

CLARKSVILLE-MONTGOMERY COUNTY
TOURISM COMMISSION
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2014

TABLE OF CONTENTS

Introductory Section:

Directory of Board of Commissioners and Management (unaudited)..... 1

Financial Section:

Independent Auditor's Report 2

Management's Discussion and Analysis (unaudited) 4

Governmental Fund Balance Sheet/Statement of Net Position 10

Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance/Statement of Activities..... 11

Notes to Financial Statements..... 13

Required Supplementary Information:

Budgetary Comparison Schedule (unaudited) 20

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* 22

Schedule of Findings and Responses 24

Schedule of Prior Year Findings and Questioned Costs..... 25

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
DIRECTORY OF BOARD OF COMMISSIONERS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2014

BOARD OF COMMISSIONERS

	<u>Term Expires</u>
Ms. Carolyn Pierce, Chairman	June 30, 2014
Mr. Steve Stroman, Vice Chairman	June 30, 2016
The Honorable Jerry Allbert	June 30, 2016
The Honorable Geno Grubbs	June 30, 2014
Mr. Navin Patel	June 30, 2015
Ms. Lee Persinger	June 30, 2015
Rev. Mickey Richaud	June 30, 2015
Ms. Jan Roberts	June 30, 2015
Ms. Pennie Smith	June 30, 2016
Ms. Elizabeth Black, Ex-Officio	
Ms. Mary Sandmel, Ex-Officio	

MANAGEMENT

Ms. Theresa Harrington, Executive Director
Mr. Shannon Green, Vice President of Finance and Human Resources



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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Clarksville-Montgomery County Tourism Commission
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Clarksville-Montgomery County Tourism Commission (the Commission), component unit of Montgomery County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of the governmental activities and general fund of the Commission as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The directory of board of commissioners and management has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
November 14, 2014

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2014

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, 2014. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Commission's total net position decreased \$4,233 as a result of this year's operations.
- Income from the Hotel/Motel Tax increased by over \$47,000. This represents a 5% increase from last year. The most significant factor is believed to be the addition of a new hotel in the Wilma Rudolph corridor.
- The Commission's efforts generated an estimated \$6.8 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 Position 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 received the benefit of private dollars through the marketing efforts of Aspire Clarksville (the Foundation). For fiscal year 2014, the Foundation spent approximately \$609,000 for economic development, with nearly \$187,000 representing direct tourism development efforts benefiting the Commission's operations. Over time, increases or decreases in net position can show whether the business is improving or deteriorating. However, other non-financial factors such as economic conditions, troop deployments, the focus of the Foundation agenda and changes in legislation and the local legislative agenda should also be considered.

Fund Balance/Net Position

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 Position 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 position is an indicator that a business is improving.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2014

To begin our analysis, summaries of the Commission's Statements of Net Position are presented in Table A-1. As can be seen from the table below, total net position decreased by just over \$4,000. The most substantial change in the position of the Commission since 2013 appears as a 21% decrease in cash and other deposits that is primarily the result of the timing of tax and grant receivables. Other changes from 2013 are relatively minor and are also largely due to the timing of ordinary operations. There are no restrictions, commitments or other limitations that may significantly affect the availability of the Commission's resources for future use.

