

**HARDIN COUNTY CONVENTION
AND VISITORS BUREAU**

**INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
JUNE 30, 2010**

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
INDEPENDENT AUDITORS' REPORT, FINANCIAL
STATEMENTS, AND SUPPLEMENTAL INFORMATION
JUNE 30, 2010

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**HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2010**

Steve Bunnell, CEO

Rachel Baker, Tourism Director

David Long, Chairman

Kenneth Gray, Secretary/Treasurer

Beth Pippin

Shelley Agar

Kathy Smith

Terry VanEaton

Jimmy Kennedy

Insa Holder

Sonny Holman

Sheri Rinks

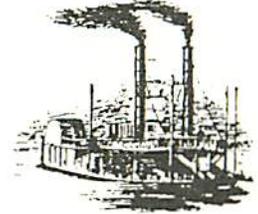
Mike Fowler

Jeff Wilkes

George Ross

Carla Qualls, Administrative Assistant

WILLIAMS, JERROLD, GODWIN & NICHOLS, PLLC
Certified Public Accountants



408 Main Street, Savannah, Tennessee 38372

Phone (731) 925-6547 Fax (731) 925-9524

Independent Auditors' Report

Board of Directors
Hardin County Convention and Visitors Bureau
Savannah, Tennessee

We have audited the accompanying financial statements of the governmental activities and the governmental fund of Hardin County Convention and Visitors Bureau (HCCVB), a component unit of Hardin County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise HCCVB's basic financial statements as listed in the table of contents. These financial statements are the responsibility of HCCVB's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of HCCVB as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2011, on our consideration of the HCCVB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 6 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 principally 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCCVB's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams, Jerrold, Godwin & Nichols, PLLC

January 14, 2011

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

Our discussion and analysis of Hardin County Convention and Visitors Bureau (HCCVB) financial performance will offer readers of HCCVB's financial statements a narrative overview and review of the financial activities of HCCVB for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with HCCVB's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets (on pages 7 through 8) provide information about the activities of HCCVB's finances.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in HCCVB's financial statements. The notes to the financial statements can be found on pages 10 - 15.

Comparative Data

Statement of Net Assets

	June 30, 2010	Percent of Total	June 30, 2009	Percent of Total
Current and other assets	\$ 132,735	100.00%	\$ 121,499	100.00%
Total assets	<u>132,735</u>	<u>100.00%</u>	<u>121,499</u>	<u>100.00%</u>
Current liabilities	18,652	14.05%	13,890	11.43%
Total liabilities	<u>18,652</u>	<u>14.05%</u>	<u>13,890</u>	<u>11.43%</u>
Net assets				
Unrestricted	114,083	85.95%	107,609	88.57%
Total net assets	<u>\$ 114,083</u>	<u>85.95%</u>	<u>\$ 107,609</u>	<u>88.57%</u>

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010

The changes in HCCVB's net assets are described below:

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Revenues	<u>\$ 233,492</u>	<u>\$ 272,628</u>
Expenses		
Personnel services	85,129	80,826
Events	38,182	54,895
Promotional services	53,346	49,359
Office supplies	15,957	18,803
Travel and professional services	34,404	32,088
Total expenses	<u>227,018</u>	<u>235,971</u>
Change in net assets	6,474	36,657
Net assets - beginning of year	<u>107,609</u>	<u>70,952</u>
Net assets - end of year	<u>\$ 114,083</u>	<u>\$ 107,609</u>

HCCVB had a profit in the current and prior years. Revenues in the prior year were increased in comparison to the current year due to increased River Resort funding in the prior year. River Resort expenses were also increased in the prior year compared to the current year as noted in events expense.

General Fund Budgetary Highlights

HCCVB amended the budget once in the current year to budget for event revenues and expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 2010, HCCVB had \$3,343 invested in assets. However, all depreciable assets are fully depreciated. There were no current year additions or disposals. Additional information on capital assets is in Note 2.

Debt

At year-end, HCCVB had no debt.

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

HCCVB is dependent on contributions by Hardin County, Tennessee for hotel/motel tax.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010**

A budget is prepared before each fiscal year. Next year the budget shows total revenues and expenses of \$223,080.

