

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2008

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INDEPENDENT AUDITOR'S REPORT

Clarksville-Montgomery County
Tourism Commission
Clarksville, Tennessee

We have audited the accompanying financial statements of the governmental activities and general fund of the Clarksville-Montgomery County Tourism Commission (the Commission) as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and general fund of the Commission as of June 30, 2008, and the respective changes in financial position 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 October 31, 2008, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The directory of board of commissioners and management listed as other information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Stone Rudolph & Henry, PLC

January 23, 2009

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2008

Our discussion and analysis of the financial performance of the Clarksville-Montgomery County Tourism Commission (the Commission) provides an overview of the Commission's financial activity for the year ended June 30, 2008. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

- The Commission's total net assets increased \$64,877 as a result of this year's operations.
- Income from the Hotel/Motel Tax increased \$64,419. This is a result of very strong recruiting efforts by the Tourism Commission staff as well as overall growth of the Clarksville-Montgomery County economy. This reflects fifteen consecutive years of increased revenue as compared to the prior year.
- Total operating revenue decreased \$4,862 over 2007 while expenses decreased \$41,847 (see Table A-2 narrative).
- The Commission's efforts generated an estimated \$4.2 million in economic benefit for Clarksville and Montgomery County this year.

Required Financial Statements

The financial statements of the Clarksville-Montgomery County Tourism Commission report information about the Commission using generally accepted accounting principles. These statements offer financial information about its activities. The Governmental Fund Balance Sheet/Statement of Net Assets includes all of the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). All of the current year's revenues and expenses are accounted for in the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. This statement measures the success of the Commission's operations over the past year and can be used to determine if the Commission recovered all its costs through the funding provided by the Hotel/Motel Tax along with the other revenue generated.

Financial Analysis of the Commission

The financial statements of the Commission include only activities of the Tourism Commission. In addition to the actual cash received and expended, the Commission receives the benefit of private dollars through the economic development efforts of the Aspire Clarksville foundation. For fiscal year 2008, the foundation spent approximately \$296,900 for economic development, with more than \$93,342 representing direct tourism development efforts benefiting the Commission's operations. Over time, increases or decreases in net assets can show whether the Commission is improving or deteriorating. However, other non-financial factors such as economic conditions, troop deployments, the focus of the Aspire Clarksville foundation agenda and changes in legislation and the local legislative agenda should also be considered.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Governmental Fund Balance Sheet/Statement of Net Assets

One of the most important questions asked about the Commission's finances is "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities report information about the Commission's activities in a way that will help answer this question. An increase in net assets is an indicator that a business is improving.

To begin our analysis, summaries of the Commission's Statements of Net Assets are presented in Table A-1. As can be seen from the table below, total net assets increased by \$64,877. The most substantial changes on this report from 2007 are less outstanding Hotel/Motel Tax Receivable at year-end and an increase in Cash and Other Deposits as a result of 2008 activities (See the Statement of Activities, Table A-2).

CLARKSVILLE-MONTGOMERY COUNTY
 TOURISM COMMISSION
 COMPARATIVE STATEMENTS OF NET ASSETS (CONDENSED)
 JUNE 30, 2008 AND 2007
 TABLE A-1

	2008	2007	Change
ASSETS			
Cash and Other Deposits	\$ 459,813	\$ 313,392	\$ 146,421
Taxes Receivable	65,036	173,066	(108,030)
Grant Receivable	66,392	55,675	10,717
Due from Related Parties	40,708	20,081	20,627
Capital Assets, Net of Accumulated Depreciation	189,169	208,771	(19,602)
Prepaid Expenses	2,519	1,700	819
Total Assets	<u>823,637</u>	<u>772,685</u>	<u>50,952</u>
LIABILITIES			
Accounts Payable	4,464	12,163	(7,699)
Due to Related Parties	28,991	35,217	(6,226)
Total Liabilities	<u>33,455</u>	<u>47,380</u>	<u>(13,925)</u>
FUND BALANCE/NET ASSETS			
Net Assets:			
Invested in Capital Assets	189,169	208,771	(19,602)
Unrestricted	601,013	516,534	84,479
Total Net Assets	<u>\$ 790,182</u>	<u>\$ 725,305</u>	<u>\$ 64,877</u>