COMPARATIVE STATEMENT OF NET POSITION (CONDENSED)
 JUNE 30, 2014 AND 2013
 TABLE A-1

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<u>ASSETS AND DEFERRED</u>				
<u>OUTFLOWS OF RESOURCE</u>				
Cash and other deposits	\$ 674,932	\$ 859,028	\$ (184,096)	-21.4%
Taxes receivable	274,165	119,897	154,268	128.7%
Grants receivable	106,093	23,204	82,889	357.2%
Due from related parties	35,000	67,631	(32,631)	-48.2%
Inventories	2,819	869	1,950	224.4%
Prepaid Expenses	2,049	15,782	(13,733)	-87.0%
Net investment in capital assets	<u>309,129</u>	<u>338,254</u>	<u>(29,125)</u>	-8.6%
Total assets	1,404,187	1,424,665	(20,478)	-1.4%
 <u>DEFERRED OUTFLOWS</u>				
<u>OF RESOURCES</u>				
	-	-	-	-
 <u>TOTAL ASSETS AND DEFERRED</u>				
<u>OUTFLOWS OF RESOURCES</u>				
	<u>\$ 1,404,187</u>	<u>\$ 1,424,665</u>	<u>\$ (20,478)</u>	-1.4%
 <u>LIABILITIES, DEFERRED INFLOWS</u>				
<u>OF RESOURCES AND NET POSITION</u>				
Accounts payable	\$ 22,258	\$ 15,476	\$ 6,782	43.8%
Due to related parties	<u>25,827</u>	<u>48,854</u>	<u>(23,027)</u>	-47.1%
Total liabilities	48,085	64,330	(16,245)	-25.3%
 <u>DEFERRED INFLOWS</u>				
<u>OF RESOURCES</u>				
	-	-	-	-
 <u>NET POSITION</u>				
Net investment in capital assets	309,129	338,254	(29,125)	-8.6%
Unrestricted net position	<u>1,046,973</u>	<u>1,022,081</u>	<u>24,892</u>	2.4%
Total net position	<u>1,356,102</u>	<u>1,360,335</u>	<u>(4,233)</u>	-0.3%
 <u>TOTAL LIABILITIES, DEFERRED</u>				
<u>INFLOWS OF RESOURCES</u>				
<u>AND NET POSITION</u>				
	<u>\$ 1,404,187</u>	<u>\$ 1,424,665</u>	<u>\$ (20,478)</u>	-1.4%

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2014

Revenues, Expenditures, and Changes of Fund Balance/Activities

While the Governmental Fund Balance Sheet/Statement of Net Position shows the change in financial position, 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 position was essentially unchanged in FY14. The most considerable factors in a comparison of FY13 and FY14 financial activities are as follows:

- Personnel Changes** – The vacancy of the EDC President/CEO position and turnover in the CVB's Special Events Coordinator position in FY14 resulted in an 11% reduction in personnel expenses.
- Group Tour Event Programming** – The Commission began developing and promoting new music attractions for group tours in FY14. This new effort (broken out in Table A-2 below) is in addition to other ongoing group tour recruitment efforts. Most of the \$41,000 in net expenses is actually related to events scheduled for FY15.
- Hotel/Motel Tax Proceeds** – The Commission experienced a 5% increase in hotel/motel tax proceeds in FY14. This is considered a minor rebound from the 20% decline experienced in FY13.

The remaining increase in Other Operating Expenses was largely offset by grants or reimbursements for such (included in Other Program Revenue in Table A-2).

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 COMPARATIVE STATEMENT OF ACTIVITIES (CONDENSED)
 YEARS ENDED JUNE 30, 2014 AND 2013
 TABLE A-2

	2014	2013	Change
Program expenses			
Personnel expenses	\$ 569,450	\$ 637,070	\$ (67,620)
Group tour concert series	76,447	-	76,447
Other operating expenses	<u>687,036</u>	<u>639,283</u>	<u>47,753</u>
Total program expenses	<u>1,332,933</u>	<u>1,276,353</u>	<u>56,580</u>
Program revenues			
Group tour concert series	35,079	-	35,079
Other program revenues	<u>353,464</u>	<u>323,729</u>	<u>29,735</u>
Total program revenues	<u>388,543</u>	<u>323,729</u>	<u>64,814</u>
Net program expenses	<u>944,390</u>	<u>952,624</u>	<u>(8,264)</u>
General revenues			
Hotel/motel tax	928,477	880,930	47,547
Other	<u>11,680</u>	<u>14,206</u>	<u>(2,526)</u>
Total general revenues	<u>940,157</u>	<u>895,136</u>	<u>45,021</u>
Change in net position	(4,233)	(57,488)	(53,255)
Net position:			
Beginning of year	<u>1,360,335</u>	<u>1,417,823</u>	<u>(57,488)</u>
End of year	<u>\$ 1,356,102</u>	<u>\$ 1,360,335</u>	<u>\$ (4,233)</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2014

