

GATLINBURG TOURISM DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2023

GATLINBURG TOURISM DEVELOPMENT AUTHORITY

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INTRODUCTORY SECTION



GATLINBURG TOURISM DEVELOPMENT AUTHORITY

Roster of Officials December 31, 2023

<u>Official</u>	<u>Title</u>
Logan Coykendall	Chair
Beau Massey	Vice Chair
Mark Adams	Treasurer
Maggie Bowers	Secretary
Woods Hippensteal	Parliamentarian
Gus Floodquist	Elected Director
Robert (Bob) Bentz	Elected Director
David Faulkner	Elected Director
Davy Thomas	Elected Director
Mike Fowler	Elected Director
Sid Maples	Elected Director
Dan Booth	Elected Director
Randy Watson	Designated Director
Cornelia Dobbins	Designated Director
Dan Saffelder	Designated Director
Cassius Cash	GSMNPS, Ex-Officio
Trudy Hughes	Arrowmont, Ex-Officio
Doug Grote	Rocky Top Sports World, Ex-Officio
Mike Werner	City Mayor
Chad Reagan	City Commissioner
Cindy Ogle	City Manager
Robert Montgomery	City Appointee
Jackelyn Schafer	Past Chair
Chad Netherland	President/CEO of GCVB
Ann Barry	VP of Finance

FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gatlinburg Tourism Development Authority
Gatlinburg, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities for the Gatlinburg Tourism Development Authority (the "Authority"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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 Authority, as of December 31, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual and the Schedule of Expenditures of State Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 Revenues, Expenses and Changes in Net Position - Budget to Actual and the Schedule of Expenditures of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



To the Board of Directors
Gatlinburg Tourism Development Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2024, on our consideration of the Authority'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 Authority'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 Authority's internal control over financial reporting and compliance.

Nashville, Tennessee
June 12, 2024

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

Gatlinburg Tourism Development Authority was established in June of 2012. The mission is to promote and advertise the City of Gatlinburg and surrounding areas. To that purpose, Gatlinburg Tourism Development Authority is a Special-Purpose Government engaged only in business-type activities as a proprietary fund (enterprise fund) in accordance with the Governmental Accounting Standards Board. This Management’s Discussion and Analysis should be read in conjunction with Gatlinburg Tourism Development Authority’s financial statements and notes to the financial statements.

Overview of the Financial Statements

Gatlinburg Tourism Development Authority’s financial report consists of this Management’s Discussion and Analysis, financial statements, and notes to the financial statements. The Gatlinburg Tourism Development Authority’s financial statements are prepared using accounting principles generally accepted in the United States of America as applied to governmental units using the economic resources measurement focus and the accrual basis of accounting where revenues are recognized when earned and expenses recognized when incurred, regardless of the timing of the related cash flows.

Condensed Financial Information

Summary of Gatlinburg Tourism Development Authority’s net position as of December 31:

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	<u>\$7,664,689</u>	<u>\$7,093,339</u>
Liabilities:		
Current liabilities	1,292,020	1,306,823
Long-term liabilities	<u>100,859</u>	<u>74,721</u>
Total liabilities	<u>1,392,879</u>	<u>1,381,544</u>
Net Position:		
Unrestricted	<u>\$6,271,810</u>	<u>\$5,711,795</u>

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Summary of Gatlinburg Tourism Development Authority's operations for the year ended December 31:

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES:		
City funding	\$12,740,465	\$13,036,299
Chamber and Foundation funding	657,395	760,959
Welcome Center	216,867	227,148
Convention Center	1,314,780	1,438,704
Community Co-op	671,705	218,008
Other tourism revenues	<u>223,152</u>	<u>251,309</u>
TOTAL OPERATING REVENUES	<u>15,824,364</u>	<u>15,932,427</u>
OPERATING EXPENSES:		
Marketing and advertising	10,615,386	11,632,036
Events	621,181	485,522
Operational	1,014,984	1,052,052
Payroll	2,492,160	2,137,360
Repairs and maintenance	226,574	149,157
Welcome Center	152,153	159,781
Convention Center	<u>296,303</u>	<u>245,519</u>
TOTAL OPERATING EXPENSES	<u>15,418,741</u>	<u>15,861,427</u>
OPERATING INCOME	<u>405,623</u>	<u>71,000</u>
NON-OPERATING REVENUE:		
Interest income	<u>154,392</u>	<u>8,189</u>
CHANGE IN NET POSITION	560,015	79,189
NET POSITION, beginning of year	<u>5,711,795</u>	<u>5,632,606</u>
NET POSITION, end of year	<u>\$ 6,271,810</u>	<u>\$ 5,711,795</u>

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Analysis of the Overall Position and Results of Operations

The current period is the tenth (10th) year of operations for Gatlinburg Tourism Development Authority. The overall position from the results of operations is stronger due to increased performance of revenues from City Allocations, as aided by the incorporation of Convention Center.

