

**MONTGOMERY COUNTY
REGIONAL TOURISM**

FINANCIAL REPORT

June 30, 2019

**MONTGOMERY COUNTY
REGIONAL TOURISM
June 30, 2019**

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INTRODUCTORY SECTION

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2019**

BOARD OF DIRECTORS

F. Craig Meadows, Montgomery County Administrator
Marc A. Verniel, Blacksburg Town Manager
Randall S. Wingfield, Christiansburg Town Manager

KEY EMPLOYEE

Telesa S. Bleakley, Director of Tourism

INDEPENDENT AUDITOR

Brown, Edwards & Company, L.L.P.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the
Montgomery County Regional Tourism
Christiansburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Montgomery County Regional Tourism (the "MCRT") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the MCRT'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 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, and *Specifications for Audits of Authorities, Boards, and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the MCRT, as of June 30, 2019, 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the MCRT's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section 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 February 6, 2020 on our consideration of the MCRT'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 solely 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 effectiveness of the MCRT's 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 MCRT's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 6, 2020

BASIC FINANCIAL STATEMENTS

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
June 30, 2019**

	Governmental Fund	Adjustments (Note 2)	Statement of Net Position
ASSETS			
Cash with fiscal agent (Note 3)	\$ 691,684	-	\$ 691,684
Due from other governmental units	132,137	-	132,137
Capital assets (Note 4)			
Depreciable, net	-	20,094	20,094
Total assets	\$ 823,821		\$ 843,915
LIABILITIES			
Accounts payable and accrued liabilities	\$ 18,142	-	\$ 18,142
Due to fiscal agent	5,696	17,755	23,451
Total liabilities	23,838		41,593
FUND BALANCE/NET POSITION			
Fund balance			
Assigned	30,195	(30,195)	-
Unassigned	769,788	(769,788)	-
Total fund balance	799,983		-
Total liabilities and fund balance	\$ 823,821		
Net position			
Net investment in capital assets		20,094	20,094
Unrestricted		782,228	782,228
Total net position			\$ 802,322

The Notes to Financial Statements are an integral part of this statement.

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE /
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

	<u>Governmental Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
REVENUES			
Intergovernmental:			
State grants	\$ 27,367	-	\$ 27,367
Contributions from government members	384,832	(29,534)	355,298
Total revenues	<u>412,199</u>		<u>382,665</u>
EXPENDITURES/EXPENSES			
Salaries and wages	102,046	1,608	103,654
Employee benefits	38,131	-	38,131
Professional services	28,363	-	28,363
Advertising	66,722	-	66,722
Civic contributions	10,000	-	10,000
Satellite office space lease	5,600	-	5,600
Printing and binding	13,677	-	13,677
Office supplies	3,016	-	3,016
Office equipment	4,288	-	4,288
Telephone	1,203	-	1,203
Travel and meals	10,576	-	10,576
Tradeshaw registration	1,380	-	1,380
Dues	2,555	-	2,555
Books and subscriptions	2,755	-	2,755
Vehicle	650	-	650
Software	900	-	900
Uniforms	636	-	636
Depreciation	-	8,257	8,257
Total expenditures/expenses	<u>292,498</u>		<u>302,363</u>
Excess of revenues over expenditures	119,701		-
Change in net position	-		80,302
FUND BALANCE/NET POSITION			
Beginning of the year	<u>680,282</u>		<u>722,020</u>
End of the year	<u>\$ 799,983</u>		<u>\$ 802,322</u>

The Notes to Financial Statements are an integral part of this statement.

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

Montgomery County Regional Tourism (“MCRT”) is a cooperative agreement between the County of Montgomery and the Towns of Blacksburg and Christiansburg. MCRT provides tourism development in these localities.

These financial statements present MCRT as the primary government. A component unit is an entity for which the primary government is considered to be financially accountable. MCRT has no component units and no jointly governed organizations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The statement of net position and statement of activities 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 related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financials are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of funding specific expenditures, are recognized when all eligibility requirements are met. Revenues from general-purpose grants are recognized in the period to which the grant applies. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. MCRT’s major governmental fund is the *general fund*, which accounts for all revenues and expenditures applicable to the general operations of MCRT.

C. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Capital Assets

Capital assets, which include an intangible asset for website design, are reported on the government-wide financial statements. Capital assets are defined as items with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Machinery and equipment are depreciated using the straight line method over 7 years.

Intangible assets are depreciated using the straight-line method over 5 years.

E. Fund Balance/Net Position

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which MCRT is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – Amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed – Amounts constrained to specific purposes by MCRT Board of Directors; to be reported as committed, amounts cannot be used for any other purposes unless the Board of Directors takes action to remove or change the constraint.

