# HARDIN COUNTY CONVENTION AND VISITORS BUREAU

## FINANCIAL STATEMENTS AND AUDITORS' REPORTS JUNE 30, 2008

# HARDIN COUNTY CONVENTION AND VISITORS BUREAU
## (a component unit of Hardin County, Tennessee)
## INDEPENDENT AUDITORS' REPORT, FINANCIAL STATEMENTS, AND SUPPLEMENTAL INFORMATION
## JUNE 30, 2008

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**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**
**(a component unit of Hardin County, Tennessee)**
**ROSTER OF BOARD OF DIRECTORS**
**JUNE 30, 2008**

| | |
|---|---|
| Steve Bunnell, CEO | Rachel Baker, Tourism Director |
| David Long, Chairman | Chris Jerrolds, Secretary/Treasurer |
| Beth Pippin | David Channell |
| Kathy Smith | Dave Harbin |
| Jimmy Kennedy | Insa Holder |
| Beverly Rushing | Sheri Rinks |
| Mike Fowler | Jeff Wilkes |
| Nita Rutledge | Carla Qualls, Administrative Assistant |

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

408 Main Street, Savannah, Tennessee 38372 Phone (731) 925-6547 FAX (731) 925-9524

**Independent Auditors' Report**

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

We have audited the accompanying financial statements of the governmental activities of Hardin County Convention and Visitors Bureau (HCCVB), a component unit of Hardin County, Tennessee, as of and for the year ended June 30, 2008, 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 of HCCVB as of June 30, 2008, and the respective changes in financial position thereof 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 1, 2008, 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.

The management's discussion and analysis on pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and the supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams, Jerrolds, Godwin & Nichols, PLLC

December 1, 2008

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**
**(a component unit of Hardin County, Tennessee)**
**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2008**

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, 2008. 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.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. This other supplemental information can be found on page 16 of this report.

### Comparative Data

### Statement of Net Assets

| | June 30, 2008 | Percent of Total | June 30, 2007 | Percent of Total |
|---|---|---|---|---|
| Current and other assets | $ 92,478 | 100.00% | $ 88,731 | 100.00% |
| Total assets | 92,478 | 100.00% | 88,731 | 100.00% |
| Current liabilities | 21,526 | 23.28% | 14,806 | 16.69% |
| Total liabilities | 21,526 | 23.28% | 14,806 | 16.69% |
| Net assets | | | | |
| Unrestricted | 70,952 | 76.72% | 73,925 | 83.31% |
| Total net assets | $ 70,952 | 76.72% | $ 73,925 | 83.31% |

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

| | June 30, 2008 | June 30, 2007 |
|---|---|---|
| **Revenues** | $ 229,036 | $ 202,152 |
| **Expenses** | | |
| Personnel services | 77,346 | 66,393 |
| Events | 40,564 | 40,631 |
| Promotional services | 67,966 | 34,138 |
| Office supplies | 19,077 | 16,531 |
| Travel and professional services | 27,056 | 16,394 |
| Total expenses | 232,009 | 174,087 |
| **Change in net assets** | (2,973) | 28,065 |
| **Net assets - beginning of year** | 73,925 | 45,860 |
| **Net assets - end of year** | $ 70,952 | $ 73,925 |

HCCVB had a loss in the current year in comparison to a profit in the prior year. This difference is mainly due to HCCVB's increased promotional expenses. Also, additional travel expenses were incurred in a new event (retiree travel).

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of June 2008, HCCVB had $3,344 invested in assets. However, all depreciable assets are fully depreciated. There were no current year additions or disposals. Additional information on capital assets is in Note 2.

### Debt

At year-end, HCCVB had no debt.

## ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES AND RATES

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

A budget is prepared before each fiscal year. Next year the budget shows total revenues and expenses of $209,170.

## 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, 2008**

| | General Fund | Adjustments (Note 10) | Statement of Net Assets |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | $ 200 | $ - | $ 200 |
| Hotel/motel tax receivable | 20,886 | - | 20,886 |
| Due from Team Hardin County | 71,392 | - | 71,392 |
| Total assets | $ 92,478 | - | 92,478 |
| **LIABILITIES** | | | |
| Accounts payable | $ 11,526 | - | 11,526 |
| Due to Team Hardin County - NAIA | 3,000 | - | 3,000 |
| Deferred revenues | - | 7,000 | 7,000 |
| Total liabilities | 14,526 | 7,000 | 21,526 |
| **FUND BALANCES/NET ASSETS** | | | |
| Fund balances: | | | |
| Unreserved | 77,952 | (77,952) | - |
| Total liabilities and fund balances | $ 92,478 | | |
| Net assets: | | | |
| Unrestricted | | $ 70,952 | $ 70,952 |

