

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND

Sevierville, Tennessee

FINANCIAL STATEMENTS

June 30, 2009

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
Sevierville, Tennessee
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SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
Sevierville, Tennessee
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT OFFICIALS
18 Months Ending June 30, 2009

BOARD OF DIRECTORS (Note 9)

OFFICERS

- | | |
|---------------------|---------------|
| • Mr. Jack Delozier | Chairman |
| • Mr. Larry Waters | Vice-Chairman |
| • Mr. Matt Ballard | Secretary |
| • Mr. Rick Harrell | Treasurer |

MEMBERS

- Mr. David Ogle
- Mr. Jack Miller
- Mr. David Verble
- Mr. R.B. Summitt
- Mr. David Howard
- Mr. Billy Carroll
- Mr. Jim Galbraith
- Mr. Wes Farragut
- Mr. Chris Unberger
- Mr. Lisa Johnson
- Ms. Kelly Headden
- Mr. David Parella
- Mr. Phil Whaley

MANAGEMENT OFFICIALS

- | | |
|----------------------------|----------------------------|
| • Mr. Kenneth Allen Newton | Executive Director |
| • Ms. Madeline Radel | Executive Assistant |
| • Mr. Dennis Snider | Stadium Marketing Director |

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
Sevierville, Tennessee
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

FINANCIAL HIGHLIGHTS

The Sevier County Fair and Fairgrounds Fund has been calculated for this audit on an eighteen month period from January 2008 until June 2009. During this period the fund has net income of \$1,484.00. This figure has no comparable data due to the fact the previous audits were based on the fiscal year and not a eighteen month time period.

Total net assets is comprised of the following:

- Total assets of \$77,200.00. This includes total current assets, capital assets of property and equipment, and net accumulated depreciation. Current liabilities deduction of \$2,021.00 leaves total net assets of \$75,179.00 for the period ending June 30th, 2009.
- Total operating revenue for the eighteen month period was \$242,078.00. (This includes funds from both the Fairgrounds events and the 2009 Fair equaling \$158,550.00, added to the non operating revenue from Sevier County and other funding and grants of \$83,528.00). The total revenue exceeded the total expenses of \$240,594.00 for this period by \$1,484.00.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statement is intended to provide readers with an overview of the Fair and Fairgrounds Funds' finances. This statement includes: (1) statement of net assets;(2) statement of revenues, expenses and changes in Fund net assets; (3) statement of cash flows, and, (4) notes to the financial statement.

Statement of Net Assets is a statement presenting all of the Fairgrounds assets and liabilities, with the differences reported as Net assets. Over time increases or decreases in the Fairgrounds net assets may show if the financial position of the Fairgrounds is improving or deteriorating.

Statement of Revenues, expenses and changes in Fund Net Assets reports how the Fairground's net assets change during the time period indicated. All current revenues are included regardless of when cash was received or paid. This statement is designed to show the financial reliance of the Fairground's activities on revenues provided by Sevier county, sponsorship received for the Fair, either from government or private enterprise, and cash receipts from events and Fair activities.

Statement of cash flows shows the effect that financial events had on the balance of cash in the Fairground's accounts during the time period indicated in the financial highlights. It is useful in Planning major purchases or retirement of debt, it is not a measure of net income or loss.

Notes to the financial statement provides additional information for a full understanding of the financial statements. these notes begin immediately following the basic financial statements.

FINANCIAL ANALYSIS OF THE FAIR AND FAIRGROUNDS FUND

One of the most important questions about the Fairgrounds finances are: "Is the Fair and Fairgrounds Fund better off or worse due to this year's activities?" Over time increases or decreases in the Fund's net assets may show if the financial position of the Fund is improving or deteriorating. This current period shows a small increase, which indicated the Fund is in a stable condition financially.

Budgetary Highlights

The Fair and Fairgrounds Fund for the 18 month period indicated had continued to be managed by the Sevier County Economic Development Council. The Fair and Fairgrounds Fund adopts an annual operating budget based on a fiscal year end June 30th. The Fair and Fairgrounds Fund audit is required for the calendar year end of December 31st. Therefore, there is no related supplemental information available comparing Fund balances budget to actual.