Analysis of Balance and Transactions of Fund

Gatlinburg Tourism Development Authority consists of a proprietary fund (enterprise). The change in fund balance was not appreciably different than the business plan. There appears to be no restrictions, commitments, or other limitations significantly affecting the availability of fund resources for future use.

Analysis of Variations Between Original and Final Budget Amounts and Between Final Budget Amounts and Actual Budget Results

There appear to be no reasons or variations that are expected to have a significant effect on future services or liquidity.

At the date of this report, there is no information that management is aware of that is expected to have a significant effect on the financial position or results from operations (revenues, expenses, and other changes in net position).

Contacting the Gatlinburg Tourism Development Authority

This Management's Discussion and Analysis report is designed to provide readers with a general overview of Gatlinburg Tourism Development Authority's finances and to demonstrate the accountability for the money it receives. If you have questions about this report or need additional information, contact the Gatlinburg Tourism Development Authority's Director of Finance/HR at 234 Historic Nature Trail, Gatlinburg, Tennessee 37738, or by telephone 865-436-0517.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$ 6,585,915
Accounts receivable, net	90,842
Prepaid expenses	976,298
Prepaid bulk postage	11,634
Total current assets	7,664,689

Capital assets:

Furniture and equipment	17,912
Less: accumulated depreciation	(17,912)
Capital assets, net	-

Total assets	\$ 7,664,689
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LIABILITIES

Current liabilities:

Accounts payable	\$ 775,732
Accrued payroll and liabilities	80,782
Accrued vacation pay	83,368
Accrued retirement	1,703
Convention Center deposits	350,435
Total current liabilities	1,292,020

Long-term liabilities:

Convention Center deposits	100,859
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Total liabilities	1,392,879
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NET POSITION

Unrestricted net position	6,271,810
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Total liabilities and net position	\$ 7,664,689
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The accompanying notes are an integral part of the financial statements.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

OPERATING REVENUES	
Charges for services	<u>\$ 15,824,364</u>
OPERATING EXPENSES	
Co-op advertising	1,051,732
Internet hosting, maintenance, development and database	223,703
Digital media, traditional, social, booking and public relations	8,601,825
In-room vacation guide and television - WGAT	738,126
Chamber, Foundation, community events and education	621,181
Insurance	38,653
Personnel services	2,492,160
Dues and subscriptions	22,937
Miscellaneous operating expense	80,167
Office supplies, fees, postage and delivery	94,839
Printing and reproduction	14,152
Professional and contracted fees	23,894
Taxes and licenses	4,656
Telephone	52,281
Utilities	528,136
Travel, promotional, entertainment and trade shows	155,269
Repairs and maintenance	211,894
Rental equipment	14,680
Welcome Center consignment and costs	152,153
Convention Center operations	296,303
Total operating expenses	<u>15,418,741</u>
Operating income	405,623
NON-OPERATING REVENUES	
Interest income	<u>154,392</u>
CHANGE IN NET POSITION	560,015
NET POSITION, beginning of year	<u>5,711,795</u>
NET POSITION, end of year	<u><u>\$ 6,271,810</u></u>

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

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 15,872,425
Cash payments to or on behalf of employees	(2,480,420)
Cash payments to vendors and suppliers	<u>(13,509,889)</u>
Net cash used in operating activities	<u>(117,884)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income collected	<u>154,392</u>
Net cash provided by investing activities	<u>154,392</u>
 NET CHANGE IN CASH	
	36,508
 CASH AND CASH EQUIVALENTS, beginning of year	
	<u>6,549,407</u>
 CASH AND CASH EQUIVALENTS, end of year	
	<u><u>\$ 6,585,915</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating income	\$ 405,623
Adjustments to reconcile income to net cash used in operating activities:	
(Increase) decrease in current assets:	
Accounts receivable, net	(14,231)
Prepaid expenses	(524,321)
Prepaid bulk postage	3,710
Increase (decrease) in current liabilities:	
Accounts payable	(62,697)
Accrued expenses	11,740
Customer deposits	<u>62,292</u>
Net cash used in operating activities	<u><u>\$ (117,884)</u></u>