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Governmental Fund Revenues, Expenditures, and Changes of Fund Balance/Statement of Activities

While the Governmental Fund Balance Sheet/Statement of Net Assets shows the change in financial position of net assets, the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities details the nature and source of these changes. In Table A-2 below, net assets increased by nearly \$65,000. The overall increase in net assets included a \$67,000 increase in Hotel/Motel Tax revenues. The 4% change in Net Program Expense is most notably made up of a \$10,000 increase in event bid fee expense.

CLARKSVILLE-MONTGOMERY COUNTY
 TOURISM COMMISSION
 COMPARATIVE STATEMENTS OF ACTIVITIES (CONDENSED)
 YEARS ENDED JUNE 30, 2008 AND 2007
 TABLE A-2

	2008	2007	Change
Operating Expenses			
Total Expenditures/Expenses	\$ 993,787	\$ 1,035,634	\$ (41,847)
Total Program Revenues	274,337	346,426	(72,089)
Net Program Expense	<u>719,450</u>	<u>689,208</u>	<u>30,242</u>
General Revenues			
Hotel/Motel Tax	764,238	696,819	67,419
Other	20,089	20,281	(192)
Total General Revenues	<u>784,327</u>	<u>717,100</u>	<u>67,227</u>
Change in Net Assets	64,877	27,892	36,985
Net Assets:			
Beginning of the Year (As Restated)	725,305	697,413	27,892
End of the Year	<u>\$ 790,182</u>	<u>\$ 725,305</u>	<u>\$ 64,877</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

Budgetary Highlights

The Commission adopts an Operating and Capital Expenses Budget to assist in planning and forecasting for the fiscal year. The Budget is approved first by the Commission and then the County and is in effect for the entire fiscal year. Management uses the budget as a planning tool for the coming year. The Commission's Board of Directors must approve significant variances from the approved budget. A Budgetary Comparison schedule for the year ended June 30, 2008 is shown below in Table A-3. A 4% favorable budget variance in Total Revenues was complimented by a 4% favorable budget variance in Total Expenses. The actual Hotel/Motel Tax Revenue was by far the most significant variance. Most other significant variances naturally offset each other with the exception of budgeted Grant Contributions/Bid Fees (such a variance is the result of volume and type of event applications approved in the year). Overall, the Commission performed favorably as compared to budget.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
BUDGETARY COMPARISON
YEAR ENDED JUNE 30, 2008

TABLE A-3

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	<u>%</u>
REVENUES				
Hotel/Motel Tax Revenue	\$ 764,238	\$ 697,000	\$ 67,238	9.65%
Other Income	294,426	316,700	(22,274)	-7.03%
Total Revenue	<u>1,058,664</u>	<u>1,013,700</u>	<u>44,964</u>	<u>4.44%</u>
EXPENSES				
Advertising	92,370	86,660	5,710	6.59%
Capital Outlay	984	2,031	(1,047)	-51.55%
Communications	9,015	12,547	(3,532)	-28.15%
Contracted Services	14,634	14,336	298	2.08%
Dues and Membership	8,935	9,173	(238)	-2.59%
Employee Benefits	57,479	66,250	(8,771)	-13.24%
Entertainment	6,261	4,967	1,294	26.05%
Equipment Rental	2,723	2,723	-	0.0%
Events	134,494	162,000	(27,506)	-16.98%
Grant Contributions	92,087	110,500	(18,413)	-16.66%
Insurance	5,932	2,725	3,207	117.69%
Legal Services	72	500	(428)	-85.60%
Office Supplies	2,550	4,033	(1,483)	-36.77%
Other	2,745	1,683	1,062	63.10%
Payroll Taxes	28,593	27,045	1,548	5.72%
Personnel	409,216	401,889	7,327	1.82%
Postage	15,668	11,750	3,918	33.34%
Printing and Stationery	3,753	7,267	(3,514)	-48.36%
Rent	17,670	20,545	(2,875)	-13.99%
Repair and Maintenance	10,425	11,299	(874)	-7.74%
Supplies	2,326	2,043	283	13.85%
Travel	46,967	41,534	5,433	13.08%
Utilities	9,286	10,200	(914)	-8.96%
Total Expenses	<u>974,185</u>	<u>1,013,700</u>	<u>(39,515)</u>	<u>-3.90%</u>
Revenues in Excess of Expenses	<u>\$ 84,479</u>	<u>\$ -0-</u>	<u>\$ 84,479</u>	

