

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

FINANCIAL REPORT

June 30, 2016

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL
June 30, 2016**

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INTRODUCTORY SECTION

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**DIRECTORY OF PRINCIPAL OFFICIALS
June 30, 2016**

BOARD OF DIRECTORS

F. Craig Meadows, Montgomery County Administrator
Mark Verniel, Blacksburg Town Manager
Barry D. Helms, Christiansburg Town Manager

KEY EMPLOYEE

Lisa Bleakley, Director of Tourism

INDEPENDENT AUDITOR

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



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Montgomery County
Tourism Development Council
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 Tourism Development Council (the "Council") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Council'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.

Report on the Financial Statements (Continued)

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 Council, as of June 30, 2016, 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 Council'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 November 14, 2017 on our consideration of the Council'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 Council's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 14, 2017

BASIC FINANCIAL STATEMENTS

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
June 30, 2016**

| | <u>Governmental Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Net Position</u> |
|--|------------------------------|---------------------------------|--------------------------------------|
| ASSETS | | | |
| Cash with fiscal agent (Note 3) | \$ 621,235 | - | \$ 621,235 |
| Due from other governmental units | 23,772 | - | 23,772 |
| Capital assets (Note 4) | | | |
| Depreciable, net | - | 23,765 | 23,765 |
| | <u>645,007</u> | | <u>668,772</u> |
| Total assets | <u>\$ 645,007</u> | | <u>\$ 668,772</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 15,261 | - | \$ 15,261 |
| Due to fiscal agent | 4,364 | 8,221 | 12,585 |
| | <u>19,625</u> | | <u>27,846</u> |
| Total liabilities | <u>19,625</u> | | <u>27,846</u> |
| FUND BALANCE/NET POSITION | | | |
| Fund balance | | | |
| Committed | 3,250 | (3,250) | - |
| Assigned | 4,553 | (4,553) | - |
| Unassigned | 617,579 | (617,579) | - |
| | <u>625,382</u> | | <u>-</u> |
| Total fund balance | <u>625,382</u> | | <u>-</u> |
| Total equity | <u>625,382</u> | | <u>-</u> |
| Total liabilities and equity | <u>\$ 645,007</u> | | |
| Net position | | | |
| Net investment in capital assets | | 23,765 | 23,765 |
| Unrestricted | | 617,161 | 617,161 |
| Total net position | | | <u>\$ 640,926</u> |

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE /
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016**

| | <u>Governmental Fund</u> | <u>Adjustments (Note 2)</u> | <u>Statement of Activities</u> |
|---------------------------------------|------------------------------|---------------------------------|------------------------------------|
| Revenues: | | | |
| State grants | \$ 20,000 | - | \$ 20,000 |
| Contributions from government members | 343,710 | (57,572) | 286,138 |
| | <u>363,710</u> | <u>(57,572)</u> | <u>306,138</u> |
| Total revenues | | | |
| Expenditures/expenses: | | | |
| Salaries and wages | 84,217 | 533 | 84,750 |
| Employee benefits | 25,736 | - | 25,736 |
| Professional services | 69,724 | (16,144) | 53,580 |
| Advertising | 33,207 | - | 33,207 |
| Civic contributions | 25,000 | - | 25,000 |
| Printing and binding | 10,856 | - | 10,856 |
| Office supplies | 2,791 | - | 2,791 |
| Office equipment | 4,126 | - | 4,126 |
| Telephone | 582 | - | 582 |
| Travel and meals | 6,277 | - | 6,277 |
| Tradeshaw registration | 205 | - | 205 |
| Dues | 2,970 | - | 2,970 |
| Books and subscriptions | 3,239 | - | 3,239 |
| Uniforms | 451 | - | 451 |
| Depreciation | - | 4,194 | 4,194 |
| | <u>269,381</u> | | <u>257,964</u> |
| Total expenditures/expenses | | | |
| Excess of revenues over expenditures | 94,329 | | - |
| Change in net position | - | | 48,174 |
| Fund balance/net position | | | |
| Beginning of the year | <u>531,053</u> | | <u>592,752</u> |
| End of the year | <u>\$ 625,382</u> | | <u>\$ 640,926</u> |

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

These financial statements present the Council as the primary government. A component unit is an entity for which the primary government is considered to be financially accountable. The Council 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. The Council’s major governmental fund is the *general fund*, which accounts for all revenues and expenditures applicable to the general operations of the Council.

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.

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

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 the Council 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 the Tourism Council 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. For 2016, committed fund balance includes outstanding encumbrances of \$3,250.

Assigned - Amounts the Council 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 2016, assigned fund balance includes outstanding encumbrances of \$4,553.

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

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 the Council’s policy to use restricted resources first, then unrestricted resources as they are needed.

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 1. Summary of Significant Accounting Policies (Continued)

F. 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 | \$ | 625,382 |
| Certain assets are not available and, therefore, are not reported in the funds | | 23,765 |
| Certain liabilities are not payable from current financial resources and therefore are not reported in the funds | | <u>(8,221)</u> |
| Net position of governmental activities | \$ | <u><u>640,926</u></u> |

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

| | | |
|---|----|----------------------|
| Excess of revenues over expenditures | \$ | 94,329 |
| 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 (\$4,194) is less than capital outlay (\$16,144) in the current period. | | 11,950 |
| 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. | | (533) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | <u>(57,572)</u> |
| Change in net position | \$ | <u><u>48,174</u></u> |

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 3. Cash with Fiscal Agent

All cash of the Council 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 insure 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.

Note 4. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets, not depreciated | | | | |
| Construction in progress | \$ 11,815 | \$ 16,144 | \$ (27,959) | \$ - |
| Total capital assets, not depreciated | 11,815 | 16,144 | (27,959) | - |
| Capital assets, being depreciated | | | | |
| Intangible assets | - | 27,959 | - | 27,959 |
| Total capital assets, being depreciated | - | 27,959 | - | 27,959 |
| Less accumulated depreciation | | | | |
| Intangible assets | - | 4,194 | - | 4,194 |
| Total accumulated depreciation | - | 4,194 | - | 4,194 |
| Total capital assets being depreciated, net | - | 23,765 | - | 23,765 |
| Total capital assets | \$ 11,815 | \$ 39,909 | \$ (27,959) | \$ 23,765 |

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 5. Risk Management

The Council is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Council 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. The Council 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.

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 the Council.

Note 7. Related Party Transactions

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

Note 8. Leases

On June 23, 2016, the Council entered into a lease agreement for space for an information desk in Blacksburg, VA. The lease began on June 23, 2016 and is for an indefinite period of time. The lease can be terminated by either party upon 60 days written notice. Monthly lease payments of \$450 are due on the first of each month.

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 9. New Accounting Standards

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

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 9. New Accounting Standards (Continued)

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14* clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.



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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
Tourism Development Council
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 Tourism Development Council (the "Council"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Council's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council'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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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 Council'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
November 14, 2017

**MONTGOMERY COUNTY
TOURISM DEVELOPMENT COUNCIL**

**SUMMARY OF COMPLIANCE MATTERS
June 30, 2016**

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 Council'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