

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
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, 2009, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the 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 opinions.

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, 2009, 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 December 17, 2009, 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 should be considered in 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

December 17, 2009

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2009

Our discussion and analysis of the Clarksville Montgomery County Tourism Commission's (the Commission) financial performance provides an overview of the Commission's financial activity for the year ended June 30, 2009. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Commission's total net assets decreased \$12,550 as a result of this year's operations.
- Income from the Hotel/Motel Tax decreased \$5,045. This is believed to be the result of the nationwide economic downturn and an extended period of high fuel prices. This relatively small decline represents the first decline in the past 16 years.
- Total revenues decreased \$21,339 from 2008 while expenses increased \$56,088. (See Table A-2 narrative)
- The Commission's efforts generated an estimated \$1.8 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 include all of the Commission's assets and liabilities and provide 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 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 cost through the funding provided by the Montgomery County Government 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 marketing efforts of the Aspire Clarksville Foundation. For fiscal year 2009, the Foundation spent approximately \$246,000 for economic development, with more than \$53,000 representing direct tourism development efforts benefiting the Commission'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, troop deployments, the focus of the Aspire Foundation agenda and changes in legislation and the local legislative agenda should be considered.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Fund Balance / 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 Balances/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 decreased by \$12,550. The most substantial changes in the position of the Commission since 2008 are due to the timing of some year-end receivables and payables.

CLARKSVILLE-MONTGOMERY COUNTY
 TOURISM COMMISSION
 COMPARATIVE STATEMENTS OF NET ASSETS (CONDENSED)
 JUNE 30, 2009 AND 2008
 TABLE A-1

	<u>2009</u>	<u>2008</u>	<u>Change</u>
ASSETS			
Cash and Other Deposits	\$ 485,004	\$ 459,813	\$ 25,191
Taxes Receivable	77,682	65,036	12,646
Grant Receivable	25,581	66,392	(40,811)
Due from Related Parties	36,268	40,708	(4,440)
Capital Assets, Net of Accumulated Depreciation	189,713	189,169	544
Prepaid Expenses	-	2,519	(2,519)
Total Assets	<u>814,248</u>	<u>823,637</u>	<u>(9,389)</u>
LIABILITIES			
Accounts Payable	9,531	4,464	5,067
Unearned Income	16,000	-	16,000
Due to Related Parties	11,085	28,991	(17,906)
Total Liabilities	<u>36,616</u>	<u>33,455</u>	<u>3,161</u>
FUND BALANCE/NET ASSETS			
Net Assets:			
Invested in Capital Assets	189,713	189,169	544
Unrestricted	587,919	601,013	(13,094)
Total Net Assets	<u>\$ 777,632</u>	<u>\$ 790,182</u>	<u>\$ (12,550)</u>

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Revenues, Expenditures, and Changes of Fund Balance / 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, you will note that the Commissions Net Assets decreased by over \$12,500. The Commission had planned on a negative change in its Net Assets this year (See Table A-3). The most considerable factor as it relates to the statement below is the Commission's \$12,000 contribution toward the purchase of a company vehicle (in accordance with the EDC Agreement budget). It is also noteworthy that despite a significant national economic downturn that adversely affected the tourism industry, the Commission experienced only a .66% decline in Hotel/Motel Tax revenues for the year.

CLARKSVILLE-MONTGOMERY COUNTY
 TOURISM COMMISSION
 COMPARATIVE STATEMENT OF ACTIVITIES (CONDENSED)
 JUNE 30, 2009 AND 2008
 TABLE A-2

	<u>2009</u>	<u>2008</u>	<u>Change</u>
Program Expenses:			
Total Operating Expenses	\$ 1,049,875	\$ 993,787	\$ 56,088
Total Program Revenues	261,639	274,337	(12,698)
Net Program Expense	<u>788,236</u>	<u>719,450</u>	<u>68,786</u>
General Revenues:			
Hotel/Motel Tax	759,193	764,238	(5,045)
Other	16,493	20,089	(3,596)
Total General Revenues	<u>775,686</u>	<u>784,327</u>	<u>(8,641)</u>
Change in Net Assets	(12,550)	64,877	(77,427)
Net Assets:			
Beginning of the Year	790,182	725,305	64,877
End of the Year	<u>\$ 777,632</u>	<u>\$ 790,182</u>	<u>\$ (12,550)</u>