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 Montgomery 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 2014 Budget Comparison and Analysis is shown on the following page in Table A-3 (excluding \$29,674 in depreciation). The overall favorable budget variances in both revenue and expense for the year were due to a combination of unbudgeted events:

Marketing Campaign – The Commission took part in an unbudgeted tourism marketing program promoted by the State of Tennessee Tourism Department. The Commission obtained \$50,000 in unbudgeted income (shown in Co-op income) to offset unbudgeted advertising expenses.

Hotel/Motel Tax Proceeds – The 5% rebound in Hotel/Motel Tax Revenues from FY13 was still 4% short of budget expectations.

Personnel Changes – Staffing changes discussed earlier provided combined favorable budget variances of nearly 13% in related expense lines (nearly \$84,000).

Group Tour Event Programming – A new unbudgeted program intended to attract high-economic impact group tours to the community (largely for FY15) resulted in over \$25,000 in net unfavorable budget variances (shown in Group Tour Income and Contracted Services).

Other budget variances naturally offset each other, but several minor expense savings accumulated to a significant combined positive variance.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2014

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
 BUDGET COMPARISON
 YEAR ENDED JUNE 30, 2014
 TABLE A-3

	<u>Actual</u>	<u>Budget</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues:				
Hotel/motel tax revenue	\$ 928,477	\$ 967,000	\$ (38,523)	-4.0%
Group tour income	92,549	45,000	47,549	105.7%
Recruitment/special events	14,292	70,000	(55,708)	-79.6%
Other income	293,382	224,500	68,882	30.7%
Total revenues	<u>1,328,700</u>	<u>1,306,500</u>	<u>22,200</u>	1.7%
Expenses:				
Advertising/marketing	225,776	181,740	(44,036)	-24.2%
Contracted services	92,642	19,341	(73,301)	-379.0%
Dues and membership	11,441	14,457	3,016	20.9%
Employee benefits	64,833	88,235	23,402	26.5%
Entertainment	10,882	14,775	3,893	26.3%
Events	129,085	156,750	27,665	17.6%
Grant contributions/bid fees	53,012	77,600	24,588	31.7%
Insurance	4,445	5,158	713	13.8%
Legal and professional services	2,761	1,333	(1,428)	-107.1%
Office supplies	7,535	12,251	4,716	38.5%
Other	26,712	5,468	(21,244)	-388.5%
Payroll taxes	34,606	40,322	5,716	14.2%
Personnel	470,011	524,676	54,665	10.4%
Postage	7,477	16,631	9,154	-55.0%
Printing and stationery	5,324	4,900	(424)	-8.7%
Rent	41,051	41,067	16	0.0%
Repair and maintenance	15,599	23,011	7,412	32.2%
Supplies	7,624	4,959	(2,665)	-53.7%
Travel	75,355	71,249	(4,106)	-5.8%
Utilities	17,088	25,597	8,509	33.2%
Total expenses	<u>1,303,259</u>	<u>1,329,520</u>	<u>26,261</u>	2.0%
Expenses in excess of revenues	<u>\$ 25,441</u>	<u>\$ (23,020)</u>	<u>\$ 48,461</u>	

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
JUNE 30, 2014

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 the finances of the City of Clarksville and Montgomery County governments, tourism related economic trends, and corporate/Fort Campbell activities. Barring any unexpected changes in such external factors we anticipate continued growth in tourism and a continued rebound of 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 POSITION
JUNE 30, 2014