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2008

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 Tourism Commission is to encourage tourism through the successful recruitment/management of an increasing number of events that promote greater tourist traffic/spending. External factors that can impact the financial condition of the Commission include City and County finances, tourism-related economic trends, and Fort Campbell activities. Barring any unexpected changes in such external factors, we anticipate a continuation of the tourism growth that we have experienced for the last fourteen years.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Commission's finances. If you have any questions about this report or need 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 TOURISM COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Net Assets</u>
<u>ASSETS</u>			
Cash and Other Deposits	\$ 237,239		\$ 237,239
Certificates of Deposit	222,574		222,574
Taxes Receivable	65,036		65,036
Grant Receivable	66,392		66,392
Due from Related Parties	40,708		40,708
Capital Assets, Net of Accumulated Depreciation (Note 4)	-	\$ 189,169	189,169
Prepaid Expenses	2,519		2,519
Total Assets	<u>\$ 634,468</u>	<u>\$ 189,169</u>	<u>\$ 823,637</u>
<u>LIABILITIES</u>			
Due to Related Parties	\$ 28,991		\$ 28,991
Accounts Payable	4,464		4,464
Total Liabilities	<u>33,455</u>	<u>-</u>	<u>33,455</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance:			
Unreserved	<u>601,013</u>	<u>189,169</u>	
Total Fund Balance	<u>601,013</u>	<u>189,169</u>	
Total Liabilities and Fund Balance	<u>\$ 634,468</u>		
Net Assets:			
Invested in Capital Assets			189,169
Unrestricted			601,013
Total Net Assets		<u>\$ 189,169</u>	<u>\$ 790,182</u>

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

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Operating Expenses:			
Advertising	\$ 92,370		\$ 92,370
Communications	9,015		9,015
Contracted Services	14,634		14,634
Depreciation	-	\$ 20,586	20,586
Dues and Membership	8,935		8,935
Employee Benefits	86,072		86,072
Entertainment	6,261		6,261
Equipment Rental	2,723		2,723
Events	134,494		134,494
Grant Contributions	92,087		92,087
Insurance	5,932		5,932
Legal Services	72		72
Office Supplies	2,550		2,550
Other	2,745		2,745
Personnel	409,216		409,216
Postage	15,668		15,668
Printing and Stationary	3,753		3,753
Rent	17,670		17,670
Repair and Maintenance	10,425		10,425
Supplies	2,326		2,326
Travel	46,967		46,967
Utilities	9,286		9,286
Total Operating Expenses	<u>973,201</u>	<u>20,586</u>	<u>993,787</u>
Capital Outlays	984	(984)	-
Total Expenditures/Expenses	<u>974,185</u>	<u>19,602</u>	<u>993,787</u>
<u>PROGRAM REVENUES:</u>			
Vacation Guide and Web Sales	3,817		3,817
Events	83,319		83,319
Grants	113,342		113,342
Group Tour	32,767		32,767
Co-op Advertising Sales	31,000		31,000
Other	10,092		10,092
Total Program Revenues	<u>274,337</u>	<u>-</u>	<u>274,337</u>
Net Program Expense	<u>699,848</u>	<u>19,602</u>	<u>719,450</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES (CONT'D)
YEAR ENDED JUNE 30, 2008

