

HARDIN COUNTY CONVENTION AND VISITORS BUREAU

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2011

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

Darrin Howard

Sheri Rinks

Mike Fowler

Jeff Wilkes

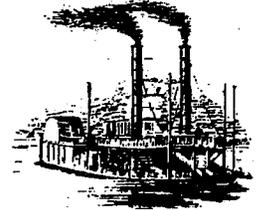
George Ross

Carla Qualls, Administrative Assistant

WILLIAMS, JERROLD, GODWIN & ASSOCIATES, 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, 2011, 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, 2011, 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.

As described in Note 10, HCCVB has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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.

December 16, 2011

Williams, Jerrold, Godwin & Associates, PLLC

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011. 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, 2011	Percent of Total	June 30, 2010	Percent of Total
Current and other assets	\$ 140,306	100.00%	\$ 132,735	100.00%
Total assets	<u>140,306</u>	<u>100.00%</u>	<u>132,735</u>	<u>100.00%</u>
Current liabilities	9,122	6.50%	18,652	14.05%
Total liabilities	<u>9,122</u>	<u>6.50%</u>	<u>18,652</u>	<u>14.05%</u>
Net assets				
Unrestricted	131,184	93.50%	114,083	85.95%
Total net assets	<u>\$ 131,184</u>	<u>93.50%</u>	<u>\$ 114,083</u>	<u>85.95%</u>

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

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

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Revenues	<u>\$ 261,329</u>	<u>\$ 233,492</u>
Expenses		
Personnel services	89,625	85,129
Events	58,030	38,182
Promotional services	46,963	53,346
Office supplies	20,487	15,957
Travel and professional services	28,978	34,404
Depreciation	145	-
Total expenses	<u>244,228</u>	<u>227,018</u>
Change in net assets	17,101	6,474
Net assets - beginning of year	<u>114,083</u>	<u>107,609</u>
Net assets - end of year	<u><u>\$ 131,184</u></u>	<u><u>\$ 114,083</u></u>

HCCVB had a profit in the current and prior years. Revenues in the current year were increased in comparison to the prior year due to increased hotel/motel tax revenue and event revenues. Special event expenses were also increased in the current year compared to the prior 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 2011, HCCVB had \$727 invested in capital assets. This amount represents a net increase (including additions and deductions) of \$727, since all assets in the prior year were fully depreciated. Additional information on capital assets is in Note 2.

Debt

At year-end, HCCVB had no debt.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

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

A budget is prepared before each fiscal year. Next year the budget shows total revenues and expenses of \$239,000.

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, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash	\$ 17,765	\$ -	\$ 17,765
Hotel/motel tax receivable	19,938	-	19,938
Prepaid expenses	12,500	-	12,500
Capital assets, net	-	727 **	727
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>\$ 139,579</u>	<u>727</u>	<u>140,306</u>
LIABILITIES			
Accrued payroll taxes	\$ 996	-	996
Accounts payable	8,126	-	8,126
Total liabilities	<u>9,122</u>	<u>-</u>	<u>9,122</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Nonspendable			
Prepaid expenses	12,500	(12,500)	-
Long-term receivables	89,376	(89,376)	-
Total nonspendable	<u>101,876</u>	<u>(101,876)</u>	<u>-</u>
Unassigned	28,581	(28,581)	-
Total fund balances	<u>130,457</u>	<u>(130,457) *</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 139,579</u>		
Net assets:			
Invested in capital assets		-	727
Unrestricted		-	130,457
Total net assets		<u>\$ 131,184 *</u>	<u>\$ 131,184</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.

** GASB 34 requires governmental funds to expense capital outlay purchases. It requires the government-wide financials to report capital assets at their book values (costs less depreciation). The above adjustment records the current value in capital assets on the government-wide statement of net assets.

