthly installments, maturing June 2014.	\$ 10,287	\$ 14,886
Less: Current portion	4,848	4,612
Total long-term debt excluding current portion	\$ 5,439	\$ 10,274

Changes in long-term debt (including current portions) for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Estimated Amount Due in Year Ending June 30, 2013
Note payable	\$ 14,886	\$ -	\$ 4,599	\$ 10,287	\$ 4,848

Future payments on the note payable are as follows:

Year Ending June 30,	Total Principal	Total Interest
2013	\$ 4,848	\$ 385
2014	5,439	136
Total	\$ 10,287	\$ 521

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, 2012 and 2011 were \$54,652 and \$47,756, respectively. Employer expenses of \$68,935 and \$59,259 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, 2012

Board Members:

Mr. Jay Patel, Chairman	Member
Mr. Steve Kemmer, Vice Chairman	Member
Ms. Kay Drew, Secretary/Treasurer	Member
Sen. Tim Barnes	Ex-Officio
Dr. Jeannie Beauchamp	Member
Mr. Mark Briggs	Member
Mr. James Chavez	Ex-Officio
Mr. Charlie Foust, Jr.	Member
Mr. Chris Goodman	Ex-Officio
The Honorable Geno Grubbs	Member
Dr. Timothy Hall	Ex-Officio
Mr. Michael Harris	Ex-Officio
Rep. Curtis Johnson	Ex-Officio
Rep. Phillip Johnson	Ex-Officio
Rep. Joe Pitts	Ex-Officio
Dr. Linda Rudolph	Member
Mr. Steve Stroman	Member

Chamber of Commerce Appointees:

Ms. Donna Bright  
Mr. Jim Durrett

Industrial Development Board Appointees:

Mr. John Wallace Crow  
Mr. Don Jenkins

Tourism Commission Appointees:

Mr. Jerry Allbert  
Ms. Pennie Smith

City Council Appointees:

Mr. Jeff Burkhart  
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



STONE,  
RUDOLPH  
& HENRY, PLC

Accounting • Tax • Consulting • Technology

Certified  
Public  
Accountants

www.srhcpas.com

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, 2012, and have issued our report thereon dated December 17, 2012. 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 in the accompanying schedule of findings, we identified a certain deficiency 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 in the accompanying schedule of findings as finding 2012-1 to be a material weakness.

The EDC did not resolve prior year finding number 2011-1. The finding recurred in the current year and is reported as finding 2012-1.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The EDC's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the EDC's response and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this report is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

December 17, 2012

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012

FINDINGS RELATED TO INTERNAL CONTROL

2012-1 (Recurring Finding) Management Oversight of Financial Reporting

Condition: The EDC lacks management oversight over the financial reporting processes for the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). In addition, one adjusting entry and one reclassifying entry were required for the financial statements to be presented in conformity with GAAP.

Criteria: Proper management oversight over financial reporting should include the preparation of the financial statements and footnote disclosures in conformity with GAAP.

Effect: The financial statements and footnote disclosures may not be in conformity with GAAP.

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

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. 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 journal entries.