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Net Position</u>
<u>ASSETS</u>			
Cash and other deposits	\$ 333,300		\$ 333,300
Certificates of deposit	341,632		341,632
Taxes receivable	274,165		274,165
Grant receivable	106,093		106,093
Inventories	2,819		2,819
Prepaid expenses	2,049		2,049
Due from related parties	35,000		35,000
Capital assets:			
Land	-	\$ 21,000	21,000
Other capital assets, net of accumulated depreciation	-	288,129	288,129
	<u>1,095,058</u>	<u>309,129</u>	<u>1,404,187</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,095,058</u>	<u>\$ 309,129</u>	<u>\$ 1,404,187</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 22,258		\$ 22,258
Due to related parties	25,827		25,827
Total liabilities	<u>48,085</u>	<u>-</u>	<u>48,085</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE/NET POSITION</u>			
Fund balance:			
Nonspendable	39,868		
Committed	30,634		
Unassigned	976,471	\$ 309,129	
Total fund balance	<u>1,046,973</u>	<u>309,129</u>	
Total liabilities and fund balance	<u>\$ 1,095,058</u>		
Net position:			
Investment in capital assets			309,129
Unrestricted			1,046,973
Total net position		<u>\$ 309,129</u>	<u>\$ 1,356,102</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, 2014

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>EXPENDITURES/EXPENSES</u>			
Operating expenses:			
Advertising	\$ 225,776		\$ 225,776
Contracted services	92,642		92,642
Depreciation	-	\$ 29,674	29,674
Dues and membership	11,441		11,441
Employee benefits	64,833		64,833
Entertainment	10,882		10,882
Events	129,085		129,085
Grant contributions	53,012		53,012
Insurance	4,445		4,445
Legal and professional	2,761		2,761
Office supplies	7,535		7,535
Other	26,712		26,712
Payroll taxes	34,606		34,606
Personnel	470,011		470,011
Postage	7,477		7,477
Printing and stationery	5,324		5,324
Rent	41,051		41,051
Repair and maintenance	15,599		15,599
Supplies	7,624		7,624
Travel	75,355		75,355
Utilities	17,088		17,088
Total operating expenses	<u>1,303,259</u>	<u>29,674</u>	<u>1,332,933</u>
Net capital outlays	549	(549)	-
Total expenditures/expenses	<u>1,303,808</u>	<u>29,125</u>	<u>1,332,933</u>
<u>PROGRAM REVENUES</u>			
Co-op advertising sales	80,000		80,000
Events	14,292		14,292
Grants	187,218		187,218
Group tour	92,549		92,549
Other	13,506		13,506
Vacation guide and web sales	978		978
Total program revenues	<u>388,543</u>	<u>-</u>	<u>388,543</u>
Net program expenses	<u>915,265</u>	<u>29,125</u>	<u>944,390</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, 2014

	<u>Governmental Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>GENERAL REVENUES</u>			
Hotel/motel tax	928,477		928,477
Interest income	5,130		5,130
Rental income	6,550		6,550
Total general revenues	<u>940,157</u>	<u>-</u>	<u>940,157</u>
Excess of revenues over (under) expenditures/change in net position	24,892	(29,125)	(4,233)
Fund balance/net position:			
Balance, beginning of year	<u>1,022,081</u>	<u>-</u>	<u>1,360,335</u>
Balance, end of year	<u>\$ 1,046,973</u>	<u>\$ -</u>	<u>\$ 1,356,102</u>

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

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. Summary of Significant Accounting Policies

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 a component unit of Montgomery County, Tennessee, which is the principal reporting entity and primary government. The Commission is treated as a discrete component unit of the County since the County may unilaterally control the operations of the Commission. The County provides its primary funding support. The financial reporting entity of the Commission only includes the assets and operations of the Commission and does not include any other fund, organization, institution, agency, department, or office of Montgomery County, the primary government.

