

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

JUNE 30, 2018 AND 2017

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CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF BOARD OF TRUSTEES AND MANAGEMENT (UNAUDITED)
JUNE 30, 2018

BOARD OF TRUSTEES

Mr. Bill Wyatt	Chairman
Mr. Brad Martin	Vice-Chairman
Dr. Dixie Dennis	Secretary
Ms. Suzanne Langford	Treasurer
Mr. Tommy Bates	Member
Mr. Charles Booth	Member
Ms. Carol Daniels	Member
Ms. Jamie Durrett	Member
Mr. Ron Erb	Ex-Officio
Ms. Laila Griffin	Ex-Officio
Ms. Martha Hopson	Member
Mr. Tracy Jackson	Ex-Officio
Dr. Jennifer Johnston	Member
Mr. Charles Keene	Ex-Officio
Ms. Betsy Kimbrough	Member
Ms. Thomasa Ross	Member
Mr. Wes Sumner	Member
Ms. Eleanor Williams	Ex-Officio

MANAGEMENT

Mr. James Zimmer	Director
Mr. Colin McAlexander	Chief Financial Officer



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Clarksville-Montgomery County Museum
Clarksville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the years ended June 30, 2018 and 2017, and the related notes to the 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 opinion.

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the Museum as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows 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, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Museum's basic financial statements. The introductory section and the other information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 September 25, 2018, on our consideration of the Museum'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 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 Museum's internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 25, 2018

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
YEARS ENDED JUNE 30, 2018 AND 2017

FINANCIAL STATEMENTS

These statements offer financial information about the Museum's activities. The statement of net position includes all of the Museum's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations (liabilities). All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. These statements measure the success of the Museum's operations over the past fiscal year. The final statements are the cash flow statements. The purpose of these statements is to provide information about the Museum's cash receipts and cash payments during this reporting period. These statements report receipts, payments, and the net changes in cash that result from operations, investing and grants, donations and interest. The statements provide answers to questions such as: Where does the Museum get its funding? For what were the funds used? What was the change in balances during the reporting period?

The financial statements of the Museum include only activities from Museum operations. Increases and/or decreases in net position, over time, can show whether the Museum's financial health is improving or deteriorating. Primary factors in the fluctuation of operating expenses are primarily driven by the cost of on-going repairs, maintenance, and leasehold improvements to a one hundred and twenty year old building and its 22 year old expansion, increasing prices for utilities, increasing health insurance costs, and providing adequate staffing for operations. External factors such as local government funding, changes in grant funding parameters, population fluctuation within the community, stock market volatility, local tourism, development in Downtown Clarksville and its surrounding area can also have a significant effect on the Museum's financial health.

CONDENSED FINANCIAL INFORMATION AND ANALYSIS

An important question to be asked about the Museum's finances is "Is the Museum, as a whole, better or worse off as a result of this fiscal year's activities?" The statements of net position, revenues, expenses, and changes in net position will attempt to answer this question. As can be seen on the following table on the next page, total assets in FY 2018 were \$4,671,331, a decrease from FY 2017 of \$50,541 and an increase since FY 2016 of \$26,575. The primary changes in assets during FY 2018 and over the past three fiscal years, is mainly caused by consistently good market performance with the Gracey Trust Investment, continued leasehold improvement investment through capital improvement funding from the City of Clarksville, and the accumulated depreciation associated with the leasehold improvements. The Museum also has made efforts to generate more unrestricted assets through increased general operating support from the City of Clarksville, as well as unrestricted contributions from the community and funds raised through its earned revenue streams such as: admissions, memberships, the museum store, facility rentals, and fundraising. The Museum also continues to generate restricted and unrestricted contributions through program sponsorships.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

CONDENSED FINANCIAL INFORMATION AND ANALYSIS (CONT'D)