Capital Assets

The Fund's investment in capital assets amounts to \$49,561 with accumulated depreciation of \$8,629 for year ending December 31st, 2009. Capital assets include leasehold improvements, fairgrounds equipment, and fixtures. Improvements to the Fairgrounds include:

- Repairs and remodeling Fairground offices.....\$3,000
- Install new double doors on Exhibit Hall entry....\$1,200
- Pave mid and rear grounds gate entrance area.....\$5,000
- remove deteriorated structure and place additional bleachers near show arena
- permanent marquee signs.....\$800
- remove structure and enclose opening at back
of cattle barn.....\$300
- Added more 220 power sources.....\$2,500
- added computer system and
internet for Fair offices.....\$1,200

Economic Factors and Future Needs

For the past 18 months ending in June 2009, the Sevier County Economic Development Council has continued to manage the Fair and Fairgrounds. In August of 2008 the SCEDC hired a full time Fair Director to manage the Sevier County Fair and to recruit events for the fairgrounds throughout the year. During this period the Fair Director worked with the SCEDC in developing sponsorships for the fair, plan and execute a marketing plan for the fair and fairground events(including fairgrounds web site). And all aspects of management of the fairgrounds. There are structural and building updates that currently need addressing at the fairgrounds. Also the yearly restoration and care of the grounds, including parking lot and grass area drainage. Water lines need updated to handle the flow and increased usage as more events are planned.

Historical Background

The Sevier County Fair Association was established and incorporated in August 1935. The original charter consisted of five members; Roy C. Marshall, John B. Waters, Burt Kitner, Wilburn McMahan and K.W.Cox. The original corporation was dissolved in August of 1984 . In 2006 the Economic Development Council was asked to run the fair so that it would not be postponed. The Corporation was reinstated in August, 2007, and is in effect as of the present. One of the original charter members John B. Waters currently holds the title of president of the Sevier County Fair Association. The current board currently consist of an additional fourteen members. The 2008 and 2009 Sevier County Fairest of the Fair winner was able to compete in the State Nashville pageant to represent Sevier County, due to the Sevier County Fair Association's reinstatement and each year the winner will continue to represent our county.

The 2008-2009 fairs have been a success with clean sanitary grounds, safe environment patrolled by our local officers for families.

Future Outlook

The Sevier County Fair Association's goal is to continue to provide a safe, clean family friendly experience for the community. By researching local entertainment, less expensive rental equipment (i.e. staging, sound, lighting etc.) target marketing and utilizing today's technology to reach our market, we feel we will increase the Sevier County Fair's gate traffic and revenue. By lowering the child admission to 10 years we are able to generate more revenue with no complaints. By offering the Fair as a venue for their act or event in exchange for increase gate traffic it may bring, we will be able to increase the profit by not having to pay out the expenses of hiring acts and events. Targeting more sponsorship is a main goal for the future fairs, and book events that will draw gate revenue for the fairgrounds throughout the year.

The fair will continue to showcase many favorite exhibits and programs such as livestock shows, home exhibits, Fairest of the Fair, dog shows and others. We will add additional promotional nights to increase the gate traffic. A continued partnership on presale tickets with the Smoky Mt Boys and Girls Clubs and the local schools as a fundraiser will generate revenue prior to the start of the fair.

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Member
Tennessee Society of
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sevier County Fair Association, Inc.
Sevierville, Tennessee

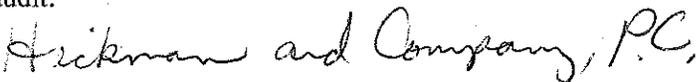
We have audited the accompanying financial statements of the Sevier County Fair and Fairgrounds Fund, as of, and for the 18 months ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Sevier County Economic Development Council, Inc. Our responsibility 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sevier County Fair and Fairgrounds Fund as of June 30, 2009, and the results of its operations and its cash flows for the 18 months then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 thru 4 are not part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards we have also issued a report dated February 22, 2010 on our consideration of the Sevier County Fair and Fairgrounds Fund's compliance and internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.


CERTIFIED PUBLIC ACCOUNTANTS
February 22, 2010

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND

Sevierville, Tennessee

STATEMENT OF NET ASSETS

For the 18 Months Ended June 30, 2009

ASSETS

Current:

Cash, Unrestricted	\$15,258
Due from S.C. Fair Association	10,994
Prepaid Insurance	1,387
<u>Total Current Assets</u>	<u>\$27,639</u>

Property and Equipment: (Note 1)

Fairgrounds Equipment	\$9,759
Fairgrounds Fixtures	12,558
Leasehold Improvements	35,873
Less: Accumulated Depreciation	(8,629)
<u>Net Property and Equipment</u>	<u>\$49,561</u>

TOTAL ASSETS \$77,200

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$956
Payroll Taxes Payable	1,065
<u>TOTAL LIABILITIES</u>	<u>\$2,021</u>

Net Assets:

Restricted Net Assets (Note 3)	\$75,179
<u>TOTAL NET ASSETS</u>	<u>\$75,179</u>

TOTAL LIABILITIES AND NET ASSETS \$77,200

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

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
 Sevierville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
 For the 18 Months Ended June 30, 2009

CHANGES IN UNRESTRICTED NET ASSETS:OPERATING REVENUE

Advertising Sales	\$22,000
Fair Sales	96,627
Rental Income	33,134
Other Income	6,789
<u>TOTAL OPERATING REVENUES</u>	<u>\$158,550</u>

OPERATING EXPENSES

Contract Labor	\$41,783
Fair Entertainment	27,221
Grounds Events	4,012
Awards and Prizes	10,632
Depreciation Expense	4,236
Advertising and Marketing	28,342
Cleaning and Supplies	4,207
Concessions Products	3,626
Dues & Subscriptions	1,580
Employee Wages	287
Insurance	13,089
Interest	4
Office Supplies and Expense	1,906
Licenses & Permits	225
Postage	1,133
Professional Fees	10,155
Rental Equipment	21,814
Repairs and Maintenance	18,383
Telephone & Internet	3,309
Travel and Entertainment	6,555
Utilities	36,868
Other Expenses	1,227
<u>TOTAL OPERATING EXPENSES</u>	<u>\$240,594</u>
Net Income from Operating Activities	(\$82,044)

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
Sevierville, Tennessee
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For the 18 Months Ended June 30, 2009

NON OPERATING REVENUES AND EXPENSES:

Funding & Grants	<u>83,528</u>
Net Income	\$1,484
NET ASSETS, Beginning of Year	87,655
Payment of Sevier Co. Mgmt. Fee (Note 7)	(10,000)
Prior Period Adjustment (Note 5)	<u>(3,960)</u>
NET ASSETS; END OF YEAR	<u><u>\$75,179</u></u>

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

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND

Sevierville, Tennessee

STATEMENT OF CASH FLOWS

For the 18 Months Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash from Advertising Sales	\$22,000
Cash from Fair Sales	96,627
Cash from Rental Income	33,134
Cash from Other Income	6,789
Cash Advance for Management Payroll (Note 8)	(10,521)
Cash Payments to Employees and Professional Services	(10,352)
Cash Payments for Costs of Sales	(96,067)
Cash Payments for other Goods and Services	(128,707)
<u>Net Cash Provided by Operating Activities</u>	<u>(\$87,097)</u>

CASH FLOWS FROM NON CAPITALFINANCING ACTIVITIES:

Cash from Funding & Grants	\$83,528
Cash Paid for Sevier County	(10,000)
<u>Net Cash Provided by Non-Capital Financing Activities</u>	<u>\$73,528</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Paid for Purchase of Fixed Assets	(5,945)
-----------------------------------	---------

Net Increase (Decrease) in Cash	(19,514)
Cash, Beginning of Year	34,772
<u>CASH, END OF YEAR</u>	<u>\$15,258</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

<u>OPERATING INCOME:</u>	(\$82,044)
<u>Adjustments to Reconcile Operating Income to Net Cash by Operating Activities:</u>	
Depreciation	4,236
(Increase) Decrease in Accounts Receivable	(10,994)
(Increase) Decrease in Prepaid Expenses	4,767
Increase (Decrease) in Accounts Payable	(4,122)
Increase (Decrease) in Taxes Payable	1,060
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>(\$87,097)</u>

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

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND

Sevierville, Tennessee

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –

The Organization –the Sevier County Economic Development Council was established as a not-for-profit organization for the purpose of coordinating governmental and private sector activities in attending businesses and industries to the Sevier County area. In 2006, the Sevier County Commission asked the Council to manage and operate the Sevier County Fair and Fairgrounds. This was to be renewed on an annual basis until another non-profit organization, the Sevier County Fair Association, could be organized to take over these duties. The Sevier County Economic Development Council is exempt from Federal income tax as an other than private foundation as described in the Internal Revenue Code Section 501(c) (6). Contributions to the organization are deductible for federal income tax purposes.

Fund Accounting and Basis of Accounting – The financial statements of the Sevier County Fair and Fairgrounds Fund have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Fair and Fairgrounds Fund applies all GASB pronouncements issued on or before November 30, 1989, unless the pronouncements conflict with or contradict GASB pronouncements. The more significant of the Fair and Fairgrounds Fund’s accounting policies are described below.

The fiscal year for the Fund has a calendar year end instead of the June 30, fiscal year end, which the Council recognizes. Because the original plan to turn the operation of the fair and grounds over to the Fair Association was delayed until June 30, 2009 this final audit is for an 18 month period.

