

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2010

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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, 2010, 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, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming 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 28, 2010

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

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, 2010. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Commission's total net assets increased \$179,204 as a result of this year's operations.
- Income from the Hotel/Motel Tax increased by nearly \$120,000. This represents a 15.8% rebound from last year's decline. Several factors are believed to have resulted in this increase:
 - 1) The addition of two new hotels.
 - 2) Increased travelers due to local industry activity.
 - a. Development of the industrial mega-site for Hemlock Semiconductor, LLC.
 - b. Redeployment of Fort Campbell troops in the spring.
 - 3) A national economic rebound.
 - 4) The addition of new tourist events (like fast-pitch softball tournaments).
- Total revenues increased by more than \$171,000 from 2009 while expenses decreased by \$20,000.
- The Commission's efforts generated an estimated \$3.2 million in economic benefit for Clarksville and Montgomery County this year.

Required Financial Statements

The financial statements of the 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 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 2010, the Foundation spent approximately \$428,000 for economic development, with nearly \$161,000 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 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, 2010

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 the Commission 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 over \$179,000. The most substantial changes in the position of the Commission since 2009 are due to the timing of some year-end receivables. However, as you will see on the Statement of Activities (Table A-2), the overall increase in assets is due in large part to substantial revenue increases for the year.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 COMPARATIVE STATEMENT OF NET ASSETS (CONDENSED)
 JUNE 30, 2010 AND 2009
 TABLE A-1

	2010	2009	Change
ASSETS			
Cash and Other Deposits	\$ 516,944	\$ 485,004	\$ 31,940
Taxes Receivable	125,091	77,682	47,409
Grant Receivable	134,575	25,581	108,994
Due from Related Parties	37,661	36,268	1,393
Capital Assets, Net of Accumulated Depreciation	170,648	189,713	(19,065)
Total Assets	984,919	814,248	170,671
LIABILITIES			
Accounts Payable	8,437	9,531	(1,094)
Unearned Income	-	16,000	(16,000)
Due to Related Parties	19,646	11,085	8,561
Total Liabilities	28,083	36,616	(8,533)
FUND BALANCE/NET ASSETS			
Net Assets:			
Invested in Capital Assets	170,648	189,713	(19,065)
Unrestricted	786,188	587,919	198,269
Total Net Assets	\$ 956,836	\$ 777,632	\$ 179,204

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

JUNE 30, 2010

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 Commission's Net Assets increased by over \$179,000 from 2009. The most considerable factor as it relates to the statement below is the 15.8% increase in Hotel/Motel Tax proceeds. This increase, in conjunction with considerably higher Aspire Clarksville grant income (largely due to some 2009 initiatives), resulted in this healthy increase in Net Assets for the year.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 COMPARATIVE STATEMENT OF ACTIVITIES (CONDENSED)
 YEARS ENDED JUNE 30, 2010 AND 2009

TABLE A-2

	2010	2009	Change
Program Expenses			
Total Operating Expenses	\$ 1,029,975	\$ 1,049,875	\$ (19,900)
Total Program Revenues	318,858	261,639	57,219
Net Program Expense	<u>711,117</u>	<u>788,236</u>	<u>(77,119)</u>
General Revenues			
Hotel/Motel Tax	879,127	759,193	119,934
Other	11,194	16,493	(5,299)
Total General Revenues	<u>890,321</u>	<u>775,686</u>	<u>114,635</u>
Change in Net Assets	179,204	(12,550)	191,754
Net Assets:			
Beginning of the Year	777,632	790,182	(12,550)
End of the Year	<u>\$ 956,836</u>	<u>\$ 777,632</u>	<u>\$ 179,204</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2010