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. It 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 Year Ending 2009 Budget Comparison and analysis is shown below in Table A-3.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

Budgetary Highlights (Cont'd)

A 3% unfavorable budget variance in Total Revenues was largely due to the Hotel/Motel Tax proceeds arriving under projected levels. The Commission believes this shortfall to be largely due to the nationwide economic downturn and an extended period of high fuel prices. A 1% favorable budget variance in Total Expenses includes several offsetting line-item variances, but the most significant expense item as it relates to this comparison is \$14,742 contributed toward the EDC vehicle that was originally budgeted as a capital expenditure (shown here as an expense). The Commission overall performed well as compared to budget considering the nationwide economic factors.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 BUDGET COMPARISON
 FOR THE YEAR ENDED – JUNE 2009
 TABLE A-3

	Actual	Budget	Difference	%
REVENUES				
Hotel/Motel Tax Revenue	\$ 764,238	\$ 806,000	\$ (41,762)	-5.2%
Other Income	273,087	263,700	9,387	3.6%
Total Revenue	<u>1,037,325</u>	<u>1,069,700</u>	<u>(32,375)</u>	<u>-3.0%</u>
EXPENSES				
Advertising	125,960	93,109	(32,851)	-35.3%
Communications	9,139	11,434	2,295	20.1%
Contracted Services	17,025	16,237	(788)	-4.9%
Dues and Membership	9,295	11,713	2,418	20.6%
Employee Benefits	62,554	70,294	7,740	11.0%
Entertainment	6,418	6,267	(151)	-2.4%
Events	130,775	162,800	32,025	19.7%
Grant Contributions/Bid Fees	89,500	75,000	(14,500)	-19.3%
Insurance	4,862	5,525	663	12.0%
Legal Services	-	500	500	100.0%
Office Supplies	6,913	4,033	(2,880)	-71.4%
Other	2,718	2,627	(91)	-3.5%
Payroll Taxes	29,831	28,594	(1,237)	-4.3%
Personnel	416,653	423,888	7,235	1.7%
Postage	12,598	12,850	252	2.0%
Printing and Stationary	1,331	5,867	4,536	77.3%
Rent	21,086	21,900	814	3.7%
Repair and Maintenance	10,358	14,898	4,540	30.5%
Supplies	3,010	3,402	392	11.5%
Travel	49,567	61,136	11,569	18.9%
Utilities	5,776	10,200	4,424	43.4%
Vehicle Expenses	14,742	-	(14,742)	n/a
Total Expenses	<u>1,030,111</u>	<u>1,042,274</u>	<u>12,163</u>	<u>1.2%</u>
Revenues in Excess of Expenses	<u>\$ 7,214</u>	<u>\$ 27,426</u>		

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2009

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 rebound of tourism growth and the related tax revenues that coincides with the nationwide economic recovery.

CONTACTING THE DEPARTMENT'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 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 TOURISM COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Fund	Adjustments (Note 4)	Statement of Net Assets
<u>ASSETS</u>			
Cash and Other Deposits	\$ 253,662		\$ 253,662
Certificates of Deposit	231,342		231,342
Taxes Receivable	77,682		77,682
Grant Receivable	25,581		25,581
Due from Related Parties	36,268		36,268
Capital Assets:			
Land	-	\$ 21,000	21,000
Other Capital Assets - Net of Accumulated Depreciation	-	168,713	168,713
Total Assets	\$ 624,535	\$ 189,713	\$ 814,248
<u>LIABILITIES</u>			
Due to Related Parties	\$ 11,085		\$ 11,085
Unearned Income	16,000		16,000
Accounts Payable	9,531		9,531
Total Liabilities	36,616	-	36,616
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance:			
Unreserved	587,919	\$ 189,713	
Total Fund Balance	587,919	189,713	
Total Liabilities and Fund Balance	\$ 624,535		
Net Assets:			
Invested in Capital Assets			189,713
Unrestricted			587,919
Total Net Assets		\$ 189,713	\$ 777,632

