

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
JUNE 30, 2013 AND 2012

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CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
DIRECTORY OF OFFICIALS  
(UNAUDITED)  
JUNE 30, 2013

Board Members:

Mr. Steve Kemmer, Chairman	Member
Ms. Kay Drew, Vice Chairman	Member
Mr. Steve Stroman, Secretary/Treasurer	Member
Mr. Jim Durrett	Member
Mr. Charlie Foust, Jr.	Member
Mr. Chris Goodman	Ex-Officio
Sen. Mark Green	Ex-Officio
The Honorable Geno Grubbs	Member
Dr. Timothy Hall	Ex-Officio
Mr. Don Jenkins	Member
Rep. Curtis Johnson	Ex-Officio
Ms. Carolyn Pierce	Member
Rep. Joe Pitts	Ex-Officio
Dr. Linda Rudolph	Member
Dr. B.J. Worthington	Ex-Officio

Chamber of Commerce Appointees:

Ms. Katie Gambill  
Ms. Suzanne Langford

Industrial Development Board Appointees:

Mr. John Wallace Crow  
Mr. Carl Wilson

Tourism Commission Appointees:

Mr. Jerry Allbert  
Ms. Jan Roberts

City Council Appointees:

Mr. Jeff Burkhart  
Mayor Kim McMillan

County Commission Appointees:

Mayor Carolyn Bowers  
Mr. Charlie Keene

Management:

Mr. Shannon Green, Vice President of Finance and Human Resources



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Clarksville-Montgomery County  
Economic Development Council  
Clarksville, Tennessee

### **Report on the Financial Statements**

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, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the EDC as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements. The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The directory of officials and management 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, 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* in considering the EDC's internal control over financial reporting and compliance.

**Stone Rudolph & Henry, PLC**

Clarksville, Tennessee  
December 26, 2013

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
JUNE 30, 2013 AND 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, 2013. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The EDC's total assets were \$210,481 at the end of the year's operations.
- Income from operating revenues was \$993,162 while expenses were \$996,321.
- The decrease in net position for 2013 was \$3,130.

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 Position 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 Position. 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 2013, the Foundation spent more than \$642,000 for economic development, with over \$97,000 representing image and market development efforts benefiting the EDC's operations. Over time, increases or decreases in net assets can show whether the entity 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 also 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 Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the EDC's activities in a way that will help answer this question.

Net Position

An increase in net position is an indicator that an entity is improving. To begin our analysis, summaries of the Statements of Net Position are presented in Table A-1.

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)  
JUNE 30, 2013 AND 2012

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF NET POSITION  
JUNE 30, 2013, 2012 AND 2011  
TABLE A-1

	2013	2012	2011	2013 Percent Change	2012 Percent Change
<b>ASSETS</b>					
Current assets	\$ 181,650	\$ 153,760	\$ 170,949	18%	-10%
Net investment in capital assets	28,831	32,565	48,658	-11%	-33%
<b>TOTAL ASSETS</b>	<b>210,481</b>	<b>186,325</b>	<b>219,607</b>	<b>13%</b>	<b>-15%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total assets and deferred outflows of resources	<u>\$ 210,481</u>	<u>\$ 186,325</u>	<u>\$ 219,607</u>	13%	-15%
<b>LIABILITIES</b>					
Current liabilities	\$ 95,512	\$ 62,787	\$ 74,072	52%	-15%
Long-term liabilities	77,000	82,439	87,274	-7%	-6%
<b>Total liabilities</b>	<u>172,512</u>	<u>145,226</u>	<u>161,346</u>	<b>19%</b>	<b>-10%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Net investment in capital assets	23,383	22,278	33,772	5%	-34%
Unrestricted	14,586	18,821	24,489	-23%	-23%
<b>Total net position</b>	<u>37,969</u>	<u>41,099</u>	<u>58,261</u>	<b>-8%</b>	<b>-29%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 210,481</u>	<u>\$ 186,325</u>	<u>\$ 219,607</u>	<b>13%</b>	<b>-15%</b>

Nearly all liabilities incurred by the EDC initiate an equal receivable due from its partner agencies. As a result, there is usually very little overall change in the net position of the EDC. Changes in current assets and current liabilities from 2013 through 2011 are normal timing variations experienced from year to year and are not to be indicative of a trend toward a healthier or less healthy net position. Most of the 52% increase in current liabilities is due to the accrual of compensation due upon the departure of the EDC President/CEO at year-end. Property and equipment is made up of some furnishings, office automation, and a 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.