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 by 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 Commissioners must approve significant variances from the approved budget. A Year Ending 2010 Budget Comparison and analysis is shown below in Table A-3 (excluding \$19,633 depreciation and \$3,457 loss on sale). A 16.9% favorable revenue variance was largely due to the Hotel/Motel Tax proceeds arriving over projected levels and Aspire Clarksville grant income (included in "Other Income" below) increasing largely due to the Foundation's decision to fund some 2009 initiatives. These favorable revenue variances in conjunction with the 8.9% favorable expense variance produced year-ending revenues well in excess of expenses and the anticipated net loss.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 BUDGET COMPARISON
 YEAR ENDED JUNE 30, 2010

TABLE A-3

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>	<u>%</u>
REVENUES				
Hotel/Motel Tax Revenue	\$ 879,127	\$ 806,000	\$ 73,127	9.1%
Other Income	330,052	228,700	101,352	44.3%
Total Revenue	<u>1,209,179</u>	<u>1,034,700</u>	<u>174,479</u>	16.9%
EXPENSES				
Advertising	109,533	121,663	12,130	10.0%
Contracted Services	17,611	18,304	693	3.8%
Dues and Membership	8,180	11,168	2,988	26.8%
Employee Benefits	67,264	70,750	3,486	4.9%
Entertainment	6,241	8,823	2,582	29.3%
Events	128,136	162,800	34,664	21.3%
Grant Contributions/Bid Fees	80,300	86,000	5,700	6.6%
Insurance	3,318	5,526	2,208	40.0%
Legal Services	4,216	4,700	484	10.3%
Office Supplies	5,340	5,167	(173)	-3.3%
Other	2,219	1,388	(831)	-59.9%
Payroll Taxes	31,163	31,144	(19)	-0.1%
Personnel	419,757	437,360	17,603	4.0%
Postage	16,600	18,350	1,750	9.5%
Printing and Stationary	5,596	6,333	737	11.6%
Rent	21,411	21,900	489	2.2%
Repair and Maintenance	12,650	16,740	4,090	24.4%
Supplies	2,944	2,563	(381)	-14.9%
Travel	46,833	53,592	6,759	12.6%
Utilities	17,573	21,334	3,761	17.6%
Total Expenses	<u>1,006,885</u>	<u>1,105,605</u>	<u>98,720</u>	8.9%
Revenue in Excess of Expenses	<u>\$ 202,294</u>	<u>\$ (70,905)</u>	<u>\$ 273,199</u>	

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2010

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Most companies structure strategic planning with the intent to increase sales to existing customers and to increase the overall customer base thereby producing a higher profit margin and a greater posture for sustained growth. A more appropriate goal for an entity such as the 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 continued growth in tourism and the related tax revenues.

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 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, 2010

	<u>Governmental</u> <u>Fund</u>	<u>Adjustments</u> <u>(Note 4)</u>	<u>Statement of</u> <u>Net Assets</u>
<u>ASSETS</u>			
Cash and Other Deposits	\$ 281,134		\$ 281,134
Certificates of Deposit	235,810		235,810
Taxes Receivable	125,091		125,091
Grant Receivable	134,575		134,575
Due from Related Parties	37,661		37,661
Capital Assets:			
Land	-	\$ 21,000	21,000
Other Capital Assets - Net of Accumulated			
Depreciation	-	149,648	149,648
Total Assets	<u>\$ 814,271</u>	<u>\$ 170,648</u>	<u>\$ 984,919</u>
<u>LIABILITIES</u>			
Due to Related Parties	\$ 19,646		\$ 19,646
Accounts Payable	8,437		8,437
Total Liabilities	<u>28,083</u>	<u>-</u>	<u>28,083</u>
<u>FUND BALANCE/NET ASSETS</u>			
Fund Balance:			
Unreserved	<u>786,188</u>	<u>\$ 170,648</u>	
Total Fund Balance	<u>786,188</u>	<u>170,648</u>	
Total Liabilities and Fund Balance	<u>\$ 814,271</u>		
Net Assets:			
Invested in Capital Assets			170,648
Unrestricted			786,188
Total Net Assets		<u>\$ 170,648</u>	<u>\$ 956,836</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, 2010