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, 2009

	<u>Governmental</u> <u>Fund</u>	<u>Adjustments</u> <u>(Note 4)</u>	<u>Statement of</u> <u>Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Operating Expenses:			
Advertising	\$ 125,960		\$ 125,960
Communications	9,139		9,139
Contracted Services	17,025		17,025
Depreciation	-	\$ 19,764	19,764
Dues and Membership	9,295		9,295
Employee Benefits	62,554		62,554
Entertainment	6,418		6,418
Events	130,775		130,775
Grant Contributions	89,500		89,500
Insurance	4,862		4,862
Office Supplies	6,913		6,913
Other	2,718		2,718
Payroll Taxes	29,831		29,831
Personnel	416,653		416,653
Postage	12,598		12,598
Printing and Stationary	1,331		1,331
Rent	21,086		21,086
Repair and Maintenance	10,358		10,358
Supplies	3,010		3,010
Travel	49,567		49,567
Utilities	5,776		5,776
Vehicle Expense	14,742		14,742
Total Operating Expenses	<u>1,030,111</u>	<u>19,764</u>	<u>1,049,875</u>
Net Capital Outlays	20,308	(20,308)	-
Total Expenditures/Expenses	<u>1,050,419</u>	<u>(544)</u>	<u>1,049,875</u>
<u>PROGRAM REVENUES:</u>			
Vacation Guide and Web Sales	910		910
Events	92,100		92,100
Grants	53,000		53,000
Group Tour	30,210		30,210
Co-op Advertising Sales	72,500		72,500
Other	12,919		12,919
Total Program Revenues	<u>261,639</u>	<u>-</u>	<u>261,639</u>
Net Program Expense	<u>788,780</u>	<u>(544)</u>	<u>788,236</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, 2009

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>GENERAL REVENUES</u>			
Hotel/Motel Tax	759,193		759,193
Rental Income	6,600		6,600
Interest Income	9,893		9,893
Total General Revenue	<u>775,686</u>	<u>-</u>	<u>775,686</u>
Excess of Revenues over Expenditures/ Change in Net Assets	(13,094)	544	(12,550)
Fund Balance/Net Assets: Beginning of the Year	<u>601,013</u>	<u>-</u>	<u>790,182</u>
End of the Year	<u>\$ 587,919</u>	<u>\$ -</u>	<u>\$ 777,632</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, which range from five years for furniture, fixtures and equipment to thirty-nine years for buildings, 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 is exposed to concentration of credit risk by placing its deposits in financial institutions. The Commission 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 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.

Date of Management's Review

Subsequent events have been evaluated through December 17, 2009, which is the date the financial statements were available to be issued.

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 commissioners.

Custodial credit risk for the Commission's deposits is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As required by state statutes, the Commission's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral of 105% for deposits in excess of federal depository insurance. The collateral is required to be held by the Commission or its agent in the Commission's name. At June 30, 2009, cash and other deposits reported in the financial statements in the amount of \$485,004 were represented by bank balances totaling \$518,214, 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, 2009.

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, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Building	128,769	-	-	128,769
Furniture, fixtures and equipment	95,859	-	15,137	80,722
Leasehold improvements	48,793	-	-	48,793
Vehicle	<u>25,634</u>	<u>32,271</u>	<u>25,634</u>	<u>32,271</u>
Total Capital Assets	<u>\$ 320,055</u>	<u>\$ 32,271</u>	<u>\$ 40,771</u>	<u>\$ 311,555</u>

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

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2009</u>
Building	\$ 36,321	\$ 3,302	\$ -	\$ 39,623
Furniture, fixtures and equipment	77,996	7,199	15,137	70,058
Leasehold improvements	4,608	3,251	-	7,859
Vehicle	<u>11,961</u>	<u>6,012</u>	<u>13,671</u>	<u>4,302</u>
Total Accumulated Depreciation	<u>\$ 130,886</u>	<u>\$ 19,764</u>	<u>\$ 28,808</u>	<u>\$ 121,842</u>

The Commission has no capital 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	\$ 311,555
Less: Accumulated depreciation	<u>(121,842)</u>
	<u>\$ 189,713</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	\$ (20,308)
Depreciation expense	<u>19,764</u>
	<u>\$ (544)</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, 2009. 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 \$233,465 for its share of EDC expenses during the year ended June 30, 2009. The Commission had related party payables at June 30, 2009 totaling \$11,085, and related party receivables of \$36,268. Included in related party receivables at June 30, 2009 is \$35,000 that was advanced to the EDC in a previous year 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, 2009 and 2008, contributions totaling \$27,707 and \$25,501, respectively, were paid and expensed by the Commission. Employee contributions to the plan were \$17,190 and \$18,490 for the years ended June 30, 2009 and 2008, 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 2009 were \$21,086.