Due to the increase in unrestricted funds, the Museum has made significant progress in reducing its liabilities. During the past three years, particularly FY 2018, the Museum's total liabilities decreased from \$188,040 in FY 2016 to \$114,349 in FY 2018. The reduction is primarily due to payments on the long-term note payable to the City of Clarksville related to the part of the Museum campus constructed in 1996, as well as from facilitating faster payment on invoices. The increase in unrestricted assets and reduction in liabilities, as well as the continued market performance with the Gracey Trust investment, have significantly improved the Museum's liquidity. This will help to increase the Museum's ability to manage its current and long-term debts more effectively in the future and permit greater flexibility to deal with internal or external factors that might affect the Museum's financial health.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2018	2017	2016	% Change 17 to 18	% Change 16 to 17
Unrestricted	\$ 202,194	\$ 142,064	\$ 163,306	42.33	(13.01)
Restricted	80,370	82,466	90,755	(2.54)	(9.13)
Subtotal	282,564	224,530	254,061	25.85	(11.62)
OTHER ASSETS					
Inventory	23,927	23,979	22,404	(0.22)	7.03
Property and equipment (net of accumulated depreciation)	2,621,739	2,797,034	2,797,635	(6.27)	(0.02)
Investments	1,743,101	1,676,329	1,570,656	3.98	6.73
TOTAL ASSETS	4,671,331	4,721,872	4,644,756	(1.07)	1.66
Deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,671,331	\$ 4,721,872	\$ 4,644,756	(1.07)	1.66

LIABILITIES, DEFERRED INFLOWS OF RESOURCES & NET POSITION	2018	2017	2016	% Change 17 to 18	% Change 16 to 17
Current liabilities	\$ 82,951	\$ 86,348	\$ 107,577	(3.93)	(19.73)
Note payable	31,398	61,310	80,463	(48.79)	(23.80)
TOTAL LIABILITIES	114,349	147,658	188,040	(22.56)	(21.48)
Deferred inflows of resources	-	-	-	-	-
NET POSITION					
Unrestricted	163,272	98,848	96,677	65.17	2.25
Restricted	1,823,471	1,758,795	1,661,411	3.68	5.86
Plant investment/net of related debt	2,570,239	2,716,571	2,698,628	(5.39)	0.66
TOTAL NET POSITION	4,556,982	4,574,214	4,456,716	(0.38)	2.64
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 4,671,311	\$ 4,721,872	\$ 4,644,756	(1.07)	1.66

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

The Museum adopts an Operating Income & Expense Budget to assist in planning and forecasting finances for the fiscal year. The budget is approved by the Board of Trustees and is in effect for the entire fiscal year. The budget may be amended by the Board if events warrant. Management uses the budget as a tool to control and direct income and expenses. Many of the Museum's income streams traditionally fluctuate due to availability of the Museum's financial and human resources. Expenses are closely managed to best serve the institution's mission and ensure continued operations. The facilities in which the Museum operates are comprised of a historic 1898 building, a 35,000 square foot expansion built in 1996 and an offsite collections storage facility and workshop. The age and condition of these buildings, in addition to the need to maintain environmental conditions according to museum industry standards, continues to be costly, which results in increased repairs and maintenance expenses that typically have a significant impact on the Museum's annual budget.

During FY 2018, overall revenue decreased from the previous year, which was anticipated with the FY 2018 Museum budget. This was primarily due to \$173,778 less in capital improvement funds from the City of Clarksville compared to FY 2017 leasehold improvements to the facility. The Museum store sales, grants, and admissions increased compared to last fiscal year and surpassed budget, primarily due to more foot traffic, special events, and being awarded \$11,000 in grants. Memberships and programs brought in more than originally budgeted due to increased efforts by the Board and staff to bring in funds to support the many programs the Museum offers throughout the year. The donated use of the building and unrealized gain (loss) on the market value of the Gracey Trust are not budgeted, but increased the size of revenue for FY 2018. While fundraising revenue was more than the prior year, it continues to fall short of budgeted expectations. The Museum's management has identified the need to create a development position on staff to broaden and strengthen the Museum's fundraising base.