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

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization - The Gatlinburg Tourism Development Authority (the “Authority”) was formed by Resolution of the City of Gatlinburg on June 5, 2012, (date of inception) under the State of Tennessee Tourism Development Authority Act of 2012. The Authority is governed by a Board of Directors consisting of all voting members of the Gatlinburg Chamber of Commerce; the Gatlinburg City Manager; two Gatlinburg City Commissioners as designated by the City Commission; and an additional appointee of the Gatlinburg City Commission when the terms of the Authority Board members expire. The Authority is a public body, both corporate and political, performing a public function on behalf of the City of Gatlinburg. Additionally, the Authority is a public and governmental body acting as an agency and instrumentality of the municipality as a non-profit organization.

Purpose - The purpose of the Authority is to promote and advertise the City of Gatlinburg; operate and promote the Gatlinburg Convention Center; manage special events; publish and distribute a Visitor’s Guide; operate and maintain a website; operate a call center; operate and maintain Welcome Centers for the City of Gatlinburg; and such further efforts as it may undertake from time to time for the promotion of tourism in the City of Gatlinburg and the greater Gatlinburg area.

Reporting entity - The City of Gatlinburg does not have a voting interest or financial responsibility greater than fifty percent. The criteria for including organizations with the reporting entity, as set forth in GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 61, The Financial Reporting Entity: Omnibus, is financial accountability. Financial accountability is defined as appointment of a voting majority of a component unit’s board and either the ability to impose will by a primary government or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Financial accountability is held by Gatlinburg Tourism Development Authority and this report may be obtained from the Authority at 234 Historic Nature Trail, Second Floor, Gatlinburg, Tennessee 37738. The Gatlinburg Tourism Development Authority is not a component unit of the City of Gatlinburg, Tennessee.

Measurement focus, accounting basis and financial statement presentation - The Authority reports as an enterprise fund. Enterprise funds are classified as proprietary funds by the Governmental Accounting Standards Board (GASB) and are accounted for using a total economic resources measurement focus. Proprietary fund types are used to account for a government’s ongoing operations and activities, which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. Enterprise funds are used to finance and account for the acquisition, operation and maintenance of the facilities and services which are supported primarily by user charges.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. The financial statements of the Authority have been prepared on the accrual basis of accounting in conformity with accounting principles general accepted in the United States of America as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Net Position Classification - Net position represents the difference between assets and liabilities. Net position is classified into three components as defined below:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvements of those assets.

Restricted Net Position - This component of net position consists of restrictions placed on the use of net position through external constraints imposed by creditors, grantors, contributors, laws and regulations, contractual provisions or other governments or restrictions imposed by law through constitutional provision or enabling legislation.

Unrestricted Net Position - This amount is the net position that does not meet the definition of “restricted,” and are available for current use by the Authority.

When both restricted and unrestricted net position balances are available for use, it is the Authority’s policy to use restricted net position balance first, then use unrestricted net position.

Cash and cash equivalents - For purposes of the statements of net position and cash flows, the Authority considers certificates of deposit and highly liquid instruments with original maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable - The accounts receivable represents amounts billed to customers for media advertising and services. The Authority does not require collateral for accounts receivable arising from the normal course of business. The Authority maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. All accounts or portions thereof considered uncollectible or that require excessive collection costs are written off to the allowance for doubtful accounts. The Authority has evaluated their receivables and have recorded an allowance for doubtful accounts balance of \$3,265 for the year ended December 31, 2023.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets, including land, building, improvements and equipment are stated at cost less accumulated depreciation. Donated property and equipment are recognized at fair value on the date donated. Expenditures for additions, major renewals and betterments greater than \$5,000 generally are capitalized and those for maintenance and repairs are charged to expense as incurred. Upon the sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts and a gain or loss is reflected in the statement of revenues, expenses and change in net position. The Authority maintains the personal property of the City of Gatlinburg in the condition in which it was received. The City of Gatlinburg is responsible for repairs and maintenance of all real property used by the Authority.