The Sevier County Fair and Fairgrounds accounts are organized on the fund basis of accounting. The entity is a Proprietary Fund Type known as an Enterprise Fund.

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs are financed through user charges.

Proprietary funds are accounted for on a “flow of economic resources” measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the Statement of Net Assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses), in net total assets.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions and ancillary activities.

Budgets and Budgetary Accounting – An annual budget is adopted by the Sevier County Economic Development Council, Inc. for management of the Sevier County Fair and Fairgrounds Fund. The budget is prepared using the cash basis of accounting on a fiscal year end of June 30, 2009. Since this final audit covers an 18 month period, there is no budget presented in the June 30, 2009 financial statements.

Fixed Assets and Depreciation – Property and equipment are stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets, as follows: automobiles – five years; furniture and fixtures – five to seven years; and equipment – five to seven years.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, cash and cash equivalents are defined as demand deposits at banks.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – CASH –

The Fair and Fairgrounds cash funds are deposited, at the discretion of management, in a checking account at a local depository bank.

At June 30, 2009, the Fair and Fairgrounds bank balance was \$15,058. All deposits during and for the 18 month period covered by this audit did not exceed the FDIC insured amount of \$100,000. The following is disclosed concerning cash depository accounts:

- a. Name of bank.
 - b. Largest cash, savings and time deposit combined amount and month of occurrence.
 - c. Total amount of FDIC coverage at the time of largest combined balance.
-
- a. Sevier County Bank of Sevierville, Tennessee
 - b. \$109,281 September, 2008
 - c. \$100,000

NOTE 3 – DUE TO SEVIER COUNTY –

In its Resolution, Sevier County Commission expressed its desire to have Sevier County Economic Development Council, Inc. manage and operate the Sevier County Fair. The Council would be responsible for management of the fair and fairgrounds, including marketing, maintenance, and approved capital improvements of which Sevier County would be responsible to provide funding for operating expenses from appropriations or existing fair funds. The Council would receive a management fee equal to ten percent of the Sevier County Fair net proceeds or \$10,000, whichever is greater. Per Resolution, the Council is to turn over all funds collected for the current year, less expenses, to the Sevier County Commission. The Commission has allowed the Council to keep excess funds for operations in succeeding years. Net proceeds payable to Sevier County at June 30, 2009 were \$75,179.

NOTE 4 – SUPPORT AND REVENUE –

A majority of support for the Fair and Fairgrounds Fund is from funding received from the Sevier County government. In the year ended June 30, 2009, \$90,920 was received from Sevier County. Other revenue consists of advertising sales, fair ticket sales, various fair entry fees, fairgrounds rental income, and other miscellaneous income. All support and revenue were used for the exempt purpose of the organization for the year ended June 30, 2009.

NOTE 5- PRIOR PERIOD ADJUSTMENT-

In 2006, \$4,223 in purchases were misclassified as capital assets along with associated depreciation of \$263. They were correctly identified the 2007 and 2008 Sevier County Economic Development Council audit and corrected in these financial statements for the fair fund.

NOTE 6- SCHEDULE OF CHANGES IN CAPITAL ASSETS-

The following is a summary of fixed assets owned by the Sevier County Fair and Fairgrounds Fund at June 30, 2009.

	Balance 12/31/07	Additions	Deletions	Balance 6/30/09
Equipment	\$11,096	\$1,000	(\$2,337)	\$9,759
Fixtures	14,216	-	(1,658)	12,558
Leasehold Improvements	31,156	6,671	(1,954)	35,873
Accumulated Depreciation	(4,656)	(4,236)	263	(8,629)
TOTAL NET FIXED ASSETS	<u>\$51,812</u>	<u>\$3,435</u>	<u>(\$5,686)</u>	<u>\$49,561</u>

Depreciable assets and related accumulated depreciation consist of:

	12/31/07		6/30/09	
	Fixed Assets	Accumulated Depreciation	Fixed Assets	Accumulated Depreciation
Equipment	\$11,096	\$1,855	\$9,759	\$4,451
Fixtures	14,216	719	12,558	1,993
Leasehold Improvements	31,156	2,082	35,873	2,185
	<u>\$56,468</u>	<u>\$4,656</u>	<u>\$58,190</u>	<u>\$8,629</u>

NOTE 7- PAYMENT OF SEVIER COUNTY GROUNDS MANAGEMENT FEE-

In the Sevier County Commission Resolution authorizing the Sevier Co. Economic Development Council to manage the fair and the fairgrounds, they approved an annual management fee of \$10,000 to be paid to the SCEDC for the management of the fairgrounds. At the September 20, 2008 Board Meeting the SCEDC board approved payment of this fee from the fairgrounds checking account. This payment reduced the balance of net assets payable to Sevier County by \$10,000.