Expenses during FY 2018 were higher than anticipated. The Museum does not budget for depreciation and the value of donated rent, which constitutes the majority of unanticipated expenses; however, neither of these items directly affected the cash assets of the Museum. As anticipated, the Museum had increased health insurance, payroll, repairs and maintenance, and utility expenses. These areas continue to be a primary factor of operational expenses as the Museum maintains the buildings in which it operates, provides necessary staffing, continues current hours of operation, and provides benefits to help retain and attract qualified staff. The following table shows the major sources of income and expenses and how they compare to the Museum's budget for FY 2018.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

<u>INCOME/REVENUE</u>	FY 2018 budget	FY 2018 actual	FY 2017 actual	Over (Under) Budget	Budget Variance
					%
Admissions	\$ 40,000	\$ 40,612	\$ 37,512	\$ 612	1.53
City of Clarksville	676,876	676,876	621,501	-	-
City of Clarksville – capital budget	27,000	11,843	185,621	(15,157)	(56.14)
Contributions/Donations*	15,000	11,815	10,453	(3,185)	(21.23)
Donated use of building	Non-Budgeted	330,644	330,644	330,644	-
Programs	3,000	40,000	-	37,000	1,233.33
Fundraising	154,000	117,309	113,750	(36,691)	(23.83)
Grants	10,000	11,000	3,000	1,000	10.00
Interest/Investment	76,456	70,068	76,460	(6,388)	(8.36)
Membership	38,000	38,503	39,467	503	1.32
Rental & Miscellaneous Inc.	16,300	16,906	22,429	606	3.72
Gift shop sales	35,000	40,568	32,746	5,568	15.91
Unrealized gain (loss)	Non-Budgeted	66,772	105,673	66,772	-
<u>TOTAL REVENUES</u>	\$ 1,091,632	\$ 1,472,916	\$ 1,579,256	\$ 381,284	34.93
*includes in-kind donations					
<u>EXPENSES</u>				(Over) Under Budget	
Exhibits	\$ 40,000	\$ 41,344	\$ 49,062	\$ (1,344)	(3.36)
Administrative and General, Interest Expense, Advertising, City Loan, Insurance, Communications, Professional Fees etc.	149,217	79,597	101,038	69,620	46.66
Depreciation	Non-budgeted	195,436	185,936	(195,436)	-
Fundraising	65,000	50,485	49,495	14,515	22.33
Payroll & Payroll Tax	507,065	483,769	468,952	23,296	4.59
Benefits (Health Insurance)	145,000	110,041	107,659	34,959	24.11
Legal & Accounting Fees	22,500	20,490	23,031	2,010	8.93
Repairs and maintenance	50,050	45,178	28,492	4,872	9.73
Rent	4,800	335,445	342,897	(330,645)	(6,888.44)
Utilities	90,000	107,254	85,607	(17,254)	(19.17)
Cost of gift shop sales	18,000	21,109	19,589	(3,109)	(17.27)
<u>TOTAL EXPENSES</u>	\$ 1,091,632	\$ 1,490,148	\$ 1,461,758	\$ (398,516)	(36.51)
CHANGE IN NET POSITION		(17,232)	117,498		
BEGINNING NET POSITION		\$ 4,574,214	\$ 4,456,716		
<u>ENDING NET POSITION</u>		\$ 4,556,982	\$ 4,574,214		

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

CAPITAL ASSETS AND LONG-TERM DEBT

At the end of FY 2018 the Museum had total assets of \$4,671,331 compared to \$4,721,872 at the end of FY 2017. The decrease is due to less investment in leasehold improvements to maintain the three aging buildings of the Museum campus: one built in 1898, an expansion in 1996, and one offsite collections storage facility. The buildings in which the Museum operates are not owned by the Museum, but are leased to us by the City of Clarksville for \$1 per year. The Museum's debt is due solely to day-to-day operating expenses and a 1996 construction loan from the City of Clarksville. This loan was restructured at a fixed rate in FY 2006 and converted from an annual payment to a monthly payment during FY 2018. The anticipated date the loan will be retired is in FY 2020. Payments on this debt are funded through unrestricted funds raised through admissions, memberships, facility rental fees, Museum store sales, and income received quarterly from the Gracey Trust.

