

**HARDIN COUNTY CONVENTION  
AND VISITOR'S BUREAU**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2013**

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2013**

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**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**ROSTER OF BOARD OF DIRECTORS**  
**JUNE 30, 2013**

Steve Bunnell, CEO

Rachel Baker, Tourism Director

David Long, Chairman

Mike Fowler, Secretary/Treasurer

Beth Pippin

Dave Harbin

Kathy Smith

Guy Garner

Jimmy Kennedy

Insa Holder

Darrin Howard

Sheri Rinks

Mary Ann Gilchrist

Jeff Wilkes

Charlotte Calvert

Carla Qualls, Administrative Assistant



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general 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, 2013, and the related notes to the financial statements, which collectively comprise HCCVB's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *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 general fund of HCCVB as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As described in Note 10.A., HCCVB has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)* and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. HCCVB early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and No. 62, which have an effective date of June 30, 2014.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise HCCVB's basic financial statements. 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, 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* in considering HCCVB's internal control over financial reporting and compliance.



December 18, 2013

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

As management of HCCVB, we offer readers of the entity's financial statements a narrative overview and review of the financial activities of HCCVB for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with HCCVB's financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of HCCVB exceeded its liabilities by \$99,882 (*net position*). Of this amount, \$99,504 represents unrestricted net position, which may be used to meet the government's ongoing obligations.
- HCCVB's total net position decreased \$23,153 or (18.81)%.
- At the close of the current fiscal year, HCCVB's general fund reported a fund balance of \$99,504, a decrease of 18.76% in comparison with the prior year's total of \$122,483. Approximately, 99% of this amount (\$99,504) is available for spending at the entity's discretion (*unassigned fund balance*).
- HCCVB had no deficit fund balances and no debt at year end.

**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to HCCVB's basic financial statements. HCCVB's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of HCCVB's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of HCCVB's assets, liabilities, and deferred inflows/outflows of resources, with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of HCCVB is improving or deteriorating.

The *statement of activities* presents information showing how HCCVB's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of HCCVB that are principally supported by taxes, grants, and events revenues (*governmental activities*). The governmental activities of HCCVB include a general fund.

The government-wide financial statements and the basic governmental fund financial statements can be found on pages 8 – 9 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. HCCVB, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of HCCVB are governmental funds. HCCVB has no proprietary or fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Such information may be useful in assessing a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

HCCVB maintains one individual governmental fund. The general fund is considered to be a major fund.

HCCVB adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with its budget.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 – 18 of this report.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. Assets exceeded liabilities by \$99,882 at the close of the most recent fiscal year.

	<u>June 30, 2013</u>	<u>of Total</u>	<u>June 30, 2012</u>	<u>of Total</u>
Current and other assets	\$ 123,597	100.00%	\$ 128,852	100.00%
Total assets	<u>123,597</u>	<u>100.00%</u>	<u>128,852</u>	<u>100.00%</u>
Current liabilities	23,715	19.19%	5,816	4.51%
Total liabilities	<u>23,715</u>	<u>19.19%</u>	<u>5,816</u>	<u>4.51%</u>
Net position				
Investment in capital assets	378	0.31%	553	0.43%
Unrestricted	99,504	80.51%	122,483	95.06%
Total net position	<u>\$ 99,882</u>	<u>80.51%</u>	<u>\$ 123,036</u>	<u>95.06%</u>

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

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
<b>Revenues</b>	<u>\$ 229,051</u>	<u>\$ 267,589</u>
<b>Expenses</b>		
Personnel services	97,389	90,891
Events	39,786	61,254
Promotional services	61,017	68,272
Office supplies	22,624	24,059
Travel and professional services	31,214	31,087
Depreciation	175	174
Total expenses	<u>252,205</u>	<u>275,737</u>
<b>Change in net position</b>	(23,154)	(8,148)
<b>Net position - beginning of year</b>	<u>123,036</u>	<u>131,184</u>
<b>Net position - end of year</b>	<u>\$ 99,882</u>	<u>\$ 123,036</u>

HCCVB had a loss in the current year and in the prior year. Revenues and expenses slightly decreased in the current year.