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>GENERAL REVENUES</u>			
Hotel/Motel Tax	764,238		764,238
Rental Income	7,476		7,476
Interest Income	12,613		12,613
Total General Revenue	<u>784,327</u>	<u>-</u>	<u>784,327</u>
Excess of Revenues over Expenditures/ Change in Net Assets	84,479	(19,602)	64,877
Fund Balance/Net Assets:			
Beginning of the Year, as Previously Reported	516,534	-	704,305
Prior Period Adjustment - See Note 12	-	-	21,000
Beginning of the Year, as Restated	<u>516,534</u>	<u>-</u>	<u>725,305</u>
End of the Year	<u>\$ 601,013</u>	<u>\$ -</u>	<u>\$ 790,182</u>

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

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Clarksville-Montgomery County Tourism Commission (the Commission) was created by Private Chapter No. 167, Senate Bill No. 1414, by the ninety-first General Assembly, State of Tennessee, on June 4, 1979. On May 22, 2000, Private Chapter No. 140, Senate Bill No. 3303, was passed to amend Chapter No. 167. The purpose of the Commission is to promote tourist and recreational activity in the Clarksville-Montgomery County area. The Commission office is located in Clarksville, Tennessee.

The Commission is jointly-governed by the governments of Montgomery County and the City of Clarksville. Its financial statements include all of the funds and account groups relevant to the operations of the Commission. The financial statements presented herein do not include entities which are separate and distinct units of themselves. In fiscal year 1995, the Commission, the Clarksville Area Chamber of Commerce (Chamber), and the Clarksville-Montgomery County Industrial Development Board (IDB) jointly organized the Clarksville-Montgomery County Economic Development Council (EDC) to develop, coordinate, and implement a comprehensive marketing plan relating to the economic prosperity of Clarksville-Montgomery County and the surrounding area. The Commission, Chamber, and IDB evenly share the cost of the EDC director's salary, payroll taxes, benefits and other operating costs and of expenses related to general administration of the EDC. All other expenses of the EDC are shared based on usage allocations.

Government-wide and Fund Financial Statements

The government-wide financial statements (the governmental fund balance sheet/statement of net assets and the statement of governmental fund revenues, expenditures, and changes in fund balance/statement of activities) report information on all of the nonfiduciary activities of the Commission.

The governmental fund financial statements are shown in combination with the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct operating expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as general revenues.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide 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 the related cash flow.

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

The Commission's only fund is the general fund. It accounts for all of the financial resources of the Commission. When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost if purchased or constructed and are depreciated over their estimated useful lives using the straight-line method. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs are not capitalized.

Concentrations of Credit Risk

Financial instruments that potentially subject the Commission to significant concentrations of credit risk consist principally of cash and accounts receivable. The Commission places its cash with federally-insured financial institutions and limits the amount of credit exposure to any one institution by requiring collateral. With respect to accounts receivable, credit risk is dispersed across a large number of businesses and certain governmental and nonprofit entities which are geographically concentrated in Montgomery County and no collateral is required.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

Advertising Costs

Advertising costs are expensed as incurred.

Accrued Compensated Absences

Employees are required to take earned vacation days within the fiscal year and sick days are not paid upon separation. Therefore, there are no accrued compensated absences.

Uncollectible Accounts

Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles.

Tax Exempt Status

The Commission is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code and is not classified as a private foundation. Accordingly, no provision for income tax has been made.

2. Cash and Other Deposits

Cash and other deposits are restricted to deposits with federally insured institutions and must be approved by the board of directors.

At June 30, 2008, cash and other deposits reported in the financial statements in the amount of \$459,813 were represented by bank balances totaling \$417,128, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Collateral Pool.