FUTURE EXPECTATIONS

In 1983, the people of Clarksville and Montgomery County entrusted the Museum with the collection, preservation and interpretation of our community's history and culture, past, present, and future. As a public trust, our goal is to generate enough revenue to continue to serve the people of this community in the manner that they deserve and to which they have become accustomed. This will be done by continuing to cultivate new audiences, donors, sponsors, and advocates. This will serve to strengthen the overall support of the Museum as the surrounding community continues to change, grow, and expand. The separate Customs House Foundation, created in June 2012, will help to insure the future fiscal stability of this institution through investment.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2018</u>	<u>2017</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 184,088	\$ 124,404
Accounts receivable	18,106	9,788
Grants receivable	-	3,000
Prepaid expenses	-	4,872
Inventory	23,927	23,979
Total current assets	<u>226,121</u>	<u>166,043</u>
<u>RESTRICTED ASSETS</u>		
Cash and cash equivalents	80,370	82,466
Investments	1,743,101	1,676,329
Total restricted assets	<u>1,823,471</u>	<u>1,758,795</u>
<u>PROPERTY AND EQUIPMENT</u>		
Leasehold improvements	4,860,194	4,840,053
Furniture and equipment	184,080	184,080
Total property and equipment	<u>5,044,274</u>	<u>5,024,133</u>
Less: Accumulated depreciation	<u>(2,422,535)</u>	<u>(2,227,099)</u>
Net property and equipment	<u>2,621,739</u>	<u>2,797,034</u>
 Total assets	 4,671,331	 4,721,872
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 4,671,331</u>	 <u>\$ 4,721,872</u>

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

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	<u>2018</u>	<u>2017</u>
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 42,683	\$ 48,255
Accrued and withheld taxes	7,781	4,234
Accrued vacation	12,385	14,706
Current portion of long-term debt	20,102	19,153
Total current liabilities	<u>82,951</u>	<u>86,348</u>
<u>LONG-TERM DEBT</u>		
Note payable	<u>31,398</u>	<u>61,310</u>
Total liabilities	<u>114,349</u>	<u>147,658</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>	<u>-</u>
<u>NET POSITION</u>		
Net investment in capital assets	2,570,239	2,716,571
Restricted:		
Expendable: restricted for projects	80,370	82,466
Nonexpendable	1,743,101	1,676,329
Unrestricted	163,272	98,848
Total net position	<u>4,556,982</u>	<u>4,574,214</u>
 Total liabilities, deferred inflows of resources and net position	 <u><u>\$ 4,671,331</u></u>	 <u><u>\$ 4,721,872</u></u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>OPERATING REVENUES</u>		
City of Clarksville	\$ 688,719	\$ 807,122
Grants	11,000	3,000
Donated use of building	330,644	330,644
Memberships	38,503	39,467
Donations and contributions	51,815	10,453
Admissions receipts	40,612	37,512
Fundraising	117,309	113,750
Gift shop sales	40,568	32,746
Rental and miscellaneous income	16,906	22,429
Total operating revenues	<u>1,336,076</u>	<u>1,397,123</u>
<u>OPERATING EXPENSES</u>		
Administrative and general	2,248	2,100
Advertising	9,059	6,240
Communications	-	6,626
Cost of gift shop sales	21,109	19,589
Depreciation	195,436	185,936
Dues and memberships	5,454	4,059
Education	102	530
Employee benefits	110,041	107,659
Exhibits	41,344	49,062
Fees	3,357	5,835
Fundraising	50,485	49,495
Grants	-	3,000
Insurance	21,061	18,245
Legal and accounting fees	20,490	23,031
Other	11,342	11,792
Payroll taxes	34,446	34,018
Postage	46	6,190
Printing and reproduction	7,049	5,919
Rent	335,445	342,897
Repairs and maintenance	45,178	28,492
Salaries	449,323	434,934
Supplies	16,294	26,052
Travel and entertainment	20	1,203
Utilities	107,254	85,607
Total operating expenses	<u>1,486,583</u>	<u>1,458,511</u>
<u>OPERATING LOSS</u>	<u>(150,507)</u>	<u>(61,388)</u>

(Continued)