**General Fund Budgetary Highlights**

HCCVB did not amend the budget during the current year.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 2013, HCCVB had \$378 invested in capital assets. There were no capital asset additions or disposals in the current year. Additional information on capital assets is in Note 3.C.

**Debt**

At year-end, HCCVB had no debt.

**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 POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**JUNE 30, 2013**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 4,813	\$ -	\$ 4,813
Hotel/motel tax receivable	19,095	-	19,095
Capital assets, net	-	378 **	378
Prepaid expenses	10,000	-	10,000
Due from Tennessee River Museum	63	-	63
Due from Team Hardin County - NAIA	18,599	-	18,599
Due from Team Hardin County	70,649	-	70,649
Total assets	<u>\$ 123,219</u>	<u>\$ 378</u>	<u>\$ 123,597</u>
<b>LIABILITIES</b>			
Accrued payroll taxes	\$ 655	\$ -	\$ 655
Accounts payable	23,060	-	23,060
Total liabilities	<u>23,715</u>	<u>-</u>	<u>23,715</u>
<b>FUND BALANCES/NET POSITION</b>			
Fund balances:			
Nonspendable			
Long-term receivables	89,311	(89,311)	-
Total nonspendable	<u>89,311</u>	<u>(89,311)</u>	<u>-</u>
Unassigned	10,193	(10,193)	-
Total fund balances	<u>99,504</u>	<u>(99,504) *</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 123,219</u>		
Net position:			
Investment in capital assets		-	378
Unrestricted		-	99,504
Total net position		<u>\$ 99,882 *</u>	<u>\$ 99,882</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, 2013**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Hotel/motel tax	\$ 199,727	\$ -	\$ 199,727
Fireworks revenue	938	-	938
River Resort funds	16,800	-	16,800
Department of Tourism grant	3,998	-	3,998
Donated services	3,600	-	3,600
Events	2,338	-	2,338
Miscellaneous revenue	1,650	-	1,650
	<u>229,051</u>	<u>-</u>	<u>229,051</u>
Total revenues			
Expenditures/expenses:			
Tourism:			
Personnel services	97,389	-	97,389
Events	39,786	-	39,786
Promotional services	61,017	-	61,017
Office supplies and services	22,624	-	22,624
Travel and professional services	31,214	-	31,214
Depreciation	-	175 **	175
	<u>252,030</u>	<u>175</u>	<u>252,205</u>
Total expenditures/expenses			
Excess (deficiency) of revenues over expenditures	(22,979)	22,979 *	-
Change in net position	-	(23,154) *	(23,154)
Fund balances/net position:			
Beginning of year	122,483	-	123,036
End of year	<u>\$ 99,504</u>	<u>\$ -</u>	<u>\$ 99,882</u>

