



# **ELIZABETHTON MUNICIPAL GOLF COURSE**

**A COMPONENT UNIT OF THE  
CITY OF ELIZABETHTON, TENNESSEE  
FINANCIAL STATEMENTS  
For the Period Ended March 31, 2018**

**ELIZABETHTON MUNICIPAL GOLF COURSE**

**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**

**FINANCIAL STATEMENTS**

**WITH SUPPLEMENTAL INFORMATION**

**For the Period Ended March 31, 2018**

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
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**March 31, 2018**

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**SECTION I**

**INTRODUCTORY SECTION**

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
LIST OF APPOINTED OFFICIALS  
March 31, 2018**

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**Appointed Officials**

Chair	Jeff Andrews
Board Member	Mike Mains
Board Member	Mike Matheson
Board Member	Scotty Bunton
Board Member	Cathy Ross
Board Member	Bob Lipford
Board Member	Tommy Tipton
Board Member	John Hughes
Board Member	Wes Frazier

**SECTION II**

**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Council Members and  
City Manager  
City of Elizabethton Municipal Golf Course

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Elizabethton Municipal Golf Course (the Golf Course), a component unit of the City of Elizabethton, Tennessee, as of and for the nine-month period ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Golf Course'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.

### *Auditors' 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 auditors' 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 above present fairly, in all material respects, the respective financial position of the business-type activities of the Golf Course, as of March 31, 2018, and the changes in financial position and cash flows thereof for the nine month period 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 on pages 5 through 9 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 an opinion on the financial statements that collectively comprise the Golf Course's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information 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 supplemental information 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 December 4, 2018, on our consideration of the Golf Course'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 Golf Course'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 Golf Course's internal control over financial reporting and compliance.

*Blackburn, Childers & Steagall, PLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 4, 2018

**Elizabethton Municipal Golf Course  
Management's Discussion and Analysis  
March 31, 2018**

The following is the Elizabethton Municipal Golf Course (the Golf Course) Management's Discussion and Analysis (MD&A) of the financial statements and supporting documents for the Golf Course, a component unit of the City of Elizabethton, Tennessee for the nine months ending March 31, 2018.

This MD&A should be read in conjunction with the financial statements and all supporting documents that follow this analysis.

The Elizabethton Golf Course is a component unit of the City of Elizabethton governed by a separate Board of Directors at the will of Elizabethton City Council. The Board of Directors is responsible for the establishment of policies and procedures of the Golf Course. The Board also contracts with a Golf Professional/Manager to manage the operations of the Golf Course.

Beginning April 1, 2018 the City of Elizabethton entered into a three year contract with Hampton Golf to manage the Golf Course. At that time, City Council also abolished the separate board of the Golf Course. For the three months ending June 30, 2018, the operations of the Golf Course are reported as a fund of the City of Elizabethton.

### **Overview of the Financial Statements**

The annual report consists of these sections. Section I includes the introductory section. Section II includes the independent auditors' report, the basic financial statements, including the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, and the notes to the basic financial statements. Section III and IV includes the internal control and compliance and corrective action plan.

The financial statements are prepared using the accrual basis of accounting. All short-term assets and long-term assets are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

### **Golf Course Highlights**

The Golf Course membership and income decreased in the nine month period ending March 31, 2018 due to a decline in service and club standards resulting in a loss of members and daily fee rounds. Membership cost remained the same for the nine month period ending March 31, 2018.

There were no major course renovations during the nine months ending March 31, 2018 and the hours to maintain the golf course and staff the pro-shop increased compared to the same time period in the prior year. This resulted in an increase in wages and employee benefits for the nine months ending March 31, 2018 compared to the same time period in the prior year.

As mentioned previously, Hampton Golf took over managing the Elizabethton Municipal Golf Course beginning April 1, 2018. They have planned to check memberships and aggressively pursue new members. Hampton Golf will look to improve the appearance of the facilities to increase curb appeal and the overall guest experience. The business model predicts an increase in revenue for FY 2018-19.

**Elizabethton Municipal Golf Course  
Management's Discussion and Analysis  
March 31, 2018**

Financial Position Summary	<b>Nine Months Ending 3-31-18</b>	<b>Fiscal Year 2017</b>
Current Assets	\$ 60,121	158,314
Property, Plant, and Equipment (Net)	<u>415,876</u>	<u>455,935</u>
<b>Total Assets</b>	<b><u>475,997</u></b>	<b><u>614,249</u></b>
Current Liabilities	62,032	129,739
Long-Term Liabilities	<u>15,093</u>	<u>23,302</u>
<b>Total Liabilities</b>	<b><u>77,125</u></b>	<b><u>153,041</u></b>
Net Investment in Capital Assets	386,074	411,750
Restricted	874	874
Unrestricted (Deficit) Net Position	<u>11,924</u>	<u>48,584</u>
<b>Total Net Position</b>	<b><u>398,872</u></b>	<b><u>461,208</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 475,997</u></b>	<b><u>614,249</u></b>

**Capital Assets**

The following chart highlights the capital assets for the nine months ending March 31, 2018 and for fiscal year 2017.