The Commission is jointly-governed by the governments of Montgomery County and the City of Clarksville and is exempt from federal and state income tax. The Commission's operations alone constitute the reporting entity since it has no oversight responsibility for any other agencies and no component units. 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 staff'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. The audited financial statements of the EDC can be obtained from the Vice President of Finance and Human Resources, Clarksville-Montgomery County Economic Development Council, P. O. Box 883, Clarksville, Tennessee 37041-0883.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Commission to significant concentrations of credit risk consist principally of cash and receivables. The Commission is exposed to credit risk by placing its deposits in financial institutions. The Commission has mitigated this risk

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

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

Concentrations of Credit Risk (Cont'd)

because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee Bank Collateral Pool. With respect to receivables, credit risk is dispersed across a large number of businesses and certain governmental and not-for-profit entities which are geographically concentrated in Montgomery County. The Commission does not obtain collateral for receivables.

Government-wide and Fund Financial Statements

The government-wide financial statements (the governmental fund balance sheet/statement of net position 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.

Measurement Focus, Basis of Accounting, and Basis of Presentation

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are 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.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

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

Measurement Focus, Basis of Accounting, and Basis of Presentation (Cont'd)

The Commission's only fund is the general fund. It accounts for all of the financial resources of the Commission.

Cash and Cash Equivalents

The Commission considers all highly liquid debt investments purchased with maturities of 90 days or less to be cash equivalents.

Uncollectible Accounts

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

Inventories

Inventories consist of retail merchandise available for sale and are valued at average cost. The cost is expensed at the time individual items are sold and not at the time purchased.

Capital Assets

Capital assets are valued at cost for assets purchased. All assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of two years are capitalized. Depreciation of capital assets is provided over the estimated useful lives of the respective assets on a straight-line basis. 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.

Accrued Compensated Absences

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

Fund Equity

The Commission has implemented Governmental Accounting Standards Board (GASB) Codification 1800, "Classification and Terminology." This code provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to remain intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

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

Fund Equity (Cont'd)

- Committed fund balance – amounts constrained to specific purposes by the Commission’s governing body, using its highest level of decision-making authority (i.e., through a majority vote by the board of commissioners during an official meeting). To be reported as committed, amounts cannot be used for any other purpose unless the board of commissioners takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Commission intends to use for a specific purpose. Intent can be expressed by management of the Commission.
- Unassigned fund balance – amounts that are available for any purpose.

The details of the fund balances are included in the Governmental Fund Balance Sheet and in Note 7.

It is the Commission’s policy to use restricted funds first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted or the assignment has been changed by management. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

Advertising Costs

Advertising costs are expensed as incurred.

Date of Management’s Review

Subsequent events have been evaluated through November 14, 2014, 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 financial institutions holding its deposits to be members of the State of Tennessee Bank 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, 2014, cash and other deposits included bank balances totaling \$730,294, all of which were insured by the Federal Deposit Insurance Corporation (FDIC) or the State of Tennessee Bank Collateral Pool.

Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2014.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

3. Capital Assets

Changes in capital assets follow:

<u>Capital Assets</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Building	128,769	-	-	128,769
Furniture, fixtures and equipment	41,858	549	-	42,407
Leasehold improvements	252,147	-	-	252,147
Vehicle	34,657	-	-	34,657
Total capital assets	<u>\$ 478,431</u>	<u>\$ 549</u>	<u>\$ -</u>	<u>\$ 478,980</u>

Changes in accumulated depreciation follow:

Accumulated Depreciation

<u>Accumulated Depreciation</u>	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Building	\$ 52,829	\$ 3,301	\$ -	\$ 56,130
Furniture, fixtures and equipment	34,217	2,499	-	36,716
Leasehold improvements	34,647	16,943	-	51,590
Vehicle	18,484	6,931	-	25,415
Total accumulated depreciation	<u>\$ 140,177</u>	<u>\$ 29,674</u>	<u>\$ -</u>	<u>\$ 169,851</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 Position:

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 position includes those capital assets among the assets of the Commission, net of related accumulated depreciation.