Future payments on lease obligations are as follows:

2010	\$ 18,700
2011	18,700
2012	<u>6,233</u>
	<u>\$ 43,633</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
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts (See Note 7)	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:			
Vacation Guide Sales	\$ 3,500	\$ 910	\$ (2,590)
Group Tour Income	50,000	30,210	(19,790)
Hotel/Motel Tax	806,000	759,193	(46,807)
Interest Income	9,000	9,893	893
Grants	53,000	53,000	-
Other	57,200	92,019	34,819
Recruitment/Special Events	91,000	92,100	1,100
Total Revenues	<u>\$ 1,069,700</u>	<u>\$ 1,037,325</u>	<u>\$ (32,375)</u>
Expenditures:			
Advertising	\$ 93,109	\$ 125,960	\$ (32,851)
Communications	11,434	9,139	2,295
Contracted Services	16,237	17,025	(788)
Dues and Membership	11,713	9,295	2,418
Employee Benefits	70,294	62,554	7,740
Entertainment	6,267	6,418	(151)
Events	162,800	130,775	32,025
Grant Contributions	75,000	89,500	(14,500)
Insurance	5,525	4,862	663
Legal Services	500	-	500
Office Supplies	4,033	6,913	(2,880)
Other	2,627	2,718	(91)
Payroll Taxes	28,594	29,831	(1,237)
Personnel	423,888	416,653	7,235
Postage	12,850	12,598	252
Printing and Stationary	5,867	1,331	4,536
Rent	21,900	21,086	814
Repair and Maintenance	14,898	10,358	4,540
Supplies	3,402	3,010	392
Travel	61,136	49,567	11,569
Utilities	10,200	5,776	4,424
Vehicle Expense	-	14,742	(14,742)
Total Operating Expenses	<u>1,042,274</u>	<u>1,030,111</u>	<u>12,163</u>
Capital Outlays	52,556	20,308	32,248
Total Expenditures/Expenses	<u>\$ 1,094,830</u>	<u>\$ 1,050,419</u>	<u>\$ 44,411</u>

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, 2009 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 commissioners if no additional financing is required. Budget amendments requiring additional financing must be approved by the County, in addition to the board of commissioners. 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):

	<u>Original/Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
Total Revenues	\$ 1,069,700	\$ 1,037,325	\$ (32,375)
GAAP Revenues	<u>\$ 1,069,700</u>	<u>\$ 1,037,325</u>	<u>\$ (32,375)</u>
Total Expenditures/Expenses	\$ 1,094,830	\$ 1,050,419	\$ 44,411
Equipment and Capital Outlay	(52,556)	(20,308)	(32,248)
Depreciation	-	19,764	(19,764)
GAAP Expenses	<u>\$ 1,042,274</u>	<u>\$ 1,049,875</u>	<u>\$ (7,601)</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
DIRECTORY OF BOARD OF COMMISSIONERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2009

BOARD OF COMMISSIONERS

	<u>Term Expires</u>
Fred Landiss, Chairman	June 30, 2009
Jerry Allbert, Vice Chairman	June 30, 2010
Geno Grubbs	June 30, 2011
Rev. William Luffman	June 30, 2010
Brad Martin	June 30, 2011
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

Board of Commissioners
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, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 17, 2009. 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 2009-1 and 2009-2 to be significant deficiencies in internal control over financial reporting. The Commission did not resolve prior-year findings number 2008-1 and 2008-2. The findings recurred in the current year and are reported as findings 2009-1 and 2009-2, respectively. The Commission resolved prior-year finding number 2008-3 by performing the specific tasks outlined in our report dated January 23, 2009.

2009-1 (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). Seven adjusting entries were required for the financial statements to be presented 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.

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.

2009-2 (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.

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 2009-1 and 2009-2 to be material weaknesses.

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 2009-3.

The Commission did not resolve prior year finding number 2008-4 related to compliance. The finding recurred in the current year and is reported as finding 2009-3. The Commission resolved prior-year finding number 2008-5 related to compliance by performing the specific tasks outlined in our report dated January 23, 2009.

2009-3 (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.

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

This report is intended solely for the information and use of the board of commissioners, 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

December 17, 2009