	Governmental Fund	Adjustments (Note 4)	Statement of Activities
<u>EXPENDITURES/EXPENSES</u>			
Operating Expenses:			
Advertising	\$ 109,533		\$ 109,533
Depreciation	-	\$ 19,633	19,633
Dues and Membership	8,180		8,180
Employee Benefits	67,264		67,264
Entertainment	6,241		6,241
Events	128,136		128,136
Grant Contributions	80,300		80,300
Insurance	3,318		3,318
Legal and Professional	21,827		21,827
Loss on Sale	-	3,457	3,457
Office Supplies	5,340		5,340
Other	2,219		2,219
Payroll Taxes	31,163		31,163
Personnel	419,757		419,757
Postage	16,600		16,600
Printing and Stationary	5,596		5,596
Rent	21,411		21,411
Repair and Maintenance	12,650		12,650
Supplies	2,944		2,944
Travel	46,833		46,833
Utilities	17,573		17,573
Total Operating Expenses	1,006,885	23,090	1,029,975
Net Capital Outlays	4,025	(4,025)	-
Total Expenditures/Expenses	1,010,910	19,065	1,029,975
<u>PROGRAM REVENUES:</u>			
Vacation Guide and Web Sales	891		891
Events	67,497		67,497
Grants	177,674		177,674
Group Tour	16,382		16,382
Co-op Advertising Sales	47,000		47,000
Other	9,414		9,414
Total Program Revenues	318,858	-	318,858
Net Program Expense	692,052	19,065	711,117

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, 2010

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>GENERAL REVENUES</u>			
Hotel/Motel Tax	879,127		879,127
Rental Income	6,600		6,600
Interest Income	4,594		4,594
Total General Revenue	<u>890,321</u>	<u>-</u>	<u>890,321</u>
Excess of Revenues over Expenditures/ Change in Net Assets	198,269	(19,065)	179,204
Fund Balance/Net Assets: Beginning of the Year	<u>587,919</u>	<u>-</u>	<u>777,632</u>
End of the Year	<u>\$ 786,188</u>	<u>\$ -</u>	<u>\$ 956,836</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 (GAAP) 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 28, 2010, 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, 2010, cash and other deposits reported in the financial statements in the amount of \$516,944 were represented by bank balances totaling \$554,798, 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, 2010.

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>	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Building	128,769	-	-	128,769
Furniture, fixtures and equipment	80,722	4,024	20,732	64,014
Leasehold improvements	48,793	-	-	48,793
Vehicle	<u>32,271</u>	<u>-</u>	<u>-</u>	<u>32,271</u>
Total Capital Assets	<u>\$ 311,555</u>	<u>\$ 4,024</u>	<u>\$ 20,732</u>	<u>\$ 294,847</u>

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

<u>Accumulated Depreciation</u>	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Building	\$ 39,623	\$ 3,302	\$ -	\$ 42,925
Furniture, fixtures and equipment	70,058	6,624	17,276	59,406
Leasehold improvements	7,859	3,253	-	11,112
Vehicle	<u>4,302</u>	<u>6,454</u>	<u>-</u>	<u>10,756</u>
Total Accumulated Depreciation	<u>\$ 121,842</u>	<u>\$ 19,633</u>	<u>\$ 17,276</u>	<u>\$ 124,199</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	\$ 294,847
Less: Accumulated depreciation	<u>(124,199)</u>
	<u>\$ 170,648</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	\$ (4,025)
Loss on disposals	3,457
Depreciation expense	<u>19,633</u>
	<u>\$ 19,065</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, 2010. The value of those 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 \$228,189 for its share of EDC expenses during the year ended June 30, 2010. The Commission had related party payables at June 30, 2010 totaling \$19,646, and related party receivables of \$37,661. Included in related party receivables at June 30, 2010 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 fiscal years ended June 30, 2010 and 2009, contributions totaling \$27,150 and \$27,707, respectively, were paid and expensed by the Commission. Employee contributions to the plan were \$18,783 and \$17,190 for the years ended June 30, 2010 and 2009, 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 2010 were \$21,411.