Cost of capital assets	\$ 478,980
Less: Accumulated depreciation	<u>(169,851)</u>
	<u>\$ 309,129</u>

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.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

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

Capital outlays	\$	549
Depreciation expense		<u>(29,674)</u>
		<u>\$ (29,125)</u>

5. Gifts in Kind

The Commission received contributed services from volunteers during the fiscal year ending June 30, 2014. The value of those contributed services could not be reasonably determined and, therefore, are not recorded in the financial statements.

6. Related Party Transactions

The Commission paid the EDC \$208,947 for its share of EDC expenses during the year ended June 30, 2014. The Commission had related party payables at June 30, 2014, totaling \$25,827, and related party receivables of \$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.

7. Fund Balance

The Commission had unassigned fund balance of \$976,471, committed fund balance of \$30,634 and nonspendable fund balance of \$39,868 at June 30, 2014. Committed fund balance consisted of amounts set aside by the board of commissioners through a majority vote in an official meeting for the Civil War Sesquicentennial marketing campaign. Nonspendable fund balance consisted of the following:

Inventories	\$	2,819
Prepaid expenses		2,049
Long-term portion of due from related party		<u>35,000</u>
Total nonspendable fund balance		<u>\$ 39,868</u>

8. Leases

Beginning December 2006, the Commission began leasing office space in the Capital Bank building from EDC under a five-year agreement. This lease expired in November 2011 and was renewed for an additional five years ending November 2016. The Commission entered into a lease for parking space during the fiscal year ended June 30, 2012. Rental expense under the operating leases was \$41,051 for the year ended June 30, 2014.

Future payments on lease obligations are as follows:

<u>June 30,</u>		
2015	\$	38,667
2016		38,667
2017		21,089
2018		12,600
2019		12,600
2020-2028		<u>112,980</u>
		<u>\$ 236,603</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2014

8. Leases (Cont'd)

The Commission has subleased half of the parking lot space to a third party. The above lease commitments will be offset by annual sublease rental income of \$6,000 through March 2017, \$6,300 through March 2022, and \$6,615 through March 2028.

The Commission entered into a sublease agreement with the City of Clarksville on May 5, 2006, for the Post House located on Fort Campbell Boulevard. The lease term was for 77 years and required an annual rent payment of \$1. The Commission was entitled to receive the monthly rentals for placement of an ATM machine on the premises. The Commission cancelled this lease during the year ended June 30, 2014.

9. Retirement Plan

The EDC maintains a defined contribution 401(k) plan administered by American Chamber of Commerce Executives (ACCE). All employees who have completed one year of service, reached age 21 and work one thousand hours or more per year are eligible to participate. 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 year ended June 30, 2014, contributions totaling \$28,357 were paid and expensed by the Commission. Employee contributions to the plan were \$28,783 for the year ended June 30, 2014.

10. Concentrations

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. A major reduction in hotel/motel tax collections could have a significant effect on the future operations of the Commission.

11. Contingencies

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 or through Montgomery County. Insurance settlements have not been in excess of insurance coverage in any of the prior three fiscal years.