Revenue, Expenses and Changes in Net Position

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position detail the nature and source of these changes. In Table A-2 on the next page, you will notice a negative change in net position for 2013. Generally, the operations of

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)  
JUNE 30, 2013 AND 2012

the EDC result in close to no change in net position as a result of the reimbursement agreement maintained between the EDC and its member organizations. In 2013, as with prior years, the changes in net position are related primarily to capitalizing and depreciating office equipment. Prior year positive changes were due to the purchase of assets (2011 - computer server).

The considerable offsetting increases in operating revenues and expenses for 2013 (around 24%) were due primarily to the accrual of compensation that was due upon the departure of the EDC President/CEO at year-end (funded by support services reimbursements) and the cost of the EDC's efforts to update its strategic blueprint (funding by the Foundation).

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2013, 2012 AND 2011  
TABLE A-2

	2013	2012	2011	2013 Percent Change	2012 Percent Change
Operating revenues	\$ 993,162	\$ 785,061	\$ 814,414	27%	-4%
Non-operating revenues	29	310	302	-91%	3%
Total revenues	<u>993,191</u>	<u>785,371</u>	<u>814,716</u>	26%	-4%
Operating expenses	996,321	802,533	798,286	24%	1%
Non-operating expenses	-	-	859	0%	-100%
Total expenses	<u>996,321</u>	<u>802,533</u>	<u>799,145</u>	24%	0%
Change in net assets	(3,130)	(17,162)	15,571	-82%	-210%
Net assets, beginning	41,099	58,261	42,690	-29%	36%
Net assets, ending	<u>\$ 37,969</u>	<u>\$ 41,099</u>	<u>\$ 58,261</u>	-8%	-29%

Cash Flows

The Statement of Cash Flows reports the net changes in cash resulting from operating, investing, and financing activities. It provides information on an entity's liquidity, financial flexibility and operating capacity. As shown in Table A-3, cash decreased by over \$9,000

CLARKSVILLE-MONTGOMERY COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)  
JUNE 30, 2013 AND 2012

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013, 2012 AND 2011  
TABLE A-3

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities	\$ 8,617	\$ 20,280	\$ 17,554
Cash flows from capital and related financing activities	(18,088)	(4,599)	(29,754)
Cash flows from investing activities	29	310	302
Net increase (decrease) in cash and cash equivalents	<u>(9,442)</u>	<u>15,991</u>	<u>(11,898)</u>
Cash and cash equivalents - beginning	17,173	1,182	13,080
Cash and cash equivalents - ending	<u>\$ 7,731</u>	<u>\$ 17,173</u>	<u>\$ 1,182</u>

Most of the cash generated is used for operating expenses and Foundation expenses (marketing and development). The EDC had cash of \$7,731 at the end of this fiscal year. The most significant changes in cash position for 2013 were due to the purchase of replacement equipment (primarily a multifunctional high capacity copier) and payment of compensation that was due upon the departure of the EDC President/CEO at year-end. 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.

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, the finances of the City of Clarksville and Montgomery County governments, 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.

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)  
JUNE 30, 2013 AND 2012

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 POSITION  
JUNE 30, 2013 AND 2012