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

\*\* GASB 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 position. 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, 2013**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Hotel/motel tax	\$ 212,000	\$ 212,000	\$ 199,727	\$ (12,273)
Dept. of Tourism Advertising Matching Grant	4,000	4,000	3,998	(2)
River Resort funds	15,000	15,000	16,800	1,800
Donated services	-	-	3,600	3,600
Events revenue	-	-	2,338	2,338
Fireworks revenue	-	-	938	938
Miscellaneous revenue	-	-	1,650	1,650
<b>TOTAL REVENUES</b>	<u>231,000</u>	<u>231,000</u>	<u>229,051</u>	<u>(1,949)</u>
<b>EXPENDITURES</b>				
<b>PERSONNEL SERVICES</b>				
Chief Executive Officer	5,250	5,250	5,268	(18)
Tourism Director	38,760	38,760	46,112	(7,352)
Administrative Assistant	18,480	18,480	25,407	(6,927)
Tourism Assistant	15,000	15,000	-	15,000
Staff Personnel	7,000	7,000	11,777	(4,777)
Insurance benefits	12,500	12,500	-	12,500
Retirement	4,200	4,200	545	3,655
Payroll taxes	8,000	8,000	8,280	(280)
Total personnel services	<u>109,190</u>	<u>109,190</u>	<u>97,389</u>	<u>11,801</u>
<b>EVENTS</b>				
Non-profit contribution	5,000	5,000	-	5,000
Fireworks show	15,000	15,000	15,609	(609)
Special events grants	10,000	10,000	8,917	1,083
Special events	5,000	5,000	15,018	(10,018)
Banquet/golf tournament	1,000	1,000	242	758
Total events	<u>36,000</u>	<u>36,000</u>	<u>39,786</u>	<u>(3,786)</u>
<b>PROMOTIONAL SERVICES</b>				
Advertising	21,000	21,000	34,727	(13,727)
Promotional literature	10,000	10,000	5,918	4,082
Promotional contract	6,000	6,000	6,000	-
Printing	5,000	5,000	14,372	(9,372)
Total promotional services	<u>42,000</u>	<u>42,000</u>	<u>61,017</u>	<u>(19,017)</u>
<b>OFFICE SUPPLIES</b>				
Rent	950	950	200	750
Telephone	4,000	4,000	5,385	(1,385)
Postage	4,000	4,000	5,010	(1,010)
Supplies	2,000	2,000	2,718	(718)
Computer software	1,000	1,000	105	895
Maintenance agreement	3,000	3,000	7,151	(4,151)
Web site maintenance	2,000	2,000	1,325	675
Miscellaneous	860	860	730	130
Total office supplies	<u>17,810</u>	<u>17,810</u>	<u>22,624</u>	<u>(4,814)</u>
<b>TRAVEL &amp; PROFESSIONAL SERVICES</b>				
Professional affiliations and conferences	2,500	2,500	7,278	(4,778)
Travel	5,000	5,000	8,533	(3,533)
Travel shows	2,500	2,500	300	2,200
Retire Hardin County Co/Travel	10,000	10,000	6,413	3,587
Audit	4,000	4,000	4,000	-
Professional services	2,000	2,000	4,690	(2,690)
Total travel and professional services	<u>26,000</u>	<u>26,000</u>	<u>31,214</u>	<u>(5,214)</u>
<b>CAPITAL OUTLAY</b>				
Equipment purchases	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>231,000</u>	<u>231,000</u>	<u>252,030</u>	<u>(21,030)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(22,979)	(22,979)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>122,483</u>	<u>122,483</u>	<u>122,483</u>	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 122,483</u>	<u>\$ 122,483</u>	<u>\$ 99,504</u>	<u>\$ (22,979)</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, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of HCCVB.

**1. B. REPORTING ENTITY**

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.

**1. C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. HCCVB has no business-type activities.

**1. D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The fund financial statements provided information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The government reports the following major governmental fund: The *general fund* is HCCVB's primary operating fund. It accounts for all financial resources of the general government. HCCVB has no nonmajor or proprietary funds.

**1.E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Hotel/motel taxes and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or with in the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

**1.F. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General 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.
- The proposed budget is published in the local newspaper with invitations for the public to attend the budget hearings.
- Prior to July 1, the budget is legally adopted by the Board of Directors and approved by Hardin County through adoption of the appropriation ordinance upon two readings.
- The CEO is responsible for controlling expenditures of the various agencies of the government within the appropriated amounts. No expenditures shall be made in excess of the appropriations.

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.

**1.G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**Cash and Cash Equivalents**

The government's cash and cash equivalents are considered to be cash on hand and demand accounts.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**  
**(a component unit of Hardin County, Tennessee)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Inventories and Prepaid Expense**

Inventories of office materials and supplies of all funds of HCCVB were deemed to be immaterial and were not inventoried or reflected in the records. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**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.

