

**HARDIN COUNTY CONVENTION  
AND VISITORS' BUREAU**  
(A COMPONENT UNIT OF HARDIN COUNTY, TENNESSEE)

ANNUAL FINANCIAL REPORT  
JUNE 30, 2012

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2012**

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**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**ROSTER OF BOARD OF DIRECTORS**  
**JUNE 30, 2012**

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



**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, 2012, 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, 2012, 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 December 18, 2012, 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 18, 2012

*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, 2012**

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, 2012. 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**

	<u>June 30, 2012</u>	<u>of Total</u>	<u>June 30, 2011</u>	<u>of Total</u>
Current and other assets	\$ 128,852	100.00%	\$ 140,306	100.00%
Total assets	<u>128,852</u>	<u>100.00%</u>	<u>140,306</u>	<u>100.00%</u>
Current liabilities	5,816	4.51%	9,122	6.50%
Total liabilities	<u>5,816</u>	<u>4.51%</u>	<u>9,122</u>	<u>6.50%</u>
Net assets				
Invested in capital assets	553	0.43%	727	0.52%
Unrestricted	122,483	95.06%	130,457	92.98%
Total net assets	<u>\$ 123,036</u>	<u>95.06%</u>	<u>\$ 131,184</u>	<u>92.98%</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, 2012**

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<b>Revenues</b>	<u>\$ 267,589</u>	<u>\$ 261,329</u>
<b>Expenses</b>		
Personnel services	90,891	89,625
Events	61,254	58,030
Promotional services	68,272	46,963
Office supplies	24,059	20,487
Travel and professional services	31,087	28,978
Depreciation	174	145
Total expenses	<u>275,737</u>	<u>244,228</u>
<b>Change in net assets</b>	(8,148)	17,101
<b>Net assets - beginning of year</b>	<u>131,184</u>	<u>114,083</u>
<b>Net assets - end of year</b>	<u>\$ 123,036</u>	<u>\$ 131,184</u>

HCCVB had a loss in the current year and a profit in the prior year. Revenues in the current year were comparable to the prior year. Special event and promotional expenses were increased in the current year compared to the prior year due to the Battle of Shiloh 150<sup>th</sup> anniversary events.

**General Fund Budgetary Highlights**

HCCVB amended the budget once in the current year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2012, HCCVB had \$553 invested in capital assets. There were no capital asset additions or disposals in the current year. 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, 2012**

**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, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash	\$ 19,188	\$ -	\$ 19,188
Hotel/motel tax receivable	19,735	-	19,735
Capital assets, net	-	553 **	553
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>\$ 128,299</u>	<u>\$ 553</u>	<u>\$ 128,852</u>
<b>LIABILITIES</b>			
Accrued payroll taxes	\$ 1,170	\$ -	\$ 1,170
Accounts payable	4,646	-	4,646
Total liabilities	<u>5,816</u>	<u>-</u>	<u>5,816</u>
<b>FUND BALANCES/NET ASSETS</b>			
Fund balances:			
Nonspendable			
Long-term receivables	89,376	(89,376)	-
Total nonspendable	89,376	(89,376)	-
Unassigned	33,107	(33,107)	-
Total fund balances	122,483	(122,483) *	-
Total liabilities and fund balances	<u>\$ 128,299</u>		
Net assets:			
Invested in capital assets		-	553
Unrestricted		-	122,483
Total net assets		<u>\$ 123,036 *</u>	<u>\$ 123,036</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.

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, 2012**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Hotel/motel tax	\$ 211,592	\$ -	\$ 211,592
Fireworks revenue	14,071	-	14,071
River Resort funds	22,000	-	22,000
Advertising revenue	7,030	-	7,030
Department of Tourism grant	4,000	-	4,000
Donated services	3,600	-	3,600
Events	5,296	-	5,296
	<u>267,589</u>	<u>-</u>	<u>267,589</u>
<b>Total revenues</b>			
<b>Expenditures/expenses:</b>			
Tourism:			
Personnel services	90,891	-	90,891
Events	61,254	-	61,254
Promotional services	68,272	-	68,272
Office supplies and services	24,059	-	24,059
Travel and professional services	31,087	-	31,087
Depreciation	-	174 **	174
	<u>275,563</u>	<u>174</u>	<u>275,737</u>
<b>Total expenditures/expenses</b>			
Excess (deficiency) of revenues over expenditures	(7,974)	7,974 *	-
Change in net assets	-	(8,148) *	(8,148)
<b>Fund balances/net assets:</b>			
Beginning of year	<u>130,457</u>	<u>-</u>	<u>131,184</u>
End of year	<u>\$ 122,483</u>	<u>\$ -</u>	<u>\$ 123,036</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, 2012**