Buildings, improvements and equipment are depreciated using the straight-line method over the following estimated lives:

	<u>Years</u>
Buildings	31
Building improvements	5 - 15
Furniture and equipment	5 - 20

There was no depreciation expense for the year ended December 31, 2023. There were no current year acquisitions.

Operating and non-operating - Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from charges for services for promotion of the City of Gatlinburg and the greater Gatlinburg area including various media advertising, operation of convention center, welcome and call centers, and special events in connection with the Authority’s ongoing operations. Revenue is recognized by the Authority once the events and services have occurred. Operating expenses include costs associated with promotion, media advertising, event and other services, administrative costs, and depreciation. All revenues and expenses not meeting the definitions of operating are reported as non-operating revenues and expenses.

Estimates and uncertainties - The presentation 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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Control - Formal budgetary integration is employed as a management control device during the year for the fund. Gatlinburg Tourism Development Authority's budget is prepared on a detailed line item basis using a cash flow basis of accounting for the fund's period. Revenues are budgeted by source, while expenditures are budgeted by department.

Convention Center deposits - The Authority records deposits made for rental reservations as liabilities and recognizes the deposits as revenue in the period in which the rental of the building occurs. Any entities that reserve the buildings for events in excess of twelve (12) months from the Authority's year end are considered long-term liabilities. At December 31, 2023, the Authority had a current rental deposit liability of \$350,435 and a long-term liability of \$100,859.

Compensated absences - Compensated absences are accrued for the following:

Holiday pay - Full-time employees are eligible for holiday benefits after 90 days of continuous employment. Holiday pay is paid on the next occurring payroll, if possible, and benefits do not apply to the employee past that period and are not carried forward.

Sick leave - Full-time employees will accrue sick leave following a 90-day period of full employment, at a rate of 1.85 hours per pay period, with the maximum accrual of 160 hours. Sick leave benefits will commence on the first day of such absence and shall continue for as long as sick leave credit remains. Sick leave does not apply to the employee post-employment and is expensed by the Authority as incurred.

Vacation - Full-time employees are eligible for annual vacation, but it may not be taken until the employee has completed 6 months of full service. Time is earned beginning with the first date of full-time employment. The benefit is calculated per payroll period of 26 periods per year. Employees with service less than 1 year accrue at a rate of 1.54 per pay period. Employees with service of 1 to 10 years accrue at a rate of 3.08 hours per pay period. Employees with 10 or more years of employment accrue at a rate of 4.62 hours per pay period. The maximum benefit calculated, per the policy schedule is 120 hours per year. Vacation time earned by an employee within a calendar year may be carried over to the following year, but the benefit does not cumulate past the one carried over year. As of December 31, 2023, \$83,368 is recorded as accrued vacation pay.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income taxes - The Authority as a governmental entity is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. In accordance with Internal Revenue Procedure 95-48, the Authority is exempt from filing a tax return.

B. CUSTODIAL CREDIT RISK - DEPOSITS

In the case of cash and cash equivalents, this is the risk that in the event of a bank failure, the Authority's deposits will not be returned. The Authority, from time to time maintains cash accounts, which may exceed federally insured amounts and may at times significantly exceed the statement of net position amounts due to outstanding checks. The Authority follows state law regarding collateralization of deposits, which requires collateral to be obtained on any deposits exceeding insurance coverage of the Federal Deposit Insurance Corporation (FDIC). At December 31, 2023, the book balances of the Authority for cash and cash equivalents were \$6,585,915 and the bank balances were \$6,712,978. During the course of the year, bank balances were covered by FDIC Insurance of \$250,000 and amounts in excess were covered by collateral held by the Tennessee Bank Collateral Pool Board of the State of Tennessee Treasury Department.

C. DEFINED CONTRIBUTION PLAN

The Authority maintains a defined contribution plan (401(k)) that covers full-time employees 21 years of age, and with 6 months of service. The name of the plan is Gatlinburg Convention and Visitors Bureau 401(k) Plan. The plan administrator is Gatlinburg Tourism Development Authority. Employees may enter the plan at any date they reach eligibility. Once employees are eligible to participate, 100 percent of their pay may be deferred, up to the maximum allowed under Internal Revenue Service regulations.