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	69,447	75,956
Interest income	621	504
Unrealized gain	66,772	105,673
Interest expense	(3,565)	(3,247)
Total non-operating revenues (expenses)	<u>133,275</u>	<u>178,886</u>
 <u>CHANGE IN NET POSITION</u>	 (17,232)	 117,498
 <u>NET POSITION - BEGINNING</u>	 <u>4,574,214</u>	 <u>4,456,716</u>
 <u>NET POSITION - ENDING</u>	 <u>\$ 4,556,982</u>	 <u>\$ 4,574,214</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 119,683	\$ 109,725
Cash received from contributors	878,186	978,843
Cash payments to suppliers of goods and services	(506,036)	(530,026)
Cash payments to employees for services	(451,644)	(434,934)
Net cash provided by operating activities	<u>40,189</u>	<u>123,608</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest received	621	504
Investment income received	69,447	75,956
Net cash provided by investing activities	<u>70,068</u>	<u>76,460</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>		
<u>FINANCING ACTIVITIES</u>		
Purchases of leasehold improvements and equipment	(20,141)	(185,335)
Payments on long-term debt	(28,963)	(18,544)
Interest paid	(3,565)	(3,247)
Net cash used in capital and related financing activities	<u>(52,669)</u>	<u>(207,126)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	57,588	(7,058)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>206,870</u>	<u>213,928</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 264,458</u>	<u>\$ 206,870</u>

(Continued)

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

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
STATEMENTS OF CASH FLOWS (CONT'D)
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>RECONCILIATION OF OPERATING LOSS</u>		
<u>TO NET CASH PROVIDED BY</u>		
<u>OPERATING ACTIVITIES</u>		
Operating loss	\$ (150,507)	\$ (61,388)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	195,436	185,936
Changes in:		
Accounts receivable	(8,318)	27,334
Grants receivable	3,000	(3,000)
Prepaid expense	4,872	(1,861)
Inventory	52	(1,575)
Accounts payable	(5,572)	(24,682)
Accrued and withheld taxes	3,547	3,949
Accrued vacation	(2,321)	-
Due to Foundation	-	(1,105)
	<u>\$ 40,189</u>	<u>\$ 123,608</u>

During the years ended June 30, 2018 and 2017, the Museum received free use of facilities from the City of Clarksville with an estimated value of \$330,644. The in-kind rent was accounted for as a noncash operating activity.

During the years ended June 30, 2018 and 2017, the Museum received in-kind donations from a vendor with estimated value of \$2,245 each year. The in-kind donations were accounted for as a noncash operating activity.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

Reporting Entity

In November 1982, the Clarksville-Montgomery County Museum (the Museum) was established to collect, preserve, and interpret significant historic, political, social, intellectual, and technological achievements of Clarksville and Montgomery County and further the understanding of the historical development of Clarksville and Montgomery County from the beginning to the present.

The Museum is a component unit of the City of Clarksville, Tennessee (the City), which is the principal reporting entity and primary government. The City is responsible for appointing the majority of the Museum's board of trustees and provides its primary funding support.

Use of Estimates

The Museum'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 differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Concentration of Credit Risk

Financial instruments that potentially subject the Museum to significant concentrations of credit risk consist principally of cash and accounts receivable. Custodial credit risk for the Museum's deposits is the risk that the Museum's deposits may not be returned in the event of a bank failure. As required by state statutes, the Museum's policy is to require that financial institutions holding its deposits be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the Museum or its agent in the Museum's name. With respect to accounts receivable, credit risk is dispersed across a few customers who are geographically concentrated in the service area of the Museum.

Measurement Focus/Basis of Accounting

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 financial statements of the Museum have been prepared using the economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

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

Cash and Cash Equivalents

The Museum considers all liquid investments purchased with a maturity of 90 days or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash payments for interest were \$3,565 and \$3,247 for the years ended June 30, 2018 and 2017, respectively.

Uncollectible Accounts

Bad debts are charged to the related revenue account using the direct-write-off method, which is not materially different from the allowance-for-bad-debt method. Bad debt expense charged to the related revenue accounts for the years ended June 30, 2018 and 2017 was \$-0- and \$1,812, respectively.

Restricted Net Position

Restricted net position represents funds restricted for specific projects and the corpus of the endowment fund (see Note 6). When both restricted and unrestricted resources are available for use, it is the Museum's policy to use restricted resources first, then unrestricted resources as needed.