The Commission considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2008.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Capital Assets

A summary of changes in capital assets during the year follows:

<u>Capital Assets</u>	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Building	128,769	-	-	128,769
Furniture, fixtures and equipment	94,875	984	-	95,859
Leasehold improvements	48,793	-	-	48,793
Vehicle	<u>25,634</u>	<u>-</u>	<u>-</u>	<u>25,634</u>
Total Capital Assets	<u>\$ 319,071</u>	<u>\$ 984</u>	<u>\$ -</u>	<u>\$ 320,055</u>

A summary of changes in accumulated depreciation during the year follows:

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2008</u>
Building	\$ 33,019	\$ 3,302	\$ -	\$ 36,321
Furniture, fixtures and equipment	69,091	8,905	-	77,996
Leasehold improvements	1,355	3,253	-	4,608
Vehicle	<u>6,835</u>	<u>5,126</u>	<u>-</u>	<u>11,961</u>
Total Accumulated Depreciation	<u>\$ 110,300</u>	<u>\$ 20,586</u>	<u>\$ -</u>	<u>\$ 130,886</u>

The Commission has no assets that are idle or impaired. Land is not depreciated.

4. Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Assets:

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Commission, net of related accumulated depreciation.

Cost of capital assets	\$ 320,055
Less: Accumulated depreciation	<u>(130,886)</u>
	<u>\$ 189,169</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

4. Adjustments to Governmental Funds Statements (Cont'd)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Proceeds and gain or loss from the sale of capital assets are excluded from the statement of activities since the proceeds are not a gain or loss associated with the sale.

Capital outlays	\$ (984)
Depreciation expense	<u>20,586</u>
	<u>\$ 19,602</u>

5. Funding Concentration

The Commission's primary source of funding is hotel/motel taxes collected by Montgomery County businesses. The amount of taxes collected each fiscal year is impacted by fluctuations in spending for tourism and for industrial and military-related travel.

6. Gifts in Kind

The Commission received contributed services during the fiscal year ending June 30, 2008. The value of these contributed services could not be reasonably determined and therefore are not recorded in the financial statements.

7. Annual Budget Procedures

The annual budget is prepared and legally adopted by the Board of Commissioners and approved by the Montgomery County Director of Accounts and Budgets. The budget is prepared using the modified accrual basis of accounting. The board members review the Commission's needs for the year as well as prior year expenditures to arrive at the current year budget. The budget is used primarily as a management tool. There is no requirement that the budget be amended for variances that are inconsequential and which occur as the result of normal operations. The "encumbrance" method of budgeting and accounting for expenditures is not used.

8. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has elected to obtain various insurance policies to transfer risk to a commercial insurance company either directly or through the EDC. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

9. Related Party Transactions

The Commission paid EDC \$224,605 for its share of EDC expenses during the year ended June 30, 2008. The Commission had related party payables at June 30, 2008 totaling \$28,991, and related party receivables of \$40,708. Included in related party receivables at June 30, 2008 is \$35,000 that was advanced to the EDC to facilitate payment of routine Commission expenses and is not expected to be collected within one year.

10. Retirement Plan

EDC maintains a defined contribution 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. Employees can make pre-tax contributions from one to one hundred percent of total annual earnings (subject to IRS limitations) in which they are immediately vested. The Commission will match one hundred percent of the participant's pre-tax contributions up to a maximum of four percent as the employer matching contribution and the participant is immediately vested.

During the current fiscal years ended June 30, 2008 and 2007, contributions totaling \$25,501 and \$23,640, respectively, were paid and expensed by the Commission. Employee contributions to the plan were \$18,490 and \$16,935 for the years ended June 30, 2008 and 2007, respectively.

11. Leases

Beginning December 2006, the Commission began subleasing office space in the Green Bank building from EDC under a five-year agreement. Total lease payments to the EDC for fiscal year 2008 were \$17,670.

Future payments on lease obligations are as follows:

2009	\$ 18,700
2010	18,700
2011	18,700
2012	<u>6,233</u>
	<u>\$ 62,333</u>

The Commission entered into a sublease agreement with the City of Clarksville for the Post House located on Fort Campbell Boulevard to commence on May 5, 2006. The lease term is for 77 years and requires an annual rent payment of \$1. The Commission is entitled to receive the monthly rentals now being made for placement of an ATM machine on the premises.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)

12. Prior-Period Adjustment

A prior-period adjustment was recorded to recognize the value of land donated to the Commission in 1989 which it failed to record at that time. The estimated fair value of the land at the time of the donation was \$21,000. The Commission constructed a building on the property in 1998. The net effect of this adjustment was to increase capital assets and net assets by \$21,000.