The employer match is discretionary (a contribution of 2 percent and a matching of up to 3 percent was made for the eligible employees for the period ended December 31, 2023). Contributions are paid per pay period and the employees are immediately vested at 100 percent. Employer contributions to the Plan were \$71,345 for the year ended December 31, 2023.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

D. OPERATING REVENUE BY MAJOR SOURCE

Operating revenue by major source for year ending December 31, 2023:

City funding	\$12,740,465
Chamber and Foundation funding	657,395
Welcome Center revenues	216,867
Convention Center revenues	1,314,780
Community Co-op	671,705
Other tourism revenues	<u>223,152</u>
Total operating revenue	<u>\$15,824,364</u>

E. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Because of this exposure, the Authority purchases commercial insurance for claims arising from these risks of loss. Management is not aware of any such conditions which would have a material effect on the Authority.

F. COMMITMENTS AND CONTINGENCIES

In the normal course of conducting its business, the Authority may be involved in legal proceedings. Due to the nature and scope of the Authority's business which brings it into regular contact with the general public, a variety of businesses, and government entities, the Authority is subject to the hazards of potential litigation, claims and assessments. Currently, management is not aware of any such conditions which would have a material adverse effect on the Authority.

G. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through June 12, 2024, the date on which the financial statements were available to be issued, and has determined there were no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION



GATLINBURG TOURISM DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGE
IN NET POSITION - BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts	Actual Amounts	Variance with Budget - Positive (Negative)
OPERATING REVENUES			
Charges for services	\$ 14,873,458	\$ 15,824,364	\$ 950,906
OPERATING EXPENSES			
Co-op advertising	925,434	1,051,732	(126,298)
Internet hosting, maintenance, development and database	158,500	223,703	(65,203)
Digital media, traditional, social, booking and public relations	7,970,066	8,601,825	(631,759)
Supplemental marketing	1,000	-	1,000
In-room vacation guide and television - WGAT	729,400	738,126	(8,726)
Chamber, Foundation, community events and education	619,631	621,181	(1,550)
Insurance	41,700	38,653	3,047
Personnel services	2,826,243	2,492,160	334,083
Dues and subscriptions	21,000	22,937	(1,937)
Miscellaneous operating expense	143,379	80,167	63,212
Office supplies, fees, postage and delivery	111,200	94,839	16,361
Printing and reproduction	20,000	14,152	5,848
Professional and contracted fees	30,000	23,894	6,106
Taxes and licenses	8,200	4,656	3,544
Telephone	65,000	52,281	12,719
Utilities	500,500	528,136	(27,636)
Travel, promotional, entertainment and trade shows	164,000	155,269	8,731
Repairs and maintenance	136,200	211,894	(75,694)
Rental equipment	15,780	14,680	1,100
Welcome Center consignment and costs	148,625	152,153	(3,528)
Convention Center operations	240,000	296,303	(56,303)
Total operating expenses	<u>14,875,858</u>	<u>15,418,741</u>	<u>(542,883)</u>
Operating income	(2,400)	405,623	408,023
NON-OPERATING REVENUES			
Interest income	<u>2,400</u>	<u>154,392</u>	<u>151,992</u>
CHANGE IN NET POSITION	-	560,015	560,015
NET POSITION, beginning of year	<u>5,711,795</u>	<u>5,711,795</u>	<u>-</u>
NET POSITION, end of year	<u>\$ 5,711,795</u>	<u>\$ 6,271,810</u>	<u>\$ 560,015</u>

See independent auditor's report.

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
 SCHEDULE OF EXPENDITURES OF STATE AWARDS
 YEAR ENDED DECEMBER 31, 2023

<u>State Grantor/Pass-through Agency/Program or Cluster Title</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
TENNESSEE DEPARTMENT OF TOURISM 2023 ARP Grant	73634	<u>\$ 442,898</u>
TOTAL STATE AWARDS		<u><u>\$ 442,898</u></u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE





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 Directors
Gatlinburg Tourism Development Authority

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 Gatlinburg Tourism Development Authority (the “Authority”), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated June 12, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing 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 Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’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 were not identified.



To the Board of Directors
Gatlinburg Tourism Development Authority

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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 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.

Nashville, Tennessee
June 12, 2024

GATLINBURG TOURISM DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
AND SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

CURRENT YEAR FINDINGS

None reported.

SUMMARY OF PRIOR YEAR FINDINGS

Prior Year Finding Number	Finding Title	Status / Current Year Finding Number
2022-0010	Minutes of the Executive Session Board Meetings Unavailable	Corrected