Inventories

Inventories are stated at lower of cost or market value and are determined by the moving average inventory method. A perpetual inventory is maintained with a physical inventory being taken annually.

Property and Equipment

Property and equipment are valued at cost for assets purchased. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. The Museum's collections are comprised of private documents such as letters, diaries, business ledgers, and other artifacts that shed light on the history of the region. All collections are donated to the Museum and are not recorded because the value of such items is not readily determinable. Upon deaccession, items of collection are returned to the donor or destroyed if they are no longer of value. Donated collections are never sold. The Museum had no deaccessions during the year ended June 30, 2018 and one deaccessions during the year ended June 30, 2017.

Accrued Compensated Absences

Vacation benefits are accrued as earned and charged to salaries.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

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

Tax-Exempt Status

The Museum is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Museum is not subject to federal income tax except on unrelated trade or business income under Section 511 of the Internal Revenue Code. However, the Museum does file the information returns required by the Internal Revenue Service (the IRS). The Museum has not been determined to be a private foundation by the IRS. The Museum is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2015.

Revenues and Support

Operating income includes revenues and expenses related to the primary, continuing operations. Operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Contributions are generally available for unrestricted use in the current fiscal year unless specifically restricted by the donor. Unconditional promises to give are recorded as received.

Grants and other contributions of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. To ensure observance of limitations and restrictions placed on the use of resources available to the Museum, separate general ledger accounts of the Museum are maintained for each distinct donor restriction.

The endowment fund is the Museum's portion of a trust, which is restricted for thirty years from its inception in 1991. These funds are considered to be restricted. The earnings that are distributed from the trust are not restricted as to their use and are recorded, as allowed by state law, as unrestricted assets available for expenditure.

Contributions of noncash assets and the use of facilities are recognized as economic resources and are recorded at their fair values in the period received. During the year ended June 30, 2018, the Museum received approximately 1,233 hours of non-skilled and 1,538 hours of skilled volunteer services valued at approximately \$11,430 and \$36,645, respectively. During the year ended June 30, 2017, the Museum received approximately 1,686 hours of non-skilled and 1,885 hours of skilled volunteer services valued at approximately \$15,740, and \$44,725, respectively. None of these services were recognized as income or expense in these financial statements.

Budgets and Budgetary Accounting

The Museum follows these procedures in establishing its budgetary data (not reflected in the financial statements):

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

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

Budgets and Budgetary Accounting (Cont'd)

- (1) The budget document is approved by the board of trustees. The primary planning tool used is the actual and projected revenues and expenditures of the immediately preceding year. The budget is approved by line item and not by broad category.
- (2) Unused budgetary appropriations lapse at the end of the year.

Date of Management's Review

Subsequent events have been evaluated through September 25, 2018, which is the date the financial statements were available to be issued.

2. Investments and Other Deposits

Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government, while investments and other deposits received by bequest and held in the endowment fund are not subject to such restrictions. Investments and other deposits are stated at fair value based on quoted market prices. No information is available on derivatives, if any, held in mutual funds.

Following is a schedule of the Museum's investments and other deposits at June 30, 2018:

	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Common stocks	\$ 1,713,543	\$ 1,383,272	n/a	98.30
Money market fund	<u>29,558</u>	<u>29,558</u>	n/a	<u>1.70</u>
	<u>\$ 1,743,101</u>	<u>\$ 1,412,830</u>		<u>100.00</u>

Following is a schedule of the Museum's investments and other deposits at June 30, 2017:

	<u>Fair Value/ Carrying Value</u>	<u>Cost</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Common stocks	\$ 1,643,043	\$ 1,344,957	n/a	98.01
Money market fund	<u>33,286</u>	<u>33,286</u>	n/a	<u>1.99</u>
	<u>\$ 1,676,329</u>	<u>\$ 1,378,243</u>		<u>100.00</u>

At June 30, 2018 and 2017, cash and other deposits included bank balances of \$278,964 and \$205,960, respectively, all of which was insured by the FDIC or collateral was pledged by the State of Tennessee Bank Collateral Pool.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

2. Investments and Other Deposits (Cont'd)

Total investment income of \$136,219 and \$181,629 for the years ended June 30, 2018 and 2017, respectively, consisted of investment earnings of \$69,447 and \$ 75,956 for the years ended June 30, 2018 and 2017, respectively, and a net increase in fair value of investments of \$66,772 and \$105,673, respectively. As described in Note 6, substantially all of the Museum's investments are held by a trustee and are not registered in the name of the Museum.