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, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Hotel/motel tax	\$ 209,986	\$ -	\$ 209,986
Fireworks revenue	25,484	-	25,484
River Resort funds	15,400	-	15,400
Department of Tourism grant	4,000	-	4,000
Donated services	3,600	-	3,600
Events	2,326	-	2,326
Miscellaneous income	533	-	533
	<u>261,329</u>	<u>-</u>	<u>261,329</u>
Expenditures/expenses:			
Tourism:			
Personnel services	89,625	-	89,625
Events	58,030	-	58,030
Promotional services	46,963	-	46,963
Office supplies and services	20,487	-	20,487
Travel and professional services	28,978	-	28,978
Capital outlay	872	(872) **	-
Depreciation	-	145 **	145
	<u>244,955</u>	<u>(727)</u>	<u>244,228</u>
Excess (deficiency) of revenues over expenditures	16,374	(16,374) *	-
Change in net assets	-	17,101 *	17,101
Fund balances/net assets:			
Beginning of year	<u>114,083</u>	<u>-</u>	<u>114,083</u>
End of year	<u>\$ 130,457</u>	<u>\$ -</u>	<u>\$ 131,184</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.

** GASB 34 requires the governmental fund financial statement to expense current-year capital asset purchases as a capital outlay expenditure. It requires the government-wide statement of activity to properly record depreciation expense for capital assets recorded on the statement of net assets. The above adjustment addresses this difference in capital asset reporting between the two 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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Hotel/motel tax	\$ 210,080	\$ 210,000	\$ 209,986	\$ (14)
Dept. of Tourism Advertising Matching Grant	8,000	4,000	4,000	-
River Resort funds	5,000	15,500	15,400	(100)
Donated services	-	-	3,600	3,600
Events revenue	-	7,450	2,326	(5,124)
Fireworks revenue	-	26,000	25,484	(516)
Miscellaneous income	-	510	533	23
TOTAL REVENUES	<u>223,080</u>	<u>263,460</u>	<u>261,329</u>	<u>(2,131)</u>
EXPENDITURES				
PERSONNEL SERVICES				
Chief Executive Officer	5,040	5,350	5,330	20
Tourism Director	37,350	43,750	43,700	50
Administrative Assistant	17,770	23,800	23,758	42
Tourism Assistant	15,000	-	-	-
Staff Personnel	7,000	4,500	4,412	88
Insurance benefits	12,050	-	-	-
Retirement	3,960	2,800	2,734	66
Payroll taxes	7,210	9,760	9,691	69
Total personnel services	<u>105,380</u>	<u>89,960</u>	<u>89,625</u>	<u>335</u>
EVENTS				
NAA contribution	5,000	-	-	-
Fireworks show	10,000	25,800	25,799	1
Special events grants	10,000	13,100	13,023	77
Special events	8,000	19,000	18,928	72
Banquet/golf tournament	1,000	300	280	20
Total events	<u>34,000</u>	<u>58,200</u>	<u>58,030</u>	<u>170</u>
PROMOTIONAL SERVICES				
Advertising	21,000	37,500	30,716	6,784
Promotional literature	10,000	14,000	9,404	4,596
Promotional contract	6,000	7,100	5,800	1,300
Printing	5,000	1,225	1,043	182
Total promotional services	<u>42,000</u>	<u>59,825</u>	<u>46,963</u>	<u>12,862</u>
OFFICE SUPPLIES				
Rent	600	600	600	-
Telephone	3,000	6,400	5,991	409
Postage	4,000	4,000	3,926	74
Supplies	2,000	3,750	3,058	692
Computer software	1,000	100	77	23
Maintenance agreement	3,000	4,475	4,368	107
Web site maintenance	2,000	2,000	2,000	-
Miscellaneous	600	475	467	8
Total office supplies	<u>16,200</u>	<u>21,800</u>	<u>20,487</u>	<u>1,313</u>
TRAVEL & PROFESSIONAL SERVICES				
Professional affiliations and conferences	6,000	6,000	5,881	119
Travel	8,000	10,175	9,602	573
Travel shows	2,500	2,000	1,879	121
Retire Hardin County Co/Travel	7,000	6,500	1,661	4,839
Audit	-	7,000	4,547	2,453
Professional services	2,000	2,000	5,408	(3,408)
Total travel and professional services	<u>25,500</u>	<u>33,675</u>	<u>28,978</u>	<u>4,697</u>
CAPITAL OUTLAY				
Equipment purchases	-	-	872	(872)
TOTAL EXPENDITURES	<u>223,080</u>	<u>263,460</u>	<u>244,955</u>	<u>18,505</u>
NET CHANGE IN FUND BALANCE	-	-	16,374	16,374
FUND BALANCE - BEGINNING OF YEAR	<u>101,109</u>	<u>107,609</u>	<u>114,083</u>	<u>6,474</u>
FUND BALANCE - END OF YEAR	<u>\$ 101,109</u>	<u>\$ 107,609</u>	<u>\$ 130,457</u>	<u>\$ 22,848</u>