**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, 2008**

| | General Fund | Adjustments (Note 10) | Statement of Activities |
|---|---|---|---|
| Revenues: | | | |
| Hotel/motel tax | $ 210,074 | $ - | $ 210,074 |
| Fireworks revenue | 12,442 | (7,000) | 5,442 |
| River Resort funds | 5,000 | - | 5,000 |
| Donated services | 3,600 | - | 3,600 |
| Grant | 2,500 | - | 2,500 |
| Delta Queen revenue | 2,420 | - | 2,420 |
| Total revenues | 236,036 | (7,000) | 229,036 |
| Expenditures/expenses: | | | |
| Tourism: | | | |
| Personnel services | 77,346 | - | 77,346 |
| Events | 40,564 | - | 40,564 |
| Promotional services | 67,966 | - | 67,966 |
| Office supplies and services | 19,077 | - | 19,077 |
| Travel and professional services | 27,056 | - | 27,056 |
| Total expenditures/expenses | 232,009 | - | 232,009 |
| Excess (deficiency) of revenues over expenditures | 4,027 | (4,027) | - |
| Change in net assets | - | (2,973) | (2,973) |
| Fund balances/net assets: | | | |
| Beginning of year | 73,925 | - | 73,925 |
| End of year | $ 77,952 | $ (7,000) | $ 70,952 |

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

HARDIN COUNTY CONVENTION AND VISITORS BUREAU
(a component unit of Hardin County, Tennessee)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

| | Budgeted Amounts | | | Variance Positive |
|---|---|---|---|---|
| REVENUES | Original | Final | Actual | (Negative) |
| Hotel/motel tax | $ 193,000 | $ 217,000 | $ 210,074 | $ (6,926) |
| River Resort funds | - | - | 5,000 | 5,000 |
| Donated services | - | - | 3,600 | 3,600 |
| Delta Queen revenue | 1,500 | 2,400 | 2,420 | 20 |
| Fireworks revenue | - | 10,000 | 12,442 | 2,442 |
| Advertising grant | 8,000 | 2,500 | 2,500 | - |
| TOTAL REVENUES | 202,500 | 231,900 | 236,036 | 4,136 |
| EXPENDITURES | | | | |
| PERSONNEL SERVICES | | | | |
| Chief Executive Officer | 4,752 | 4,800 | 4,753 | 47 |
| Tourism Director | 34,600 | 38,000 | 37,597 | 403 |
| Administrative Assistant | 13,576 | 13,000 | 12,312 | 688 |
| Tourism Assistant | 21,000 | 2,000 | 1,160 | 840 |
| Staff Personnel | 7,000 | 9,000 | 8,899 | 101 |
| Insurance benefits | 11,354 | 4,000 | 3,387 | 613 |
| Retirement | 3,729 | 3,729 | 3,478 | 251 |
| Payroll taxes | 6,795 | 6,795 | 5,760 | 1,035 |
| Total personnel services | 102,806 | 81,324 | 77,346 | 3,978 |
| EVENTS | | | | |
| NAIA contribution | 5,000 | 5,000 | 5,000 | - |
| Special events recruitment | 8,000 | 11,000 | 9,160 | 1,840 |
| Delta Queen expenses | 1,500 | 2,600 | 2,615 | (15) |
| Fireworks show | - | 14,632 | 10,561 | 4,071 |
| Special events | 6,500 | 18,000 | 10,890 | 7,110 |
| Banquet/golf tournament | 1,000 | 1,000 | - | 1,000 |
| Display expense | - | - | 2,338 | (2,338) |
| Total events | 22,000 | 52,232 | 40,564 | 11,668 |
| PROMOTIONAL SERVICES | | | | |
| Advertising | 21,000 | 21,000 | 35,280 | (14,280) |
| Promotional literature | 12,000 | 2,000 | 8,398 | (6,398) |
| Promotional contract | 6,000 | 7,500 | 7,150 | 350 |
| Printing | 2,500 | 18,000 | 17,138 | 862 |
| Total promotional services | 41,500 | 48,500 | 67,966 | (19,466) |
| OFFICE SUPPLIES | | | | |
| Rent | 600 | 600 | 600 | - |
| Telephone | 4,000 | 2,500 | 2,126 | 374 |
| Postage | 4,334 | 4,334 | 7,236 | (2,902) |
| Supplies | 2,000 | 6,000 | 5,581 | 419 |
| Computer software | 2,000 | 600 | 591 | 9 |
| Maintenance agreement | 2,840 | 3,090 | 2,016 | 1,074 |
| Web site maintenance | 2,000 | 2,000 | 384 | 1,616 |
| Internet services | 420 | 420 | 285 | 135 |
| Miscellaneous | 600 | 300 | 258 | 42 |
| Total office supplies | 18,794 | 19,844 | 19,077 | 767 |
| TRAVEL & PROFESSIONAL SERVICES | | | | |
| Professional affiliations and conferences | 5,500 | 7,500 | 6,114 | 1,386 |
| Travel | 11,000 | 11,000 | 7,027 | 3,973 |
| Retire Hardin County Co/Travel | - | 7,000 | 6,922 | 78 |
| Professional services | 900 | 4,500 | 6,993 | (2,493) |
| Total travel and professional services | 17,400 | 30,000 | 27,056 | 2,944 |
| TOTAL EXPENDITURES | 202,500 | 231,900 | 232,009 | (109) |
| NET CHANGE IN FUND BALANCE | - | - | 4,027 | 4,027 |
| FUND BALANCE - BEGINNING OF YEAR | 73,925 | 73,925 | 73,925 | - |
| FUND BALANCE - END OF YEAR | $ 73,925 | $ 73,925 | $ 77,952 | $ 4,027 |