Assigned – Amounts MCRT intends to use for a specified purpose; intent can be expressed by the governing body or by the Director who has been designated by this authority. For 2019, assigned fund balance includes outstanding encumbrances of \$30,195.

Unassigned – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance/Net Position (Continued)

Net position is classified as net investment in capital assets; restricted; and unrestricted. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations.

When both restricted and unrestricted resources are available for use, it is MCRT's policy to use restricted resources first, then unrestricted resources as they are needed.

G. Estimates

Management uses estimates and assumptions in preparing its financial statements. Actual results could differ from those estimates.

Note 2. Reconciliation of Financial Statements

A. Reconciliation between Fund Balance and Net Position

Fund balance of governmental fund	\$ 799,983
Capital assets are not available and, therefore, are not reported in the funds	20,094
Certain liabilities are not payable from current financial resources and therefore are not reported in the funds	(17,755)
	<hr/>
Net position of governmental activities	<u>\$ 802,322</u>

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 2. Reconciliation of Financial Statements (Continued)

B. Reconciliation between the Excess of Revenues over Expenditures and the Change in Net Position

Excess of revenues over expenditures	\$	119,701
Amounts reported for governmental activities are different because:		
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 and reported as depreciation expense. That is the amount by which depreciation (\$8,257) is more than capital outlay (\$-0-) in the current period.		(8,257)
Compensated absences are accrued when incurred in the statement of activities while they are only reported in the fund activity statement when due and payable.		(1,608)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(29,534)
Change in net position	\$	<u>80,302</u>

Note 3. Cash with Fiscal Agent

All cash of MCRT is maintained in accounts held by its fiscal agent, Montgomery County. Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in amount from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 4. Capital Assets

The following summarizes the components of and changes in capital assets:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Vehicle	\$ 18,657	\$ -	\$ -	\$ 18,657
Intangible assets	27,959	-	-	27,959
Total capital assets, being depreciated	46,616	-	-	46,616
Less accumulated depreciation				
Vehicle	2,887	2,665	-	5,552
Intangible assets	15,378	5,592	-	20,970
Total accumulated depreciation	18,265	8,257	-	26,522
Total capital assets being depreciated, net	28,351	(8,257)	-	20,094
Total capital assets	\$ 28,351	\$ (8,257)	\$ -	\$ 20,094

Note 5. Risk Management

MCRT is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MCRT participates, through Montgomery County, with other localities in a public entity risk pool for their coverage of general liability and auto insurance with the Virginia Municipal League Insurance Programs. Each member of this risk pool jointly and severally agrees to assume, pay, and discharge any liability. MCRT pays the Virginia Municipal League Insurance Programs contributions and assessments based upon classification and rates into a designated cash reserve fund out of which expenses of the pool, claims, and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The County continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage and there have not been any significant reductions in insurance coverage over the previous year.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 6. Contingencies

Grant Programs

Under the terms of state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agency. Management believes disallowances, if any, would not be material to the financial position of MCRT.

Note 7. Related Party Transactions

Montgomery County acts as fiscal agent for MCRT and provides office space, human resources, and attorney services to MCRT at no cost.

Note 8. Leases

MCRT moved from space leased on June 23, 2016 and entered into a new lease on March 5, 2019. The space is for an information desk in Blacksburg, Virginia. The new lease is a month to month lease and can be terminated upon 30 days written notice. Monthly lease payments of \$450.

Future minimum lease payments

2020	\$ 5,400
2021	5,400
2022	5,400
2023	5,400
2024	5,400

Note 9. Other Post-Employment Benefits and Defined Pension Plan

MCRT utilizes two employees of the County of Montgomery, Virginia to contract out the work done on behalf of MCRT. Accordingly, the corresponding other post-employment benefits and defined pension plan are recorded on the County's books.

Note 10. Subsequent Event

In December 2019, MCRT entered into a lease for 400 square feet of office space in downtown Christiansburg. The lease started on December 1, 2019 and ends November 30, 2020 and rent is \$800 a month.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 11. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*** in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

(Continued)

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 11. New Accounting Standards (Continued)

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

COMPLIANCE SECTION

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 Honorable Members of the
Montgomery County Regional Tourism
Christiansburg, Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *the Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements, the governmental activities, and the major fund of the Montgomery County Regional Tourism (the “MCRT”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise MCRT’s basic financial statements, and have issued our report thereon dated February 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MCRT’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 MCRT’s internal control. Accordingly, we do not express an opinion on the effectiveness of the MCRT’s internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and **given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MCRT'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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.**

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 MCRT's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 6, 2020

**MONTGOMERY COUNTY
REGIONAL TOURISM**

**SUMMARY OF COMPLIANCE MATTERS
June 30, 2019**

As more fully described in the 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*, we performed tests of the MCRT's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia

Cash and Investment Laws

Conflicts of Interest Act

Procurement Laws

Unclaimed Property