NOTE 8- CASH ADVANCE FOR PAYROLL-

The Sevier County Fair Association has hired a manager for the Fair and is reimbursing the Sevier County Economic Development Council for the payroll expenses of this employee.

NOTE 9- SEVIER COUNTY FAIR ASSOCIATION-

Since August, 2008 a manager hired by the Sevier County Fair Association has worked closely with the directors and staff of the Sevier County Economic Development Council, Inc. prior to assuming full responsibility for the operation of the fair and fairgrounds. She also reports to The Board of Directors of the Sevier County Fair Association who are listed below.

Sevier County Fair Association
Board Members
2009

John Waters- President	Jimmy Temple- Director
Lon Thorton- Vice President	Doris Helton- Director
Judy Godfrey- Secretary-Treasurer	J.E. Mottern- Director
Jonas Smelcer- Director	Leroy Helton- Director
Alan Bruhin- Director	Carroll Rauhuss- Director
Linda Hyder- Director	Gary Cole- Director
Allen Newton- Director	County Mayor Larry Waters- Director
Ron Seals- Director	

Marlene Forrester- Sevier County Fair Director

NOTE 10- SUBSEQUENT EVENTS-

The Sevier County Fair Association, Inc. took over management of the Sevier County fair and fairgrounds completely on July 1, 2009. All assets and liabilities of the Fair and Fairgrounds Fund were transferred to the Sevier County Fair Association.

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND

Sevierville, Tennessee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND COMPLIANCE

June 30, 2009

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Executive Director
Sevier County Economic Development Council, Inc.
Sevierville, Tennessee

We have audited the financial statements of the Sevier County Fair and Fairgrounds Fund, as of and for the 18 month period ended June 30, 2009, and have issued our report thereon dated February 22, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sevier County Economic Development Council's control over financial reporting, as managers for Sevier County Fair and Fairgrounds Fund, as a basis for designing our auditing procedures 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 Sevier County Economic Development Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We believe that the following deficiency constitutes a material weakness. Management and staff lack expertise in financial accounting and reporting. Operations of the Council, that includes management of the Sevier County Fair and Fairgrounds, have rapidly expanded in recent years and complexity of accounting system has not kept pace.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Sevier County Economic Development Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Sevier County Economic Development Council's financial statements that is more than inconsequential will not be prevented or detected by the Sevier County Economic Development Council's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 1.1, 1.2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Sevier County Economic Development Council's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However we consider the significant deficiencies described in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sevier County Fair and Fairgrounds Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, County Commission and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hickman and Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
February 22, 2010

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
SEVIER COUNTY ECONOMIC DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS
For the 18 month period Ended June 30, 2009
PART I, SUMMARY OF AUDITOR'S RESULTS

1. The audit disclosed significant deficiencies in internal control. These deficiencies were considered to be material weaknesses.
2. The audit disclosed no instances of non-compliance that were material to the financial statements of the Sevier County Fair and Fairgrounds Fund.

SEVIER COUNTY FAIR AND FAIRGROUNDS FUND
SEVIER COUNTY ECONOMIC DEVELOPMENT COUNCIL, INC.
SCHEDULE OF FINDINGS
For the 18 month period Ended June 30, 2009
PART II, FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING 1.1- SEVIER COUNTY ECONOMIC DEVELOPMENT COUNCIL, INC. DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

(Internal Control- Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require the Sevier County Economic Development Council, Inc's financial statements for the Fair and Fairgrounds Fund be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the Council have internal controls over reporting fund financial information and preparing the related notes. It is permissible for us, as the Council's external auditors, to assist the Council in preparing their financial statements and notes as a matter of convenience as long as the Council have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills necessary to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The inability to prepare financial statements and notes is an indication of a lack of controls , or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

The Sevier County Economic Development Council, Inc. should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the Council's financial statements as a matter of Council's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

FINDING 1.2- MATERIAL AUDIT ADJUSTMENTS WERE REQUIRED FOR PROPER FINANCIAL STATEMENT PRESENTATION

(Internal Control- Material Weakness Under Government Auditing Standards)

At June 30, 2009, various general ledgers were not materially correct, and multiple audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Council to have adequate internal controls over the maintenance of its accounting records. Therefore, the Council's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal control if the Council has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

The Council should have appropriate processes in place to ensure that its general ledgers are materially correct.