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

## 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.

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, 2008, was as follows:

| | Balance 7/1/07 | Additions/ Completions | Retirements/ Adjustments | Balance 6/30/08 |
|---|---|---|---|---|
| Capital assets being depreciated | | | | |
| Furniture and equipment | 3,343 | - | - | 3,343 |
| Total capital assets being depreciated | 3,343 | - | - | 3,343 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | (3,343) | - | - | (3,343) |
| Total accumulated depreciation | (3,343) | - | - | (3,343) |
| Total capital assets, being depreciated, net | - | - | - | - |
| Capital assets, net | $ - | $ - | $ - | $ - |

## Cash

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

## Accruals

Deferred revenue reported on the Statement of Net Assets relates to firework donations given in the current year to HCCVB for the firework event in the next fiscal year.

## Equity Classifications

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

a. Invested in capital assets—Consists of capital assets including restricted capital assets, net of accumulated depreciation

b. Restricted net assets—Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation

c. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets"

## NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABLITY

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 Prohibition**

Tennessee statutes prohibit the creation of a deficit fund balance in any individual fund. HCCVB complied with this statute in all material respects for the year ended June 30, 2008.

**Budget Appropriations**

Tennessee statutes prohibit expenses in excess of budget appropriations. HCCVB did not comply with this statute since expenses exceeded budget appropriations for the year.

## NOTE 4 - ESTIMATES AND ASSUMPTIONS

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

## 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 89% 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. THC pays expenses incurred by HCCVB and hotel/motel tax receipts are received by THC to offset those expenses. During the year, cash payments exceeded receipts by $3,323. At year end, THC owed HCCVB $71,392.

## NOTE 9 – RETIREMENT PLAN

HCCVB is a participant in a non-contributory defined contribution money purchase pension plan, which covers all full-time employees. HCCVB's contribution rate is 5% of base compensation. The total retirement plan expense for the year was $3,478.

## NOTE 10 – EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES

The "change in fund balance" for the governmental fund ($4,027) differs from the "change in net assets" for governmental activities (-$2,973) reported in the Statement of Activities. This difference of $7,000 arises from the long-term economic resources focus of the Statement of Activities versus the current financial resources focus of the governmental funds.

## 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.

**HARDIN COUNTY CONVENTION AND VISITORS BUREAU**
**(a component unit of Hardin County, Tennessee)**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND OTHER GRANT AWARDS**
**FOR THE YEAR ENDED JUNE 30, 2008**

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Contract Number | Accrued Revenue Beginning | Receipts | Expenditures | Accrued Revenue Ending |
|---|---|---|---|---|---|---|
| **FEDERAL AWARDS** | | | | | | |
| NONE | | | | | | |
| | | | $ - | $ - | $ - | $ - |
| **STATE FINANCIAL ASSISTANCE** | | | | | | |
| Dept of Tourist Development/ Advertising Matching Grant | N/A | Unknown | - | 2,500 | 2,500 | - |
| Total federal and state awards | | | $ - | $ 2,500 | $ 2,500 | $ - |

**Notes to Schedule of Expenditures of Federal Awards**

Note A - Significant Accounting Policies
The accompanying schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Town under programs of the federal and state governments for the year ended June 30, 2007. The schedule is presented using the modified accrual basis of accounting.

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

WILLIAMS, JERROLDS, GODWIN & NICHOLS, PLLC
Certified Public Accountants
408 Main Street, Savannah, Tennessee 38372 Phone (731) 925-6547 FAX (731) 925-9524

## 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, 2008, and have issued our report thereon dated December 1, 2008. 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects HCCVB's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of HCCVB's financial statements that is more than inconsequential will not be prevented or detected by HCCVB's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

**2008-01 STAMPED SIGNATURE ON CHECKS**
Checks require dual signatures. However, numerous instances were noted with a stamped signature on the check.

**RECOMMENDATION:** Checks should actually be signed by appropriate check signors.

**MANAGEMENT'S RESPONSE:** We have updated the bank signature card and will require actual signatures on all checks.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

**2008-02 EXPENDITURES EXCEEDED APPROPRIATIONS**
Expenditures exceeded appropriations. State law requires expenditures to be within appropriations.

**RECOMMENDATION:** Expend funds only within guidelines of the official budget. When unexpected expenses occur, amend the budget to reflect those changes.

**MANAGEMENT'S RESPONSE:** We will monitor our expenses and budget more closely in the future.

**DISPOSITION OF PRIOR AUDIT FINDINGS**
2007-01 INADEQUATE SEGREGATION OF DUTIES—corrected.
2007-03 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.

December 1, 2008