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 7,731	\$ 17,173
Accounts receivable	819	25,128
Aspire grant receivable	10,515	10,553
Due from related parties	157,561	82,399
Prepaid expenses	5,024	18,507
Total current assets	181,650	153,760
<u>CAPITAL ASSETS</u>		
Furniture, fixtures, and equipment	65,512	70,280
Vehicles	35,064	35,064
Total vehicles and equipment	100,576	105,344
Less: accumulated depreciation	(71,745)	(72,779)
Net capital assets	28,831	32,565
Total assets	210,481	186,325
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total assets and deferred outflows of resources	\$ 210,481	\$ 186,325
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 26,882	\$ 55,387
Accrued expenses	62,428	-
Due to related parties	754	2,552
Current portion of notes payable	5,448	4,848
Total current liabilities	95,512	62,787
<u>LONG-TERM LIABILITIES</u>		
Notes payable	-	5,439
Deposits payable to related parties	77,000	77,000
Total long-term liabilities	77,000	82,439
Total liabilities	172,512	145,226
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Total liabilities, deferred inflows of resources and net position	-	-
<u>NET POSITION</u>		
Net investment in capital assets	23,383	22,278
Unrestricted	14,586	18,821
Total net position	37,969	41,099
Total liabilities, deferred inflows of resources and net position	\$ 210,481	\$ 186,325

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 POSITION  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>OPERATING REVENUES</u>		
Aspire grant	\$ 97,462	\$ 21,779
Other income	35	24,500
Support services reimbursement	895,665	738,782
Total operating revenues	<u>993,162</u>	<u>785,061</u>
<u>OPERATING EXPENSES</u>		
Advertising	419	514
Communications	16,234	14,913
Depreciation	16,983	16,093
Equipment expense	2,288	12,241
Fringe benefits	73,282	65,957
Grant expense	97,462	21,779
Insurance	9,596	10,095
Investor relations	1,000	1,247
Lease expense	75,069	61,764
Miscellaneous	8,293	5,040
Payroll taxes	35,231	32,009
Personnel	581,031	462,904
Printing and stationery	3,199	2,410
Professional and consulting	19,320	39,105
Repairs and maintenance	37,752	34,734
Supplies	4,211	4,091
Travel, meals, and entertainment	14,951	17,637
Total operating expenses	<u>996,321</u>	<u>802,533</u>
<u>OPERATING LOSS</u>	<u>(3,159)</u>	<u>(17,472)</u>
<u>NON-OPERATING REVENUES</u>		
Interest income	29	310
Total non-operating revenues	<u>29</u>	<u>310</u>
<u>CHANGE IN NET POSITION</u>	<u>(3,130)</u>	<u>(17,162)</u>
<u>NET POSITION - BEGINNING</u>	<u>41,099</u>	<u>58,261</u>
<u>NET POSITION - ENDING</u>	<u>\$ 37,969</u>	<u>\$ 41,099</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash paid to suppliers	\$ (350,901)	\$ (330,473)
Cash paid to employees	(581,031)	(462,904)
Cash received from contributors	24,309	-
Cash received from related parties	916,240	813,657
Net cash provided by operating activities	<u>8,617</u>	<u>20,280</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Payments on notes payable	(4,839)	(4,599)
Purchases of capital assets	(13,249)	-
Net cash used in capital and related financing activities	<u>(18,088)</u>	<u>(4,599)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	29	310
Net cash provided by investing activities	<u>29</u>	<u>310</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(9,442)	15,991
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>17,173</u>	<u>1,182</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 7,731</u>	<u>\$ 17,173</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, 2013 AND 2012

	2013	2012
<u>RECONCILIATION OF OPERATING LOSS</u>		
<u>NET CASH FROM OPERATING ACTIVITIES</u>		
Operating loss	\$ (3,159)	\$ (17,472)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	16,983	16,093
Changes in:		
Accounts receivable	24,309	(24,374)
Due from related parties	(75,162)	37,205
Aspire grant receivable	38	21,720
Accounts payable	(28,505)	(5,566)
Accrued expenses	62,428	-
Due to related parties	(1,798)	(5,955)
Prepaid expenses	13,483	(1,371)
Net cash provided by operating activities	\$ 8,617	\$ 20,280

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

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, 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, 2010.

Use of Estimates

The EDC's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

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.

The financial statements of the EDC have been prepared using the 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.

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

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

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

Concentrations of Credit Risk (Cont'd)

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.

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. Capital assets with an initial, individual cost of \$500 or more and an estimated useful life of more than two years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for maintenance and repairs are charged to expense as incurred. Capital assets are depreciated over their estimated useful lives using the straight-line method.