Capital Assets	<b>Nine Months Ending 3-31-18</b>	<b>Fiscal Year 2017</b>
Building and Building Improvements	\$ 2,409	2,869
Machinery and Equipment	17,032	36,574
Course Improvements	<u>396,435</u>	<u>416,492</u>
<b>Total Capital Assets</b>	<b><u>\$ 415,876</u></b>	<b><u>455,935</u></b>

Assets are shown above net of accumulated depreciation.

**Elizabethton Municipal Golf Course  
Management's Discussion and Analysis  
March 31, 2018**

**Debt**

The Golf Course maintains Capital Leases and Operational Leases to help with financing equipment necessary for the operations and maintenance of the course.

Capital leases are for Turf equipment to maintain the course which consists of mowers, turf vehicle with sprayer attachment and a utility vehicle with dump bed. The cost of the asset, the depreciation expense and the related schedule is located on page 19 of the Notes to the Financial Statements.

Operational leases are for the driving range and golf carts. The information for these two items can be found beginning on Page 20 of the Notes to the Financial Statements.

**Summary of Changes in Net Position**

	<b>Nine Months Ending 3-31-18</b>	<b>Fiscal Year 2017</b>
Operating Revenue		
Cart Rentals	\$ 28,592	52,359
Green Fees	136,456	175,882
Membership Dues	107,591	133,078
Cart Storage Fees	-	100
Driving Range Income	11,829	18,772
Locker and Club Rental	330	916
Tournaments	1,167	38,000
Other Income	5,476	5,542
Outing Income	35,841	56,805
USGA Handicap	37	438
Vending	11,092	25,138
Contribution	25,000	186,065
	<hr/>	<hr/>
Total Operating Revenues	363,411	693,095

**Elizabethton Municipal Golf Course  
Management's Discussion and Analysis  
March 31, 2018**

**Summary of Changes in Net Position (continued)**

	<b>Nine Months Ending 3-31-18</b>	<b>Fiscal Year 2017</b>
Operating Expenses		
Wages and Employee Benefits	225,889	290,291
Repairs and Maintenance	37,518	123,313
Insurance-General	8,194	10,557
Utilities	24,161	37,261
Fuel Purchase	12,548	17,283
Administrative and General	6,380	15,526
Handicap Service	26	2,578
Tournaments	1,855	2,025
Club House Expense	1,761	582
Rent and Rental Expense	10,125	13,500
Leases	18,725	31,961
Depreciation	40,060	61,663
Sales and Marketing	-	141
Professional Services	26,666	29,455
Bank Fees	5,824	8,179
	<u>419,732</u>	<u>644,315</u>
Total Operating Expenses		
	<u>419,732</u>	<u>644,315</u>
Net Operating Income (Loss)	<u>(56,321)</u>	<u>48,780</u>
NONOPERATING REVENUES(EXPENSES)		
Interest Income	59	43
Loss on Inventory	-	(5,747)
Interest Expense	(6,074)	(9,809)
	<u>(6,015)</u>	<u>(15,513)</u>
TOTAL NONOPERATING REVENUES(EXPENSES)		
	<u>(6,015)</u>	<u>(15,513)</u>
Change in Net Position	<u>(62,336)</u>	<u>33,267</u>
Net Position, Beginning	461,208	427,941
Net Position, Ending	<u>\$ 398,872</u>	<u>461,208</u>

**Elizabethton Municipal Golf Course  
Management's Discussion and Analysis  
March 31, 2018**

**Total Net Position Sheet Summary**

Total net position decreased in the amount of \$62,336 for the nine months ending March 31, 2018. The decrease is due to changes within revenues and expenses and discussed above.