13. Subsequent Events

During September and October, 2008, financial markets in both the United States and abroad experienced a material decline in investment values. Several of the largest mortgage and insurance companies, as well as commercial and investment banks, failed during this market upheaval. The United States government has taken legislative and fiscal measures to restore consumer confidence in the markets, but the impact of those actions cannot yet be measured. The effects of these matters, if any, on the Commission's ability to collect outstanding taxes receivable and grant receivable, as well as to recruit tourism events to the Clarksville-Montgomery County area, are not yet known. Accordingly, these statements do not include any adjustments relating to the aforementioned matters.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
BUDGETARY COMPARISION SCHEDULE (UNAUDITED)
YEAR ENDED JUNE 30, 2008

	Budgeted Amounts (See Note 7)	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:			
Vacation Guide Sales	\$ 5,000	\$ 3,817	\$ (1,183)
Group Tour Income	50,000	32,767	(17,233)
Hotel/Motel Tax	697,000	764,238	67,238
Interest Income	9,000	12,613	3,613
Grants	134,500	113,342	(21,158)
Other	27,200	48,568	21,368
Recruitment/Special Events	91,000	83,319	(7,681)
Total Revenues	1,013,700	1,058,664	44,964
Expenditures:			
Advertising	86,660	92,370	(5,710)
Communications	12,547	9,015	3,532
Contracted Services	14,336	14,634	(298)
Dues and Membership	9,173	8,935	238
Employee Benefits	66,250	57,479	8,771
Entertainment	4,967	6,261	(1,294)
Equipment Rental	2,723	2,723	-
Events	162,000	134,494	27,506
Grant Contributions	110,500	92,087	18,413
Insurance	2,725	5,932	(3,207)
Legal Services	500	72	428
Office Supplies	4,033	2,550	1,483
Other	1,683	2,745	(1,062)
Payroll Taxes	27,045	28,593	(1,548)
Personnel	401,889	409,216	(7,327)
Postage	11,750	15,668	(3,918)
Printing and Stationary	7,267	3,753	3,514
Rent	20,545	17,670	2,875
Repair and Maintenance	11,299	10,425	874
Supplies	2,043	2,326	(283)
Travel	41,534	46,967	(5,433)
Utilities	10,200	9,286	914
Total Operating Expenses	1,011,669	973,201	38,468
Capital Outlays	2,031	984	1,047
Total Expenditures/Expenses	\$ 1,013,700	\$ 974,185	\$ 39,515

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO BUDGETARY COMPARISON SCHEDULE

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of budgetary comparison information includes the annual budget of the Commission for the year ended June 30, 2008 and is presented on the modified accrual basis of accounting, which is the same basis of accounting used in preparation of the basic financial statements. The Commission prepares and adopts the budget for the next succeeding fiscal year prior to June 30 of the preceding fiscal year. The budget is also approved by the County. The operating budget is used as a planning tool and includes proposed expenditures and the means of financing them. Once a budget is approved, expenditures can be amended by approval of a majority of the members of the board of directors if no additional financing is required. Budget amendments requiring additional financing must be approved by the County, in addition to the board of directors. The schedule of budgetary comparison includes the amounts budgeted for the Commission’s sole governmental fund as well as capital outlays for property and equipment. The reconciliations presented in Note 4 to the financial statements are helpful in understanding this budgetary schedule. Following is a reconciliation of the budgetary information to generally accepted accounting principles (“GAAP”):

	Original/Final Budgeted Amounts	Actual Amounts	Variance Favorable (Unfavorable)
Total Revenues	\$ 1,013,700	\$ 1,058,664	\$ 44,964
GAAP Revenues	<u>\$ 1,013,700</u>	<u>\$ 1,058,664</u>	<u>\$ 44,964</u>
Total Expenditures/Expenses	\$ 1,013,700	\$ 974,185	\$ 39,515
Equipment and Capital Outlay	(2,031)	(984)	(1,047)
Depreciation	-	20,586	(20,586)
GAAP Expenses	<u>\$ 1,011,669</u>	<u>\$ 993,787</u>	<u>\$ 17,882</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
DIRECTORY OF BOARD OF COMMISSIONERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2008