Accrued Compensated Absences

Employees are required to take earned vacation days within the fiscal year and sick days are not paid upon separation. Therefore, compensated absences are not accrued.

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. Other revenues and expenses are classified as non-operating in the financial statements.

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 26, 2013, which is the date the financial statements were available to be issued.

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

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. As required by state statutes, the EDC's policy is to require financial institutions holding its deposits be members of the State of Tennessee Bank Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the EDC or its agent in the EDC's name. At June 30, 2013 and 2012, cash and cash equivalents included bank balances of \$61,512 and \$33,313, respectively, all of which was insured by the FDIC or the State of Tennessee Bank Collateral Pool.

3. Capital Assets

A summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2013 follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets				
Furniture, fixtures and equipment	\$ 70,280	\$ 13,249	\$ 18,017	\$ 65,512
Vehicles	<u>35,064</u>	<u>-</u>	<u>-</u>	<u>35,064</u>
	<u>\$ 105,344</u>	<u>\$ 13,249</u>	<u>\$ 18,017</u>	<u>\$ 100,576</u>
Accumulated depreciation				
Furniture, fixtures and equipment	\$ 51,740	\$ 9,970	\$ 18,017	\$ 43,693
Vehicles	<u>21,039</u>	<u>7,013</u>	<u>-</u>	<u>28,052</u>
	<u>\$ 72,779</u>	<u>\$ 16,983</u>	<u>\$ 18,017</u>	<u>\$ 71,745</u>

A summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2012 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>

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

3. Capital Assets (Cont'd)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</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. Related Party Transactions

During the years ended June 30, 2013 and 2012, the Chamber, Tourism, and IDB paid EDC a total of \$896,635 and \$735,702, 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 \$754 and \$2,552 and amounts due from related parties of \$157,561 and \$82,399 at June 30, 2013 and 2012, 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, 2013 because no portion is required to be repaid within the next fiscal year.

5. Operating Lease

Effective November 30, 2006, the EDC entered into an agreement with a 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 monthly). The EDC has subleases with the Chamber, IDB, and Tourism which fully offsets this lease obligation. The total amount of lease expense for the years ended June 30, 2013 and 2012 was \$75,069 and \$61,764, respectively.

6. Long-Term Debt

Long-term debt consists of the following:

	<u>2013</u>	<u>2012</u>
Note payable bearing interest at 5.0% secured by a vehicle; principal and interest are payable in monthly installments, maturing June 2014.	\$ 5,448	\$ 10,287
Less: Current portion	<u>5,448</u>	<u>4,848</u>
Total long-term debt excluding current portion	<u>\$ -</u>	<u>\$ 5,439</u>

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2013 AND 2012

6. Long-Term Debt (Cont'd)

Changes in long-term debt (including current portions) for the year ended June 30, 2013, were as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Estimated</u> <u>Amount Due</u> <u>in Year Ending</u> <u>June 30, 2014</u>
Note payable	\$ 10,287	\$ -	\$ 4,839	\$ 5,448	\$ 5,448

Future payments on the note payable are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>
2014	\$ 5,448	\$ 136

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

7. Pension Plan

The EDC maintains a 401(k) plan administered by American Chamber of Commerce Executives (ACCE). 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, 2013 and 2012 were \$58,373 and \$54,652, respectively. Employer expenses of \$73,795 and \$68,935 were incurred and reimbursed by the related organizations for those years.

8. 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.

9. 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.



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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, in accordance with the 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, the financial statements of Clarksville-Montgomery County Economic Development Council (EDC) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the EDC's basic financial statements and have issued our report thereon dated December 26, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the EDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 EDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control 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 and responses as item 2013-001 to be a material weakness.

The EDC did not resolve prior year item 2012-1. The finding recurred in the current year and is reported as item 2013-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the EDC's financial statements are free from 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 Finding**

The EDC's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The EDC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
December 26, 2013

CLARKSVILLE-MONTGOMERY COUNTY  
ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2013

FINDINGS RELATED TO INTERNAL CONTROL

2013-001 (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, three adjusting entries 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.