Detailed audit information about the Golf Course can be obtained by contacting the golf course at:

Elizabethton Municipal Golf Course  
185 Buck Van Huss Drive  
Elizabethton, TN 37643  
Phone (423) 542-8051

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**March 31, 2018**

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ASSETS

Current Assets

Cash and Cash Equivalents	\$ 39,246
Inventories	20,584
Prepaid Expense	<u>291</u>

Total Current Assets 60,121

Property, Plant and Equipment

Cost	2,374,148
Less: Accumulated Depreciation	<u>(1,958,272)</u>

Net Property, Plant and Equipment 415,876

TOTAL ASSETS \$ 475,997

(Continued)

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**March 31, 2018**

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LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 23,581
Accrued Payroll Taxes	2,963
Unearned Revenue	20,779
Capital Leases	<u>14,709</u>
Total Current Liabilities	62,032
Long-Term Liabilities	
Capital Leases	<u>15,093</u>
TOTAL LIABILITIES	77,125
NET POSITION	
Net Investment in Capital Assets	386,074
Restricted	874
Unrestricted	<u>11,924</u>
TOTAL NET POSITION	<u>398,872</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 475,997</u></u>

The notes to the financial statements are an integral part of this statement.



**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Period Ended March 31, 2018**

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OPERATING REVENUE		
Cart Rentals	\$ 28,592	
Green Fees	136,456	
Membership Dues	107,591	
Driving Range Income	11,829	
Locker and Club Rental	330	
USGA Handicap	37	
Tournaments	1,167	
Outing Income	35,841	
Vending	11,092	
Contributions - City of Elizabethton	25,000	
Other Income	<u>5,476</u>	
 TOTAL OPERATING REVENUE		 363,411
OPERATING EXPENSES		
Wages and Employee Benefits	225,889	
Repairs and Maintenance	37,518	
Utilities	24,161	
Fuel Purchases	12,548	
Administrative and General	6,380	
Insurance	8,194	
Handicap Service	26	
Club House	1,761	
Tournaments	1,855	
Rent and Rental Expenses	10,125	
Leases	18,725	
Depreciation	40,060	
Professional Services	26,666	
Bank and Credit Card Fees	<u>5,824</u>	
 TOTAL OPERATING EXPENSES		 <u>419,732</u>

(Continued)

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For the Period Ended March 31, 2018**

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NET OPERATING INCOME (LOSS)		(56,321)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	59	
Interest Expense	<u>(6,074)</u>	
TOTAL NONOPERATING REVENUES (EXPENSES)		<u>(6,015)</u>
Change in Net Position		(62,336)
Net Position, July 1, 2017		<u>461,208</u>
Net Position, March 31, 2018		<u><u>\$ 398,872</u></u>

The notes to the financial statements are an integral part of this statement.

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**For the Period Ended March 31, 2018**

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CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 315,401	
Cash Payments to Suppliers for Goods and Services	(164,975)	
Cash Payments for Employee Services and Benefits	<u>(239,516)</u>	
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		(89,090)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on Leases Payable	(14,383)	
Interest Paid	<u>(6,074)</u>	
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		(20,457)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	<u>59</u>	
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES		<u>59</u>
Net Increase (Decrease) in Cash and Cash Equivalents		(109,488)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>148,734</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>\$ 39,246</u></u>

(Continued)

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**For the Period Ended March 31, 2018**

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RECONCILIATION OF NET OPERATING INCOME (LOSS) TO	
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (56,321)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash	
Provided by (Used for) Operating Activities:	
Depreciation Expense	40,060
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	4,097
(Increase) Decrease in Inventories	(15,392)
Increase (Decrease) in Accounts Payable	5,128
Increase (Decrease) in Accrued Payroll	(11,620)
Increase (Decrease) in Accrued Payroll Taxes	(2,007)
Increase (Decrease) in Sales Tax Payable	(928)
Increase (Decrease) in Unearned Revenue	<u>(52,107)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (89,090)</u>

The notes to the financial statements are an integral part of this statement.

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Information**

On April 4, 1988, a nonprofit corporation was chartered with the State of Tennessee to operate the golf course as a public benefit corporation. Until April 1, 2018, the Elizabethton Municipal Golf Course (the Golf Course) was managed and maintained by the Board of Directors at the will of the Elizabethton City Council and operated as a component unit of the City of Elizabethton, Tennessee (the City). Effective April 1, 2018, the Golf Course's Board of Directors was abolished by the City, and all operations of the Golf Course were taken over by the City. Beginning on April 1, 2018, the Golf Course began operating as a fund of the City. Amounts presented in the financial statements are for the time period of July 1, 2017 through March 31, 2018. At April 1, 2018 operating balances were in essence transferred to the City.

The City Council is responsible for establishing procedures, and formulating and adopting all policies of the Golf Course.

Operating revenue includes membership dues, rentals, tournaments, vending and user fees. Non-operating revenue includes interest income.