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, 2011

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

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 7/1/10	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/11
Capital assets being depreciated				
Furniture and equipment	\$ 3,343	\$ 872	\$ -	\$ 4,215
Total capital assets being depreciated	3,343	872	-	4,215
Less accumulated depreciation for:				
Furniture and equipment	(3,343)	(145)	-	(3,488)
Total accumulated depreciation	(3,343)	(145)	-	(3,488)
Total capital assets, being depreciated, net	-	727	-	727
Capital assets, net	\$ -	\$ 727	\$ -	\$ 727

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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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

Government-wide Statements

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”

Governmental Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned.

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.

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.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
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JUNE 30, 2011

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

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental fund. HCCVB adopts its budget in accordance with the State's legal requirement which is the level of classification detail at which expenditures may not legally exceed appropriations.

HCCVB follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to May 1, the CEO submits to the Board of Directors and Hardin County a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Prior to July 1, the budget is legally adopted by the Board of Directors and approved by Hardin County.
- The CEO is responsible for controlling expenditures of the various agencies of the government within the appropriated amounts. Budget amendments are approved by the Board of Directors.

Budgeted amounts of the revenues and expenditures presented for the General Fund are shown as originally adopted and after final amendments by the Board of Directors. Budget appropriations lapse at year end. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, of the fund is presented as a fund financial statement.

Tennessee statutes prohibit expenses in excess of budget appropriations. HCCVB complied with this statute in all material respects for the year ended June 30, 2011, since expenses were within budget appropriations for the year at the fund level.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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. In prior years, THC paid expenses incurred by HCCVB and hotel/motel tax receipts were received by THC to offset those expenses. During those years, cash receipts exceeded payments resulting in THC owing HCCVB \$71,649.

At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$17,664 due to HCCVB paying NAIA expenses during prior 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 \$2,734.

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – ACCOUNTING CHANGE FOR FUND BALANCE REPORTING

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. HCCVB implemented this standard in the current fiscal year since it became effective for the year ended June 30, 2011.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

1. *Nonspendable* fund balance is associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Board of Directors (HCCVB's highest level of decision-making authority).
4. *Assigned* fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned amounts are determined by the Board of Directors.
5. *Unassigned* fund balance is the residual classification for HCCVB's general fund and includes all spendable amounts not contained in the other classifications.

Order of Fund Balance Spending Policy

HCCVB has not yet adopted an order of fund balance spending policy. It considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

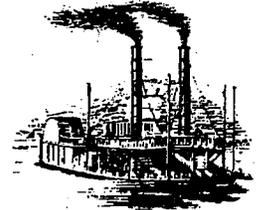
NOTE 11 – RISK MANAGEMENT

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.

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**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 December 16, 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 deficiencies in internal control over financial reporting that we consider to be material weaknesses.

2011-01 UNAUTHORIZED LOANS TO RELATED ENTITIES

During prior years, HCCVB revenues and expenses were collected and paid through a related party checking account (Team Hardin County) along with other related entities' revenues and expenses. As a result, HCCVB is due \$71,649 from Team Hardin County. Also, in prior years, expenses for NAIA were paid by HCCVB. These "loans" were not approved by appropriate sources. In addition, these loans were not repaid by the end of the fiscal year.

RECOMMENDATION: Management should take appropriate steps to collect amounts due from related entities.

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

2011-02 UNADJUSTED FINANCIAL STATEMENTS MATERIALLY MISSTATED

HCCVB had materially misstated its financial statements because personnel failed to book accounts payable at year-end. 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.

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

2010-02 Disbursements lacked proper support—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, Jewell, Godwin: Associates, PLLC

December 16, 2011