Future payments on lease obligations are as follows:

2011	\$ 18,700
2012	<u>6,233</u>
	<u>\$ 24,933</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 COMPARISION SCHEDULE (UNAUDITED)
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts (See Note 7)	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:			
Vacation Guide Sales	\$ 2,500	\$ 891	\$ (1,609)
Group Tour Income	50,000	16,382	(33,618)
Hotel/Motel Tax	806,000	879,127	73,127
Interest Income	9,000	4,594	(4,406)
Grants	20,000	177,674	157,674
Other	57,200	63,014	5,814
Recruitment/Special Events	90,000	67,497	(22,503)
Total Revenues	<u>\$ 1,034,700</u>	<u>\$ 1,209,179</u>	<u>\$ 174,479</u>
Expenditures:			
Advertising	\$ 121,663	\$ 109,533	\$ 12,130
Contracted Services	18,304	17,611	693
Dues and Membership	11,168	8,180	2,988
Employee Benefits	70,750	67,264	3,486
Entertainment	8,823	6,241	2,582
Events	162,800	128,136	34,664
Grant Contributions	86,000	80,300	5,700
Insurance	5,526	3,318	2,208
Legal Services	4,700	4,216	484
Office Supplies	5,167	5,340	(173)
Other	1,388	2,219	(831)
Payroll Taxes	31,144	31,163	(19)
Personnel	437,360	419,757	17,603
Postage	18,350	16,600	1,750
Printing and Stationary	6,333	5,596	737
Rent	21,900	21,411	489
Repair and Maintenance	16,740	12,650	4,090
Supplies	2,563	2,944	(381)
Travel	53,592	46,833	6,759
Utilities	21,334	17,573	3,761
Total Operating Expenses	<u>1,105,605</u>	<u>1,006,885</u>	<u>98,720</u>
Capital Outlays	11,546	4,025	7,521
Total Expenditures/Expenses	<u>\$ 1,117,151</u>	<u>\$ 1,010,910</u>	<u>\$ 106,241</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, 2010 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 each 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):

	Original/Final Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance Favorable <u>(Unfavorable)</u>
Total Revenues	\$ 1,034,700	\$ 1,209,179	\$ 174,479
GAAP Revenues	<u>\$ 1,034,700</u>	<u>\$ 1,209,179</u>	<u>\$ 174,479</u>
Total Expenditures/Expenses	\$ 1,117,151	\$ 1,010,910	\$ 106,241
Equipment and Capital Outlay	(11,546)	(4,025)	(7,521)
Loss on Sale	-	3,457	(3,457)
Depreciation	-	19,633	(19,633)
GAAP Expenses	<u>\$ 1,105,605</u>	<u>\$ 1,029,975</u>	<u>\$ 75,630</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
DIRECTORY OF BOARD OF COMMISSIONERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2010

BOARD OF COMMISSIONERS

	<u>Term Expires</u>
Mr. Jerry Allbert, Chairman	June 30, 2010
Mr. Jay Patel, Chairman-Elect	June 30, 2012
Mr. Geno Grubbs	June 30, 2011
Mr. Todd Harvey	June 30, 2012
Ms. Toni Johnson	June 30, 2010
Mr. Fred Landiss	June 30, 2012
Rev. William Luffman	June 30, 2010
Mr. Brad Martin	June 30, 2011
Ms. JoAnn Weakley	June 30, 2012

MANAGEMENT

Mr. James Chavez, President and CEO
Mr. Theresa Harrington, Executive Director
Mr. 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, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 28, 2010. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described on the following page, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described on the following page as finding 2010-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Commission did not resolve prior-year findings numbered 2009-1 and 2009-2. The findings recurred in the current year and are reported as findings 2010-1 and 2010-2, respectively.

2010-1 (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). Six adjusting entries were required for the financial statements to be presented in conformity with GAAP. One of the six 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.

2010-2 (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.

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 2010-3.

The Commission did not resolve prior year finding number 2009-3 related to compliance. The finding recurred in the current year and is reported as finding 2010-3.

2010-3 (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 28, 2010