REVENUES	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Hotel/motel tax	\$ 205,000	\$ 215,000	\$ 211,592	\$ (3,408)
Dept. of Tourism Advertising Matching Grant	4,000	4,000	4,000	-
River Resort funds	5,000	37,000	22,000	(15,000)
Donated services	-	-	3,600	3,600
Advertising revenue	-	13,200	7,030	(6,170)
Events revenue	-	5,000	5,296	296
Fireworks revenue	25,000	-	14,071	14,071
<b>TOTAL REVENUES</b>	<b>239,000</b>	<b>274,200</b>	<b>267,589</b>	<b>(6,611)</b>
<b>EXPENDITURES</b>				
<b>PERSONNEL SERVICES</b>				
Chief Executive Officer	5,140	5,410	5,410	-
Tourism Director	38,000	44,356	44,356	-
Administrative Assistant	18,125	23,387	23,387	-
Tourism Assistant	15,000	-	-	-
Staff Personnel	7,000	7,000	6,393	607
Insurance benefits	12,192	-	-	-
Retirement	4,039	4,200	4,106	94
Payroll taxes	7,354	7,354	7,239	115
Total personnel services	106,850	91,707	90,891	816
<b>EVENTS</b>				
NAA contribution	5,000	-	-	-
Fireworks show	25,000	24,000	25,865	(1,865)
Special events grants	10,000	20,060	13,329	6,731
Special events	5,000	21,060	21,056	4
Banquet/golf tournament	1,000	1,004	1,004	-
Total events	46,000	66,124	61,254	4,870
<b>PROMOTIONAL SERVICES</b>				
Advertising	21,500	42,900	44,793	(1,893)
Promotional literature	9,000	8,605	8,726	(121)
Promotional contract	6,000	4,500	6,000	(1,500)
Printing	5,000	8,760	8,753	7
Total promotional services	41,500	64,765	68,272	(3,507)
<b>OFFICE SUPPLIES</b>				
Rent	950	600	950	(350)
Telephone	3,600	4,550	4,543	7
Postage	4,000	3,400	3,387	13
Supplies	2,000	2,771	2,771	-
Computer software	1,000	1,000	990	10
Maintenance agreement	3,000	4,530	4,262	268
Web site maintenance	2,000	6,500	6,500	-
Miscellaneous	600	660	656	4
Total office supplies	17,150	24,011	24,059	(48)
<b>TRAVEL &amp; PROFESSIONAL SERVICES</b>				
Professional affiliations and conferences	5,000	4,200	4,176	24
Dues and subscriptions	-	2,200	2,200	-
Travel	8,000	10,350	10,310	40
Travel shows	2,500	1,410	1,405	5
Retire Hardin County Co/Travel	10,000	4,100	4,100	-
Audit	-	4,000	4,000	-
Professional services	2,000	1,300	4,896	(3,596)
Total travel and professional services	27,500	27,560	31,087	(3,527)
<b>CAPITAL OUTLAY</b>				
Equipment purchases	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>239,000</b>	<b>274,167</b>	<b>275,563</b>	<b>(1,396)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>33</b>	<b>(7,974)</b>	<b>(8,007)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>130,457</b>	<b>130,457</b>	<b>130,457</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 130,457</b>	<b>\$ 130,490</b>	<b>\$ 122,483</b>	<b>\$ (8,007)</b>

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, 2012**

**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.

**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.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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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, 2012, was as follows:

	Balance 7/1/11	Additions/ Completions	Retirements/ Adjustments	Balance 6/30/12
Capital assets being depreciated				
Furniture and equipment	\$ 4,215	\$ -	\$ -	\$ 4,215
Total capital assets being depreciated	4,215	-	-	4,215
Less accumulated depreciation for:				
Furniture and equipment	(3,488)	(174)	-	(3,662)
Total accumulated depreciation	(3,488)	(174)	-	(3,662)
Total capital assets, being depreciated, net	727	(174)	-	553
Capital assets, net	\$ 727	\$ (174)	\$ -	\$ 553

**Cash**

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

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
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**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. 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.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

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.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
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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. The legal level of budgetary control is at the line-item level. Budget revisions that reallocate dollars between line items or that alter the total budget amount require board member's approval. Unexpended operating appropriations lapse at the end of the year. 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. Expenses exceeded budget appropriations for the year at the line-item and fund levels.

**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 79% 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. At year end, THC owed HCCVB \$71,649 due to HCCVB transactions flowing through THC in prior years.

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

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**(a component unit of Hardin County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 \$4,106.

**NOTE 10 – 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, 2012, and have issued our report thereon dated December 18, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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.

*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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**2012-01 UNPAID UNAUTHORIZED LOANS FROM PRIOR YEARS**

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 at origination. 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.

**2012-02 EXPENSES EXCEEDED APPROPRIATIONS**

HCCVB expenses exceeded appropriations at the line-item and fund levels. HCCVB should not expend unappropriated funds. However, if circumstances suggest that expenses are expected to exceed appropriations, the budget should be amended.

**RECOMMENDATION:** We recommend that expenditures be monitored and budget amendments be made when necessary.

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

**DISPOSITION OF PRIOR AUDIT FINDINGS**

2011-02 Unadjusted financial statements materially misstated—Corrected.

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

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.



December 18, 2012