3. Funding Sources

The Museum's operating expenses are primarily funded by transfers of funds from the City of Clarksville. Other funding sources include grants, donations, endowments, memberships, gift shop sales, and fundraising projects. A major reduction in funding by the City of Clarksville could have a significant effect on the future operations of the Museum's programs and activities.

4. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2018 is as follows:

<u>Property and Equipment</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Leasehold improvements	\$ 4,840,053	\$ 20,141	\$ -	\$ 4,860,194
Furniture and equipment	169,516	-	-	169,516
Vehicles	14,564	-	-	14,564
Total property and equipment	<u>\$ 5,024,133</u>	<u>\$ 20,141</u>	<u>\$ -</u>	<u>\$ 5,044,274</u>

<u>Accumulated Depreciation</u>	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Leasehold improvements	\$ 2,062,840	\$ 190,535	\$ -	\$ 2,253,375
Furniture and equipment	149,694	4,901	-	154,595
Vehicles	14,565	-	-	14,565
Total accumulated depreciation	<u>\$ 2,227,099</u>	<u>\$ 195,436</u>	<u>\$ -</u>	<u>\$ 2,422,535</u>

A summary of changes in property and equipment for the year ended June 30, 2017 is as follows:

<u>Property and Equipment</u>	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Leasehold improvements	\$ 4,654,718	\$ 185,335	\$ -	\$ 4,840,053
Furniture and equipment	169,516	-	-	169,516
Vehicles	14,564	-	-	14,564
Total property and equipment	<u>\$ 4,838,798</u>	<u>\$ 185,335</u>	<u>\$ -</u>	<u>\$ 5,024,133</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

4. Property and Equipment (Cont'd)

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Accumulated Depreciation</u>				
Leasehold improvements	\$ 1,881,212	\$ 181,628	\$ -	\$ 2,062,840
Furniture and equipment	145,386	4,308	-	149,694
Vehicles	14,565	-	-	14,565
Total accumulated depreciation	<u>\$ 2,041,163</u>	<u>\$ 185,936</u>	<u>\$ -</u>	<u>\$ 2,227,099</u>

5. Related Party Transactions

The building which houses the Museum was leased from the City of Clarksville for \$1 per year for 25 years beginning May 1, 2008. The warehouse which houses the Museum's artifacts was leased from the City of Clarksville for \$1 per year for 10 years beginning June 1, 2008. The fair rental value of the building and warehouse was \$330,644 for each of the years ended June 30, 2018 and 2017 and was recognized as rent expense. The fair rental value of the building and warehouse was determined by considering the age and condition of the buildings and the cost of rental space for property in the same vicinity. The Museum has completed significant renovation of the building with funds from various grants.

6. Endowment Fund

A significant bequest was made to the Museum in fiscal year 1991 from the Estate of Finley Gracey. During the years ended June 30, 2018 and 2017, the Museum received \$69,447 and \$75,956, respectively, of investment income from the trust established under this bequest. The Museum will receive 14.5% of the annual income from the trust for thirty years. After thirty years, the same percentage of accrued income and principal will be distributed to the Museum. The Museum's portion of the funded principal balance of the trust at June 30, 2018 and 2017, was \$1,743,101 and \$1,676,329, respectively. This amount represents 14.5% of the fair value of the assets of the trust.