BOARD OF COMMISSIONERS

	<u>Term Expires</u>
Fred Landiss, Chairman	June 30, 2009
Jerry Allbert, Vice Chairman	June 30, 2010
Morrell Boyd	June 30, 2008
Rev. William Luffman	June 30, 2010
Brad Martin	June 30, 2008
Dr. Ted McCurdy	June 30, 2009
Jay Patel	June 30, 2009
Toni Rone	June 30, 2010
JoAnn Weakley	June 30, 2009

MANAGEMENT

James Chavez, President and CEO
Theresa Harrington, Executive Director
Shannon Green, Vice President of Finance and Human Resources

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Clarksville-Montgomery County
Tourism Commission
Clarksville, Tennessee

We have audited the financial statements of the governmental activities and general fund of the Clarksville-Montgomery County Tourism Commission (the Commission) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission'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 Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described on the following page as items 2008-1, 2008-2, and 2008-3 to be significant deficiencies in internal control over financial reporting.

2008-1 (Recurring Finding) Management Oversight of Financial Reporting: We noted a lack of management oversight over financial reporting to include the preparation of the financial statements and footnote disclosures in conformity with generally accepted accounting principles (GAAP). Four adjusting entries were required for the financial statements to be presented in conformity with GAAP. One of the four adjusting entries was calculated by management.

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

Management Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit.

2008-2 (Recurring Finding) Expenditures in Excess of Budget: We noted that certain expenditures exceeded the original budgeted amounts and that the original budget was not amended to provide approval for those additional expenditures.

Recommendation: We recommend that the budget be amended prior to incurring expenses or making expenditures in excess of the amounts authorized by the budget.

Management Response: We will review our processes and make the changes necessary to be compliant in the future.

2008-3 Control Operating Effectiveness Deficiencies: We noted operating effectiveness deficiencies in the following controls: 1) the review of the payroll entries was not documented; and 2) the review of the payroll reports was not documented.

Recommendation: We recommend that management implement procedures to ensure that each control is operating with sufficient effectiveness by documenting the review of the payroll entries and the payroll reports.

Management Response: Management will implement procedures to document the review of payroll reports and ensure full implementation of existing procedures for the review of payroll entries.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above as items 2008-1, 2008-2, and 2008-3 to be material weaknesses.

The Tourism Commission did not resolve prior year findings number 2007-1 and 2007-2. These findings recurred in the current year and are reported as findings 2008-1 and 2008-2, respectively.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below as item 2008-4.

The Tourism Commission did not resolve prior year finding number 2007-3 related to compliance. The finding recurred in the current year and is reported as finding 2008-4.

2008-4 (Recurring Finding) Expenditures in Excess of Budget: We noted that certain expenditures exceeded the original budgeted amounts and that the original budget was not amended to provide approval for those additional expenditures.

Recommendation: We recommend that the budget be amended prior to incurring expenses or making expenditures in excess of the amounts authorized by the budget.

Management Response: We will review our processes and make the changes necessary to be compliant in the future.

2008-5 Audit Filing Deadline: The Tourism Commission's annual audit was not completed by December 31, 2008, as required by the State of Tennessee.

Recommendation: We recommend that the Tourism Commission's year-end closing procedures be reviewed and revised as necessary to ensure a timely start and completion of the annual audit by the required date.

Management Response: We will continue to review our processes and implement any needed changes to help resume deadline compliance; however, we believe that the cause of this delay was an unusual circumstance and substantially unrelated to our routine year-end closing procedures.

The Tourism Commission's responses to the findings identified in our audit are described above. We did not audit the Tourism Commission's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Tourism Commission, its management, the State of Tennessee, Montgomery County, and the City of Clarksville and is not intended to be and should not be used by anyone other than these specified parties.

Stone Rudolph & Henry, PLC

January 23, 2009