**Significant Accounting Policies**

A. Basis of Accounting

The economic resources measurement focus and the accrual basis of accounting are utilized by the Golf Course. Revenue is recognized in the period in which it is earned and measurable. Likewise, expenses are recognized when incurred, if measurable. Accordingly, all of the Golf Course's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position in accordance with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in a local financial institution. The Golf Course considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

C. Inventories

Inventories of fertilizer, chemicals, gas, and diesel and concession items are stated at the lower of cost or market determined by the first-in, first-out method.

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

D. Property, Plant and Equipment

Property, plant and equipment acquired prior to January 1, 1986 have been reported at the estimated cost because records of acquisition were not maintained. Property, plant and equipment purchased after January 1, 1986 are recorded at cost. The Golf Course capitalizes assets that have a life of five years or more and costs more than \$5,000. The land occupied by the Golf Course is owned by the City. Expenses for maintenance and repairs which do not improve or extend the life of assets, are charged to expense as incurred.

Depreciation has been computed on the straight-line basis with one-half year convention in the year of acquisition. Fixed asset lives are as follows:

Major Course Renovation	40 Years
Course Improvements	15 Years
Building Improvements	7 to 15 Years
Machinery and Equipment	5 to 7 Years
Office Equipment	5 to 7 Years

E. Unearned Revenue

Unearned revenue includes unearned membership dues and unearned tournament fees which represent resources received in advance of an exchange transaction.

F. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position resources are available, the Golf Course's policy is to apply restricted net position first.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

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**NOTE 2 - CASH DEPOSITS WITH A FINANCIAL INSTITUTION (CONTINUED)**

As part of normal business operations, the Golf Course maintains deposit accounts with a financial institution. Deposits on the Statement of Net Position include demand deposits and savings accounts. The carrying amount of the Golf Course's deposits with the financial institution was \$37,846 and the financial institution balance was \$41,883. Carrying amounts differ from the financial institution balances primarily due to outstanding checks and deposits in transit.

The cash and cash equivalents on the Statement of Net Position include \$1,400 of cash on hand. State statutes require all deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits. The bank deposits are insured up to the Federal Deposit Insurance Corporation (FDIC) limit. The excess is covered by the State of Tennessee Collateral Pool. The Golf Course does not have a policy for interest rate risk or for credit risk other than pledging securities for amounts in excess of the FDIC coverage.

**NOTE 3 - PROPERTY, PLANT AND EQUIPMENT**

Capital asset activity for the period ended March 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Building and Building Improvements	\$ 72,334	-	-	72,334
Machinery and Equipment	796,693	-	-	796,693
Vehicles	4,500	-	-	4,500
Office Equipment	13,442	-	-	13,442
Course Improvements	1,480,389	-	-	1,480,389
Carts, Range and Other	6,790	-	-	6,790
Total Capital Assets, Being Depreciated	<u>2,374,148</u>	<u>0</u>	<u>0</u>	<u>2,374,148</u>
Less Accumulated Depreciation For				
Building and Building Improvements	(69,464)	(461)	-	(69,925)
Machinery and Equipment	(760,119)	(19,542)	-	(779,661)
Vehicles	(4,500)	-	-	(4,500)
Office Equipment	(13,442)	-	-	(13,442)
Course Improvements	(1,063,897)	(20,057)	-	(1,083,954)
Carts, Range and Other	(6,790)	-	-	(6,790)
Total Accumulated Depreciation	<u>(1,918,212)</u>	<u>(40,060)</u>	<u>0</u>	<u>(1,958,272)</u>
Net Capital Assets, Being Depreciated	<u>\$ 455,936</u>	<u>(40,060)</u>	<u>0</u>	<u>415,876</u>

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

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**NOTE 4 - LEASE OBLIGATIONS**

**Capital Leases**

The Golf Course leases various mowing and turf equipment from several financing companies. The economic substance of the leases is that the Golf Course is financing the acquisition of the assets through the leases and, accordingly, the leases are recorded in the Golf Course's assets and liabilities. Capital leases reflect the transfer of risks and benefits associated with the asset to the lessee. During the period ended March 31, 2018, the Golf Course obtained no new capital leases.

Additionally, all capital leases held under one leasing company were consolidated into one lease in March of 2016. Under the agreement, there will be eight annual payments. The consolidated lease is set to mature in November 2019.

The following is an analysis of leased assets included in the equipment of the Golf Course.

Various Mowing and Turf Equipment	\$147,373
Less: Accumulated Depreciation	<u>(133,101)</u>
	<u>\$ 14,272</u>

Amortization of assets held under capital leases is included with depreciation expense.

During the period ended March 31, 2018, the following debt transactions occurred.