Endowment fund investments were composed of the following at June 30:

2018	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Common stocks	\$ 1,383,272	\$ 333,193	\$ 2,922	\$ 1,713,543
Money market fund	29,558	-	-	29,558
	<u>\$ 1,412,830</u>	<u>\$ 333,193</u>	<u>\$ 2,922</u>	<u>\$ 1,743,101</u>
2017	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Common stocks	\$ 1,344,957	\$ 300,574	\$ 2,488	\$ 1,643,043
Money market fund	33,286	-	-	33,286
	<u>\$ 1,378,243</u>	<u>\$ 300,574</u>	<u>\$ 2,488</u>	<u>\$ 1,676,329</u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

7. Long-Term and Other Debt

At June 30, 2018, the Museum had an outstanding balance of \$51,500 on an unsecured promissory note dated January 1, 2006 with the City of Clarksville. The note will mature on December 31, 2020. Interest is charged on the unpaid balance of the loan at a fixed annual rate of 3.28%. Monthly payments of \$1,789 of principal and interest are due on the last day of each month.

Following are the changes in long-term debt for the year ended June 30, 2018:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Estimated Amount Due Year Ending June 30, 2019
Note payable	\$ 80,463	\$ -	\$ 28,963	\$ 51,500	\$ 20,102

Following are the changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Estimated Amount Due Year Ending June 30, 2018
Note payable	\$ 99,007	\$ -	\$ 18,544	\$ 80,463	\$ 19,153

Future payments on long-term debt are as follows:

Year ending June 30,	Principal	Interest
2019	\$ 20,102	\$ 1,370
2020	20,761	710
2021	10,637	101
Total	\$ 51,500	\$ 2,181

8. Defined Contribution IRA Plan

The Museum administers a defined contribution individual retirement account (IRA) plan sponsored by American Funds Service Company. Employee contributions were \$-0- for the years ended June 30, 2018 and 2017. The Museum made no employer contributions during either year.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

9. Operating Leases

The Museum is the lessee under an operating lease agreement involving storage space. The following is a schedule of future lease payments by year:

Year ending <u>June 30,</u>	<u>Amount</u>
2019	\$ 4,800
	<u>\$ 4,800</u>

For 2018 and 2017, rental expense amounted to \$4,801 and \$12,253, respectively.

10. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Museum has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Level 1 Fair Value Measurements: The fair value of the endowment fund is based on quoted net asset values of the shares held by the Museum at year end.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018 AND 2017

10. Fair Value Measurements (Cont'd)

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2018:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,713,543	\$ -	\$ -	\$ 1,713,543
Total	\$ 1,713,543	\$ -	\$ -	\$ 1,713,543

The following table sets forth by level, within the fair value hierarchy, the Museum's assets at fair value as of June 30, 2017:

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,643,043	\$ -	\$ -	\$ 1,643,043
Total	\$ 1,643,043	\$ -	\$ -	\$ 1,643,043

11. Commitments and Contingencies

The Museum's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

12. Related Entity

The Museum is supported by the Customs House Foundation, Inc. (the Foundation), a Tennessee nonprofit corporation which is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was founded in 2012 and is managed by a board of directors which is autonomous from the Museum board of trustees. The Foundation's board members are nominated and elected by the Foundation board. The Museum's director, chief financial officer and finance committee chair serve as ex-officio (nonvoting) members of the Foundation's board. The Museum has no legal responsibility for or authority over the Foundation's finances. Accordingly, the Foundation does not meet the requirements for inclusion as a component unit of the Museum.

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

<u>State Grantor/Program Title</u>	<u>Grant Number Or Pass Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2017</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2018</u>
<u>State of Tennessee, Department of State, Tennessee State Library and Archives</u>						
Collections Conservation	30504-01417-20	N/A	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ -</u>
Total State Assistance			<u><u>\$ 3,000</u></u>	<u><u>\$ 3,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2018 AND 2017

Note A – Basis of Presentation

The accompanying schedule of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Department of Audit, Audit Manual. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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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 Trustees
Clarksville-Montgomery County Museum
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 Clarksville-Montgomery County Museum (the Museum), a component unit of the City of Clarksville, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Museum's basic financial statements and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Museum'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 Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of the Museum'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. 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 Museum'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 no instances of noncompliance or other matters 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 Museum'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 Museum's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee

September 25, 2018

CLARKSVILLE-MONTGOMERY COUNTY MUSEUM
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

There were no prior year findings reported.