12. Budget

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 "encumbrance" method of budgeting and accounting for expenditures is not used.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
BUDGETARY COMPARISON SCHEDULE (UNAUDITED)
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts (Note 12)	Actual Amounts	Variance Favorable (Unfavorable)
Revenues:			
Grants	\$ 171,500	\$ 187,218	\$ 15,718
Group tour income	45,000	92,549	47,549
Hotel/motel tax	967,000	928,477	(38,523)
Interest income	4,000	6,550	2,550
Other	48,000	19,614	(28,386)
Recruitment/special events	70,000	14,292	(55,708)
Vacation guide sales	1,000	80,000	79,000
Total revenues	<u>\$ 1,306,500</u>	<u>\$ 1,328,700</u>	<u>\$ 22,200</u>
Expenditures:			
Advertising	\$ 181,740	\$ 225,776	\$ (44,036)
Contracted services	19,341	92,642	(73,301)
Dues and membership	14,457	11,441	3,016
Employee benefits	88,235	64,833	23,402
Entertainment	14,775	10,882	3,893
Events	156,750	129,085	27,665
Grant contributions	77,600	53,012	24,588
Insurance	5,158	4,445	713
Legal services	1,333	2,761	(1,428)
Office supplies	12,251	7,535	4,716
Other	5,468	26,712	(21,244)
Payroll taxes	40,322	34,606	5,716
Personnel	524,676	470,011	54,665
Postage	16,631	7,477	9,154
Printing and stationery	4,900	5,324	(424)
Rent	41,067	41,051	16
Repair and maintenance	23,011	15,599	7,412
Supplies	4,959	7,624	(2,665)
Travel	71,249	75,355	(4,106)
Utilities	25,597	17,088	8,509
Total operating expenses	<u>1,329,520</u>	<u>1,303,259</u>	<u>26,261</u>
Capital outlays	-	549	(549)
Total expenditures/expenses	<u>\$ 1,329,520</u>	<u>\$ 1,303,808</u>	<u>\$ 25,712</u>

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2014

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, 2014, 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 legally adopted and approved by the County. The legal level of budgetary control is at the line-item level. The operating budget 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	\$ 1,306,500	\$ 1,328,700	\$ 22,200
GAAP revenues	<u>\$ 1,306,500</u>	<u>\$ 1,328,700</u>	<u>\$ 22,200</u>
Total expenditures/expenses	\$ 1,329,520	\$ 1,303,808	\$ 25,712
Equipment and capital outlay	-	(549)	549
Depreciation	-	29,674	(29,674)
GAAP expenses	<u>\$ 1,329,520</u>	<u>\$ 1,332,933</u>	<u>\$ (3,413)</u>



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*

To the Board of Commissioners
Clarksville-Montgomery County Tourism Commission
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and general fund of the Clarksville-Montgomery County Tourism Commission (the Commission) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 14, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

The Commission did not resolve prior-year finding number 2013-002. That finding recurred in the current year and is reported as item 2014-001. The Commission resolved prior-year finding number 2013-001 by performing the specific tasks outlined in our report dated December 23, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2014-002.

The Commission did not resolve prior year item 2013-003 related to compliance. The finding recurred in the current year and is reported as item 2014-002 in the accompanying schedule of findings and responses.

The Commission's Response to Findings

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
November 14, 2014

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

FINDING RELATED TO INTERNAL CONTROL

2014-001 (Recurring Finding) Expenditures in Excess of Budget

Condition: 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.

Criteria: Budgeted amounts should be closely monitored to ensure expenditures do not exceed approved budgeted limits.

Effect: Expenditures could exceed approved budgeted amounts.

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: County deadlines for line-item amendments of the Commission's budget prevent effective year-end projections without considerable inflation of estimates. Instead, the Commission discloses budget variances, only seeking budget amendments from the County if additional funds are being requested.

FINDING RELATED TO COMPLIANCE

2014-002 (Recurring Finding) Expenditures in Excess of Budget

Condition: 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.

Criteria: Budgeted amounts should be closely monitored to ensure expenditures do not exceed approved budgeted limits.

Effect: Expenditures could exceed approved budgeted amounts.

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: County deadlines for line-item amendments of the Commission's budget prevent effective year-end projections without considerable inflation of estimates. Instead, the Commission discloses budget variances, only seeking budget amendments from the County if additional funds are being requested.

CLARKSVILLE-MONTGOMERY COUNTY TOURISM COMMISSION
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Financial Statement Findings

Finding Number	Finding Title	Status
2013-001	Management Oversight of Financial Reporting	Corrected
2013-002	Expenditures in Excess of Budget	Recurring

Compliance Findings

Finding Number	Finding Title	Status
2013-003	Expenditures in Excess of Budget	Recurring