	Balance Beginning of Period	Additions	Reductions	Balance End of Period	Due Within One Year
Capital Lease - Various Equipment	\$ 34,463	-	5,856	28,607	13,514
Capital Lease - Toro Groundmaster	9,722	-	8,527	1,195	1,195
	<u>\$ 44,185</u>	<u>0</u>	<u>14,383</u>	<u>29,802</u>	<u>14,709</u>

The following presents future minimum lease payments as of March 31, 2018:

<u>Period Ending March 31</u>	
2019	\$ 19,969
2020	16,417
Less: Interest	<u>(6,584)</u>
Present Value of Minimum Lease Payments	<u>\$ 29,802</u>



**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
March 31, 2018**

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**NOTE 4 - LEASE OBLIGATIONS (CONTINUED)**

**Operating Leases**

The Golf Course leases property to be used as a driving range. In addition to the \$1,125 monthly lease payment, the Golf Course is required to pay all utility bills, business taxes or fees and carry public liability insurance on the property. The Golf Course is also responsible for payment to the lessor one-third of all driving range annual income received in excess of \$22,500 as a lump sum annually. The lease agreement matured March 1, 2014. A new agreement has not been entered into as of the period ended March 31, 2018. Total lease expense for the period was \$10,125.

In January 2015, the Golf Course entered into a new operating lease for golf carts. Eight payments of principal and interest of \$4,495 and the final payment on the term of the lease will be due in fiscal year 2020. Total lease expense, including interest, for the period was \$18,725.

Future payments required under the operating leases are as follows:

Period Ending March 31	Amount
2019	\$ 35,952
2020	17,976
	<u>\$ 53,928</u>

**NOTE 5 - INCOME TAX STATUS**

The Golf Course qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

**NOTE 6 - RISK MANAGEMENT ACTIVITIES**

The Golf Course carries insurance coverage and is insured by City policies through the Tennessee Municipal League (TML) Risk Management Pool for worker's compensation, general liability, automobile coverage, and errors and omission coverage. There was no reduction in insurance coverage from the prior year and the Golf Course has not had any settlements in the last five years which were not covered by insurance.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

Total operating contributions from the City were \$25,000 for the period ended March 31, 2018. This contribution was for the general operations of the golf course.

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**March 31, 2018**

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**NOTE 8 - ACCOUNTING FOR UNCERTAIN TAX POSITIONS**

Although the Golf Course does not follow the Financial Accounting Standards Board (FASB) Accounting Standards Codification guidance for their accounting, they do follow FASB ASC guidance on accounting for uncertainty in income taxes recognized in an organization’s financial statements. As of March 31, 2018, the Golf Course had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Golf Course’s policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest or penalties were recorded during the period ended March 31, 2018.

**NOTE 9 - MANAGEMENT AGREEMENT**

On April 1, 2018, the City of Elizabethton entered into an agreement with Hampton Golf, Inc. to manage the day-to-day operations of the Golf Course. The agreement calls for the Golf Course to pay Hampton Golf, Inc. a monthly management fee of \$4,000 and a monthly centralized services fee of \$3,500, as well as reimbursable out-of-pocket expenses. Golf Course expenditures are to be funded by Golf Course revenues with the City paying for any excess expenditures over revenues. Under the agreement, the Golf Course will be staffed by Hampton Golf, Inc. employees.

**NOTE 10 - TRANSFER OF GOLF COURSE OPERATIONS**

On April 1, 2018, the City passed a resolution abolishing the Golf Course’s Board of Directors. On that date, the Golf Course became an enterprise fund of the City. The City Council will now act as the governing body of the Golf Course and its operations. On April 1, 2018, the Golf Course transferred the following assets and liabilities comprising its operations to the City:

Transferred Balances	Carrying Values
Transferred Assets	
Cash and Cash Equivalents	\$ 39,246
Inventories	20,584
Prepaid Expense	291
Property, Plant and Equipment, Net of Accumulated Depreciation	415,876
Total Transferred Assets	475,997
Transferred Liabilities	
Accounts Payable	23,581
Accrued Payroll Taxes	2,963
Unearned Revenue	20,779
Capital Leases	29,802
Total Transferred Liabilities	77,125
Net Position of Transferred Golf Course Operations	\$ 398,872

**SUPPLEMENTAL  
INFORMATION**

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF MEMBERSHIP RATES IN FORCE  
For the Period Ended March 31, 2018**

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Dues for Membership Year April 1, 2017 to March 31, 2018:

New Member Membership (1 Year Only)	\$ 600
Regular Membership (Under Age 65)	880
Senior Membership (Age 65-79)	740
Spouse Membership (Regular or Senior)	445
Super Senior Membership (Age 80 and above)	300
Spouse Membership (Super Senior)	200
Limited Membership (Monday-Thursday)	650
Junior Membership (Full-Time Students only)	250
Junior Membership (35 Years and Younger)	600

As approved by the Board of Directors, all cart fees, trail fees, club storage, and lockers are to be paid in full by April 1.