CONTACTING HCCVB'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, investors and creditors with a general overview of HCCVB's finances and to show HCCVB's accountability for the money it receives. If you have any questions about this report or need additional information, contact HCCVB at 495 Main Street, Savannah, TN 38372.

Steve Bunnell
CEO

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 13,535	\$ -	\$ 13,535
Hotel/motel tax receivable	17,278	-	17,278
Prepaid expenses	12,500	-	12,500
Due from SIDC	46	-	46
Due from Tennessee River Museum	63	-	63
Due from Team Hardin County - NAIA	17,664	-	17,664
Due from Team Hardin County	71,649	-	71,649
Total assets	<u>\$ 132,735</u>	<u>-</u>	<u>132,735</u>
LIABILITIES			
Accrued payroll taxes	\$ 1,140	-	1,140
Accounts payable	17,512	-	17,512
Total liabilities	<u>18,652</u>	<u>-</u>	<u>18,652</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Unreserved	114,083	(114,083) *	-
Total liabilities and fund balances	<u>\$ 132,735</u>		
Net assets:			
Unrestricted		<u>\$ 114,083</u> *	<u>\$ 114,083</u>

* GASB 34 requires fund balances reported in the Governmental Funds Balance Sheet to be reported as net assets in the Government-wide Statement of Net Assets. The above adjustment addresses this difference in terminology between these statements.

The accompanying notes are an integral part of these statements.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Hotel/motel tax	\$ 187,888	\$ -	\$ 187,888
Fireworks revenue	13,452	-	13,452
River Resort funds	24,492	-	24,492
Donated services	3,600	-	3,600
Events	4,060	-	4,060
	<u>233,492</u>	<u>-</u>	<u>233,492</u>
Total revenues			
Expenditures/expenses:			
Tourism:			
Personnel services	85,129	-	85,129
Events	38,182	-	38,182
Promotional services	53,346	-	53,346
Office supplies and services	15,957	-	15,957
Travel and professional services	34,404	-	34,404
	<u>227,018</u>	<u>-</u>	<u>227,018</u>
Total expenditures/expenses			
Excess (deficiency) of revenues over expenditures	6,474	(6,474) *	-
Change in net assets	-	6,474 *	6,474
Fund balances/net assets:			
Beginning of year, before restatement	100,609	7,000	107,609
Prior period adjustment	7,000	(7,000)	-
Beginning of year, as restated	<u>107,609</u>	<u>-</u>	<u>107,609</u>
End of year	<u>\$ 114,083</u>	<u>\$ -</u>	<u>\$ 114,083</u>

* GASB 34 requires fund balances reported in the Governmental Funds Balance Sheet to be reported as net assets in the Government-wide Statement of Net Assets. The above adjustment addresses this difference in terminology between these statements.