**Deferred outflows/inflows of revenues**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. HCCVB had no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. HCCVB had no items that qualify for reporting in this category.

**Net position flow assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net position 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 position – All other net position that do not meet the definition of restricted or investment in capital assets.

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**Fund balance flow assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund balance policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by the formal action of the government's highest level of decision-making authority. The board of aldermen is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used for the government for specific purposes but do not meet the criteria to be classified as committed. The board of aldermen (board) has by resolution authorized the mayor to assign fund balance. The board may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to remove or revise a commitment.

**1.H. REVENUES AND EXPENDITURES/ EXPENSES**

**Program revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Expenditures/ Expenses**

In the government-wide financial statements, expenses are classified by function for governmental activities. In the fund financial statements, governmental funds expenditures are classified by character such as current (further classified by function), capital outlay, and debt service. In the fund financial statements, governmental funds report expenditures of financial resources.

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**NOTE 2 - 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.

**2.A. 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.

**2.B. DEFICIT FUND BALANCE PROHIBITION**

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.

**2.C. BUDGET APPROPRIATIONS**

Tennessee statutes prohibit expenses in excess of budget appropriations. Expenses exceeded budget appropriations for the year at the line-item and fund levels.

**NOTE 3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**3.A. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

*Custodial credit risk deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. HCCVB's deposits at year-end were not exposed to custodial credit risk due to being entirely covered by federal depository insurance.

**3.B. RECEIVABLES**

In the government-wide statements, receivables consist of all revenues earned at year-end but not yet received. Allowances for uncollectible accounts receivable has been deemed unnecessary based upon historical trends. The major receivable balance for the governmental activities includes hotel/motel tax receivable due from the county and other governments.

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**3.C. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Adjusted Balance 7/1/12</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance 6/30/13</u>
Governmental Activities:				
Capital assets being depreciated				
Furniture and equipment	4,215	-	-	4,215
Total Capital assets being depreciated	<u>4,215</u>	<u>-</u>	<u>-</u>	<u>4,215</u>
Less accumulated depreciation for:				
Furniture and equipment	(3,662)	(175)	-	(3,837)
Total accumulated depreciation	<u>(3,662)</u>	<u>(175)</u>	<u>-</u>	<u>(3,837)</u>
Total Capital assets, being depreciated, net	553	(175)	-	378
Governmental activities Capital assets, net	<u>\$ 553</u>	<u>\$ (175)</u>	<u>\$ -</u>	<u>\$ 378</u>

Depreciation expense of \$175 was charged to the general government.

**3.D. 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.

**3.E. FUND BALANCE REPORTING**

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following.

1. *Nonspendable* fund balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. *Restricted* fund balance – includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
3. *Committed* fund balance – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal ordinance of the Board of Directors (the government's highest level of decision-making authority) and shall remain binding unless removed in the same manner.
4. *Assigned* fund balance – includes amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Board of Directors makes assignments.

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5. *Unassigned* fund balance – the residual classification of the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general and state street aid funds.

**Order of Fund Balance Spending Policy**

HCCVB has 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 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 \$70,649 due to HCCVB transactions flowing through THC in prior years. At year end, THC – NAIA, another related-party nonprofit, owed HCCVB \$18,599 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 \$545.

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**NOTE 10. OTHER INFORMATION**

**10.A. ACCOUNTING CHANGES**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The Town early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general 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, 2013, and the related notes to the financial statements, which collectively comprise HCCVB's basic financial statements and have issued our report thereon dated December 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered HCCVB's internal control over financial reporting (internal control) to determine our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HCCVB's internal control. Accordingly, we do not express an opinion on the effectiveness of HCCVB's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether HCCVB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

**2013-01 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 \$70,649 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.

**2013-02 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.

**HCCVB's Response to Findings**

HCCVB's response to the findings identified in our audit is described above. HCCVB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**DISPOSITION OF PRIOR AUDIT FINDINGS**

None.

*Madison : Associates, PLLC*

December 18, 2013