Locker Fee (Regular)	\$ 32
Handicap Service	26
Club-Owned Cart Unlimited Play	1,200
Private Cart Unlimited Play	1,200
Cart Storage	100
Range Balls	8
Unlimited Range Membership	480
Unlimited Range Membership @ \$5 a bucket	200
Junior Range Membership	330
Riding Fee (18 Holes)	12
Riding Fee (9 Holes)	6

(Continued)

**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF MEMBERSHIP RATES IN FORCE**  
**For the Period Ended March 31, 2018**

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	<u>Weekends</u>	<u>Weekdays</u>
<u>Summer Rates (April 1<sup>st</sup> - October 31<sup>st</sup>)</u>		
Green Fees (includes cart)		
Eighteen Holes	\$ 33.00	\$ 28.00
Nine Holes	\$ 18.00	\$ 15.00
Early Bird (Sunday 8:00am - 11:00am with Cart)	\$ 25.00	\$ 25.00
Twilight Rate (Saturday, Sunday, and Holidays after 4:00pm)	\$ 25.00	\$ 25.00
Green Fees (Walking)		
Eighteen Holes	\$ 20.00	\$ 15.00
Nine Holes	\$ 15.00	\$ 12.00
Junior Green Fees (Under the age of 16 and Walking)		
Unlimited Holes	\$ 15.00	\$ 10.00
Cart Rentals (Per Rider)		
Eighteen Holes	\$ 10.00	\$ 10.00
Nine Holes	\$ 5.00	\$ 5.00
Range Balls	\$ 8.00	\$ 8.00
<u>Winter Rates (November 1<sup>st</sup> - March 31<sup>st</sup>)</u>		
Green Fees (includes cart)		
Eighteen Holes	\$ 30.00	\$ 25.00
Green Fees (Walking)		
Eighteen Holes	\$ 20.00	\$ 15.00

See Independent Auditors' Report.

## **SECTION III**

### **INTERNAL CONTROL AND COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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 Mayor, City Council Members and  
City Manager  
City of Elizabethton Municipal Golf Course

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 business-type activities of the Elizabethton Municipal Golf Course (the Golf Course), a component unit of the City of Elizabethton, Tennessee, as of and for the nine-month period ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Golf Course's basic financial statements and have issued our report thereon dated December 4, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Golf Course'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Golf Course's internal control. Accordingly, we do not express an opinion on the effectiveness of the Golf Course's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2018-001 and 2018-002.

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. 2018-003 through 2018-007.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Golf Course's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-001 through 2018-007.

## **The Golf Course's Response to Findings**

The Golf Course's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Golf Course's response and plans to address the findings are described in the accompanying corrective action plan. The Golf Course's response and corrective action plan were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

*Blackburn, Childers + Steagall, PLLC*

BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 4, 2018



**ELIZABETHTON MUNICIPAL GOLF COURSE**  
**A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**For the Period Ended March 31, 2018**

**Financial Statement Findings**

Prior Year Finding Number		Finding Title		Status / Current Year Finding Number
2008-003		Segregation of Duties (original finding No. 2008-003)		Repeated / 2018-003
2016-003		Lack of Supporting Documentation (original finding No. 2016-003)		Repeated / 2018-007
2017-001		Purchasing (original finding No. 2017-001)		Repeated / 2018-006
2017-002		Internal Control Policy (original finding No. 2017-002)		Repeated / 2018-004

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
March 31, 2018**

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

***2018-001: Material Weakness: Lack of Supporting Documentation***

**Condition:** Full and complete receipt and deposit supporting records were not located for the month of March. Multiple inquiries were made with current Golf Course management and prior Golf Course officials seeking to locate these records.

**Criteria:** To enhance internal controls, all transactions should be properly supported with original documentation, such as cash register receipt tapes, deposit records and daily sales reports. Such documentation should be properly maintained and safeguarded for audit purposes.

**Effect:** The effect of this weakness is an overall weakness in internal control.

**Recommendation:** All transactions and balances should be supported by the appropriate documentation.

**Management's Response:** All receipts and deposits for daily sales will be maintained and safe guarded for audit purposes.

***2018-002: Material Weakness: General Ledger Maintenance***

**Condition:** During the audit process, Golf Course management relied on Blackburn, Childers & Steagall, PLC to have a significant role in reconciling and adjusting the general ledger and ensuring its completeness during that process, including reconciling and/or adjusting financial areas such as leases payable, inventory, accumulated depreciation, deferred revenue, accounts payable, accounts receivable, and accrued wages.