The accompanying notes are an integral part of these statements.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Hotel/motel tax	\$ 210,080	\$ 210,080	\$ 187,888	\$ (22,192)
Dept. of Tourism Advertising Matching Grant	8,000	\$ 8,000	-	(8,000)
River Resort funds	-	-	24,492	24,492
Donated services	-	-	3,600	3,600
Events revenue	-	-	4,060	4,060
Fireworks revenue	-	26,000	13,452	(12,548)
TOTAL REVENUES	218,080	244,080	233,492	(10,588)
EXPENDITURES				
PERSONNEL SERVICES				
Chief Executive Officer	5,040	5,040	5,226	(186)
Tourism Director	36,620	36,620	42,843	(6,223)
Administrative Assistant	17,420	17,420	22,197	(4,777)
Tourism Assistant	19,880	19,880	-	19,880
Staff Personnel	7,000	7,000	4,476	2,524
Insurance benefits	12,050	12,050	-	12,050
Retirement	3,960	3,960	3,648	312
Payroll taxes	7,210	7,210	6,739	471
Total personnel services	<u>109,180</u>	<u>109,180</u>	<u>85,129</u>	<u>24,051</u>
EVENTS				
NAIA contribution	-	5,000	-	5,000
Delta Queen expenses	500	-	-	-
Fireworks show	-	26,000	10,212	15,788
Special events	22,500	18,000	27,970	(9,970)
Banquet/golf tournament	1,000	1,000	-	1,000
Total events	<u>24,000</u>	<u>50,000</u>	<u>38,182</u>	<u>11,818</u>
PROMOTIONAL SERVICES				
Advertising	21,000	21,000	30,733	(9,733)
Promotional literature	12,000	12,000	5,690	6,310
Promotional contract	6,000	6,000	7,200	(1,200)
Printing	5,000	5,000	9,723	(4,723)
Total promotional services	<u>44,000</u>	<u>44,000</u>	<u>53,346</u>	<u>(9,346)</u>
OFFICE SUPPLIES				
Rent	600	600	600	-
Telephone	4,000	4,000	3,973	27
Postage	5,500	5,500	3,167	2,333
Supplies	2,000	2,000	2,096	(96)
Computer software	2,000	500	216	284
Maintenance agreement	9,000	3,500	4,626	(1,126)
Web site maintenance	2,000	2,000	-	2,000
Internet services	-	-	860	(860)
Miscellaneous	600	600	419	181
Total office supplies	<u>25,700</u>	<u>18,700</u>	<u>15,957</u>	<u>2,743</u>
TRAVEL & PROFESSIONAL SERVICES				
Professional affiliations and conferences	5,200	5,200	3,421	1,779
Travel	8,500	8,500	13,443	(4,943)
Retire Hardin County Co/Travel	-	7,000	9,512	(2,512)
Professional services	8,000	1,500	8,028	(6,528)
Total travel and professional services	<u>21,700</u>	<u>22,200</u>	<u>34,404</u>	<u>(12,204)</u>
TOTAL EXPENDITURES	224,580	244,080	227,018	17,062
NET CHANGE IN FUND BALANCE	(6,500)	-	6,474	6,474
FUND BALANCE - BEGINNING OF YEAR, before restatement	107,609	107,609	100,609	7,000
PRIOR PERIOD ADJUSTMENT	-	-	7,000	(7,000)
FUND BALANCE - BEGINNING OF YEAR, as restated	107,609	107,609	107,609	-
FUND BALANCE - END OF YEAR	\$ 101,109	\$ 107,609	\$ 114,083	\$ 6,474

The accompanying notes are an integral part of these statements.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - GENERAL

GASB Conformity

Hardin County Convention Visitors Bureau (HCCVB) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. GASB Statement Nos. 20 and 34 provide HCCVB the option of electing to apply FASB pronouncements issued after November 30, 1989. HCCVB has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Fund Accounting

HCCVB is a nonprofit organization located in Savannah, Tennessee. Its purpose is to promote the tourism aspect of Hardin County, Tennessee. HCCVB is a component unit of Hardin County since (1) the majority of board members are appointed by the County Commission and (2) it receives a significant portion of its funding from Hardin County. Accordingly, this financial data is incorporated into the County's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

When both restricted and unrestricted resources are available for use, it is HCCVB's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate that amount. Available means collectible within the current period or within sixty days after year end. Expenditures are recorded when the related fund liability is incurred.

Capital assets

Capital assets are reported at cost (except for donated property which is reported at fair value as of the date of donation) and includes improvements that significantly add to utility or extend useful lives. Costs for maintenance and repairs are charged to expense. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in earnings for the period. Depreciation is computed using the straight-line method to allocate the cost of furniture and equipment over an estimated useful life of five years.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 7/1/09	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/10
Capital assets being depreciated				
Furniture and equipment	\$ 3,343	\$ -	\$ -	\$ 3,343
Total capital assets being depreciated	3,343	-	-	3,343
Less accumulated depreciation for:				
Furniture and equipment	(3,343)	-	-	(3,343)
Total accumulated depreciation	(3,343)	-	-	(3,343)
Total capital assets, being depreciated, net	-	-	-	-
Capital assets, net	\$ -	\$ -	\$ -	\$ -

Cash

Cash, as used in the statement of cash flows, consists of cash on hand and demand deposits.

Prepays

Prepaid expenses reported on the Statement of Net Assets relates to firework show expenses paid in the current year for the firework event in the next fiscal year.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation
- b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation
- c. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets”

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government component unit, HCCVB is subject to various federal, state, and local laws and contractual regulations. An analysis of HCCVB’s compliance with significant laws and regulations and demonstration of its stewardship over its resources follows.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Deposits and Investments - Laws and regulations

In accordance with state law, all uninsured deposits of county funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Tennessee or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to HCCVB must have a written collateral agreement approved by the board of directors or loan committee. HCCVB has no policy regarding custodial credit risk for deposits.