**Criteria:** While we may be able to assist, management should remain aware that it is their responsibility to properly account for financial activity and balances of the Golf Course. In addition, the general ledger should reconcile to supporting documentation, and spreadsheets or ledger adjustments should support accounting for activities conducted by the Golf Course.

**Effect:** Material adjustments to and reclassifications of the general ledger were required to properly reflect the transactions that occurred during the period and to properly reflect the Golf Course's financial position at period-end. In addition, the Golf Course's management relied on Blackburn, Childers & Steagall, PLC to have a significant role in drafting or assisting with the required adjustments and properly closing the Golf Course's general ledger.

**Recommendation:** The Golf Course should properly record all transactions in the general ledger and adjust the period-end trial balance to properly close the general ledger. Also, the Golf Course should provide supporting documentation that reconciles to the closed trial balance and other reconciliations.

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
March 31, 2018**

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**FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

***2018-002: Material Weakness: General Ledger Maintenance (Continued)***

***Management's Response:*** All transactions will be properly and timely recorded in the general ledger. Supporting documentation will be on hand to reconcile all reconciliations and closed trial balances.

***2018-003: Significant Deficiency: Segregation of Duties (Repeat of Prior Year Finding 2008-003)***

***Condition:*** It was noted that in a majority of cases the same individual completes most of the accounting functions. Indication of review and sign off of bank statements and related reconciliations was not always clearly evident.

***Criteria:*** Internal controls are designed to safeguard assets. A fundamental concept in a good system of internal control is the segregation of duties, monitoring and oversight.

***Effect:*** This deficiency results in an opportunity for errors to be made and not timely detected. This increases the risk exposure to the Golf Course.

***Recommendation:*** Tasks should be segregated to the extent possible and provide for an overall component of review and monitoring.

***Management's Response:*** The new management company that has been contracted to run the golf course will have an appropriate amount of employees to segregate the different duties so that the same individuals will not be doing multiple jobs. This action will follow the internal control policies of the City of Elizabethton.

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
March 31, 2018**

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**FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

***2018-004: Significant Deficiency: Internal Control Policy (Repeat of Prior Year Finding 2017-002)***

**Condition:** The Golf Course does not have a documented system of internal controls as required by Tennessee Code Annotated, Section 9-18-102(a). The Tennessee Code indicates that a system of internal control is required for year ended June 30, 2016. The system of internal control must be documented in writing. Every system of internal control must include the five components of internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring. As of March 31, 2018, this has not been put into place.

**Criteria:** Section 9-18-102(a), Tennessee Code Annotated, was amended to expressly require each county, municipal, and metropolitan government to establish and maintain internal controls.

**Effect:** The effect of this deficiency creates the possibility that misstatements, fraud, waste or abuse could occur and not be caught and corrected timely.

**Recommendation:** We recommend the Golf Course document in writing an internal control policy as prescribed by state statute.

**Management's Response:** This was noted. We will be adhering to the legalities and will observe City of Elizabethton internal control policies.

***2018-005: Significant Deficiency: Excess Expenditures over Revenues***

**Condition:** The Golf Course has a net decrease in net position before contributions of (\$56,321).

**Criteria:** State statutes require enterprise funds to be self-supporting.

**Effect:** The effect of this deficiency results in an overall violation of sound business practices.

**Recommendation:** Revenues and expenses should be reviewed to provide adequate income for this fund. Monthly budgets and financial reports should be prepared and reviewed.

**Management's Response:** Management will work to create a business plan by increasing numbers of rounds played to increase revenues and at the same time decrease or remain steady on expenditures.

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
March 31, 2018**

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**FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

***2018-006: Significant Deficiency: Purchasing (Repeat of Prior Year Finding 2017-001)***

**Condition:** Documentation was not always adequate regarding purchasing procedures (i.e. cash disbursements and credit card purchases). Instances were noted in which proper approval of a purchase order was improper, detailed receipts were not located for support of charges, a price quote was not located for one disbursement and another disbursement lacked proper support.

**Criteria:** To enhance internal controls, all disbursements should be properly supported with original documentation such as invoices, receiving reports, sales receipts or other support. Additionally, the purchase should have a stated purpose. When applicable, price inquiries, price quotes and/or bids should be in place.

**Effect:** The effect of this deficiency is an increase in risk over the purchasing process.

**Recommendation:** All purchases should be properly supported with proper approval, purchase order, and receipts.

**Management's Response:** Purchasing documentation procedures will be implemented to follow internal control policies. All purchases will have required documentation including invoices, quotes, order acknowledgements, ship tickets and purchase orders if required. Open purchases not requiring P.O.'s, will need proper approvals with appropriate signatures.

***2018-007: Significant Deficiency: Lack of Supporting Documentation (Repeat of Prior Year Finding 2016-003)***

**Condition:** We noted payments made to an employee that were not properly supported (i.e. lacked purchase orders, proper approval, invoices/written support for the charges filed for reimbursement). Bonuses and pay raises were noted as being paid during the period ended March 31, 2018. There is no indication that these were approved by the Board.

**Criteria:** To enhance internal controls, all disbursements should be properly supported with original documentation such as invoices, sales receipts or other support. The appropriate level of management needs to review the supporting documentation and approve the payment. Based on the by-laws, the Board of Directors are supposed to meet monthly. Per the by-laws, the Board has oversight for approving bonuses and pay during the budget process.

**Effect:** The effect of this deficiency creates the possibility that an employee could approve their own reimbursement that lacks the proper support. Additionally, this deficiency creates the possibility that events may occur that were not formally approved by the proper level of authority.

**ELIZABETHTON MUNICIPAL GOLF COURSE  
A COMPONENT UNIT OF THE CITY OF ELIZABETHTON, TENNESSEE  
SCHEDULE OF FINDINGS AND RESPONSES  
March 31, 2018**

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**FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

***2018-007: Significant Deficiency: Lack of Supporting Documentation (Repeat of Prior Year Finding 2016-003) (Continued)***

***Recommendation:*** All disbursements should be supported by the appropriate documentation depending on the purpose of the disbursement. Additionally, all policies, pay raises, and bonuses need to be formally approved by the Board and the approval should be documented within the Board minutes.

***Management's Response:*** Since the board has been disassembled, the management company contracted by the City of Elizabethton will approve bonuses or raises if needed for employees during the budgeting process. Reimbursements will require the appropriate documentation and approvals by management.

**SECTION IV**

**MANAGEMENT'S CORRECTIVE ACTION PLAN SECTION**



**CITY OF ELIZABETHTON**  
**TENNESSEE**  
136 S. SYCAMORE ST.  
ELIZABETHTON, TN 37643-3328  
(423) 542-1504 - FAX (423) 542-1510

**Deborah B. Kessler**  
**Finance Director/City Clerk**  
[dkessler@cityofelizabethton.org](mailto:dkessler@cityofelizabethton.org)

**December 4, 2018**

Elizabethton Municipal Golf Course  
Management's Corrective Action Plan  
For the Period Ending March 31, 2018.  
Corrective Action -- Financial Statement Findings

**2018-001: Material Weakness: Lack of Supporting Documentation**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton  
Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
All receipts and deposits for daily sales will be maintained and safe guarded for audit purposes.

**2018-002: Material Weakness: General Ledger Maintenance**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton  
Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
All transactions will be properly and timely recorded in the general ledger. Supporting documentation will be on hand to reconcile all reconciliations and closed trial balances.

**2018-003: Significant Deficiency: Segregation of Duties**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton  
Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
The new management company that has been contracted to run the golf course will have an appropriate amount of employees to segregate the different duties so that the same individuals will not be doing multiple jobs. This action will follow the internal control policies of the City of Elizabethton.

**2018-004: Significant Deficiency: Internal Control Policy**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant



Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
This was noted. We will be adhering to the legalities, and will observe City of Elizabethton internal control policies.

**2018-005: Significant Deficiency: Excess Expenditures over Revenues**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
Management will work to create a business plan by increasing numbers of rounds played to increase revenues and at the same time decrease or remain steady on expenditures.

**2018-006: Significant Deficiency: Purchasing**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
Purchasing documentation procedures will be implemented to follow internal control policies. All purchases will have required documentation including invoices, quotes, order acknowledgments, ship tickets and purchase orders if required. Open purchases not requiring PO's will need proper approvals with appropriate signatures.

**2018-007: Significant Deficiency: Lack of Supporting Documentation**

Response and Corrective Action Plan Prepared by: Travis Hill, Accountant  
Person Responsible for Implementing the Corrective Action: Chad Odom, Hampton Golf  
Anticipated Completion Date of Corrective Action: See below  
Planned Corrective Action:  
Since the board has been disassembled, the management company contracted by the City of Elizabethton will approve bonuses or raises if needed for employees during the budgeting process. Reimbursements will require the appropriate documentation and approvals by management.

*Sincerely,*



**Deborah B. Kessler**  
*Finance Director/City Clerk*