HCCVB's investment policies are governed by State statute. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits, certificates of deposits and repurchase agreements at 105% of all amounts not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its subdivisions. HCCVB has no policy that further limits allowable investments.

Deficit Fund Balance

The State of Tennessee discourages the creation of a deficit fund balance in any individual fund. HCCVB's general fund had a positive fund balance at year end.

Budget Appropriations

Tennessee statutes prohibit expenses in excess of budget appropriations. HCCVB complied with this statute since expenses were within budget appropriations for the year.

NOTE 4 - ESTIMATES AND ASSUMPTIONS

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - TAX EXEMPTION

HCCVB has a determination letter from the Internal Revenue Service stating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

HCCVB receives approximately 80% of operating revenues from hotel and motel sales tax collections by Hardin County, Tennessee.

NOTE 7 - DONATED SERVICES

Accounting services were provided at no charge to HCCVB by a local accounting firm. An estimated fair value of \$3,600 for services rendered is reflected in the statement of revenues, expenses, and changes in net assets as both revenue and an expense.

NOTE 8 - RELATED PARTIES

HCCVB is represented on the board of directors of Team Hardin County, Inc. (THC), another nonprofit organization that is involved in the promotion of Hardin County. Part of the year, THC paid expenses incurred by HCCVB and hotel/motel tax receipts were received by THC to offset those expenses. During the year, cash receipts exceeded payments by \$994. At year end, THC owed HCCVB \$71,649.

At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$17,664 due to HCCVB paying NAIA expenses during the prior and current years.

NOTE 9 – RETIREMENT PLAN

HCCVB is a participant in a non-contributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is 5% of base compensation. The total retirement plan expense for the year was \$3,648.

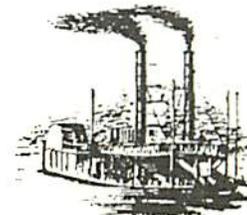
NOTE 10 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to the beginning of year fund balance for the governmental fund due to incorrect reporting in the prior year of prepaid expenses.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 11 – RISK MANAGEMENT

It is the policy of HCCVB to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability and theft. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**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**

Board of Directors
Hardin County Convention and Visitors Bureau
Savannah, Tennessee

We have audited the financial statements of Hardin County Convention and Visitors Bureau (HCCVB), a component unit of Hardin County, Tennessee, as of and for the year ended June 30, 2010, and have issued our report thereon dated January 14, 2011. 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 HCCVB's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HCCVB's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HCCVB's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

2010-01 UNADJUSTED FINANCIAL STATEMENTS MATERIALLY MISSTATED

HCCVB had materially misstated its financial statements because personnel (1) recorded a related-party organization's revenues and expenses and (2) failed to book expenses paid by a related party organization. Therefore, a material audit adjustment was required to correct the financial statements.

RECOMMENDATION: Personnel should properly record all financial transactions as they occur. Infrequent transactions should be posted so that financials are in accordance with generally accepted accounting principles.

MANAGEMENT'S RESPONSE: Board will make necessary recommendations to correct.

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 deficiency described above to be a material weakness.

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 deficiency described below to be a significant deficiency.

2010-02 DISBURSEMENTS LACKED PROPER SUPPORT

There were numerous instances where invoices or other supporting documentation were not present for disbursements made throughout the year.

RECOMMENDATION: Invoices or other properly supporting documentation should be obtained, attached to a check to be signed, and then retained with the organization's records. Properly supporting documentation should be required for a check to be issued.

MANAGEMENT'S RESPONSE: Board will make necessary recommendations to correct.

Compliance and Other Matters

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

DISPOSITION OF PRIOR AUDIT FINDINGS

2009-01 Financial statements materially misstated—Corrected.

2009-02 Separate checking account not maintained—Corrected mid-year.

2009-04 Expenditures exceeded appropriations—Corrected.

HCCVB's response to the findings identified in our audit is described above. We did not audit HCCVB's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, and the State of Tennessee Comptroller's office and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Ferrols, Modum & Nichols, PLLC

January 14, 2011