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June 30, 2009

Board of Directors  
Montgomery County Visitors &  
Convention Bureau, Inc.  
218 E. Pike St.  
Crawfordsville, IN 47933

We have reviewed the audit report prepared by Reed & Company, P.C., Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Montgomery County Visitors & Convention Bureau, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The management letter contains two comments.

STATE BOARD OF ACCOUNTS

**Montgomery County Visitors &  
Convention Bureau, Inc.**

**Audited Financial Statements**  
December 31, 2008 and 2007

# Montgomery County Visitors & Convention Bureau, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Montgomery County Visitors & Convention Bureau, Inc.  
Crawfordsville, Indiana

We have audited the accompanying statements of financial position of Montgomery County Visitors & Convention Bureau, Inc. (an Indiana nonprofit organization) as of December 31, 2008 and 2007, and the related statements of activities, net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of Montgomery County Visitors & Convention Bureau, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montgomery County Visitors & Convention Bureau, Inc. as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Reed & Company, P.C.*

Lafayette, Indiana  
February 26, 2009

# Montgomery County Visitors & Convention Bureau, Inc.

## Statements of Financial Position

December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 122,596	\$ 98,076
Inventory	4,984	5,604
Prepaid expenses	2,570	3,271
Total Current Assets	<u>130,150</u>	<u>106,951</u>
PROPERTY AND EQUIPMENT		
Land	10,000	10,000
Building and improvements	114,000	114,000
Furniture and equipment	35,318	35,579
	<u>159,318</u>	<u>159,579</u>
Less: Accumulated depreciation	(50,043)	(44,482)
Total Property and Equipment	<u>109,275</u>	<u>115,097</u>
TOTAL ASSETS	<u>\$ 239,425</u>	<u>\$ 222,048</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 651	\$ 906
Payroll taxes payable	1,399	1,175
Accrued expenses	3,381	2,828
Current portion of capital lease	2,502	2,071
Total Current Liabilities	<u>7,933</u>	<u>6,980</u>
LONG-TERM LIABILITIES		
Capital lease, net of current portion	<u>7,998</u>	<u>10,696</u>
Total Liabilities	15,931	17,676
NET ASSETS		
Unrestricted Net Assets	<u>223,494</u>	<u>204,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 239,425</u>	<u>\$ 222,048</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

## Statements of Activities

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>		<u>2007</u>	
UNRESTRICTED NET ASSETS				
REVENUE AND PUBLIC SUPPORT				
Innkeeper's tax	\$ 152,770	99.4 %	\$ 142,172	96.9 %
Sale of promotional items	220	0.1	605	0.4
Investment income	941	0.6	1,818	1.2
Gain (loss) on sale of fixed assets	<u>(113)</u>	<u>(0.1)</u>	<u>2,134</u>	<u>1.5</u>
Total Revenue and Public Support	<u>153,818</u>	<u>100.0</u>	<u>146,729</u>	<u>100.0</u>
EXPENSES				
Program services	112,318	73.0	125,605	85.6
Management and general	<u>22,378</u>	<u>14.5</u>	<u>19,852</u>	<u>13.5</u>
Total Expenses	<u>134,696</u>	<u>87.5</u>	<u>145,457</u>	<u>99.1</u>
INCREASE IN NET ASSETS	<u>\$ 19,122</u>	<u>12.5 %</u>	<u>\$ 1,272</u>	<u>0.9 %</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

## Statements of Net Assets

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
Net assets at beginning of year	\$ 204,372	\$ 203,100
Increase in unrestricted net assets	<u>19,122</u>	<u>1,272</u>
Net assets at end of year	<u>\$ 223,494</u>	<u>\$ 204,372</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

## Statement of Functional Expenses For the Year Ended December 31, 2008

	Program Services		Management and General		Total	
Salaries	\$ 43,958	28.5 %	\$ 10,989	7.1 %	\$ 54,947	35.6 %
Fringe benefits	10,301	6.7	2,575	1.7	12,876	8.4
Building and maintenance	1,793	1.2	768	0.5	2,561	1.7
Officer's insurance	0	0.0	1,497	1.0	1,497	1.0
Depreciation	6,222	4.0	2,074	1.3	8,296	5.4
Membership and subscriptions	2,205	1.4	0	0.0	2,205	1.4
Supplies	4,177	2.7	0	0.0	4,177	2.7
Office expense	2,561	1.7	640	0.4	3,201	2.1
Postage	1,649	1.1	183	0.1	1,832	1.2
Professional fees	0	0.0	2,595	1.7	2,595	1.7
Travel	1,290	0.8	0	0.0	1,290	0.8
Utilities	2,420	1.6	1,037	0.7	3,457	2.2
Telephone	1,942	1.3	20	0.0	1,962	1.3
Advertising	10,522	6.8	0	0.0	10,522	6.8
Convention development	4,490	2.9	0	0.0	4,490	2.9
Tourism development	2,553	1.7	0	0.0	2,553	1.7
Promotional material	16,235	10.6	0	0.0	16,235	10.6
Total Expenses	<u>\$ 112,318</u>	<u>73.0 %</u>	<u>\$ 22,378</u>	<u>14.5 %</u>	<u>\$ 134,696</u>	<u>87.5 %</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

Statement of Functional Expenses  
For the Year Ended December 31, 2007

	Program Services		Management and General		Total	
Salaries	\$ 40,871	27.8 %	\$ 10,218	6.9 %	\$ 51,089	34.8 %
Fringe benefits	9,347	6.4	2,337	1.6	11,684	8.0
Building and maintenance	2,179	1.5	672	0.5	2,851	1.9
Officer's insurance	0	0.0	1,497	1.0	1,497	1.0
Depreciation	6,873	4.7	1,213	0.8	8,086	5.5
Membership and subscriptions	2,120	1.4	0	0.0	2,120	1.4
Supplies	2,245	1.5	0	0.0	2,245	1.5
Office expense	3,907	2.7	689	0.5	4,596	3.2
Postage	3,212	2.2	0	0.0	3,212	2.2
Professional fees	0	0.0	2,325	1.6	2,325	1.6
Travel	1,420	1.0	0	0.0	1,420	1.0
Utilities	2,188	1.5	876	0.6	3,064	2.1
Telephone	2,454	1.7	25	0.0	2,479	1.7
Advertising	14,254	9.7	0	0.0	14,254	9.7
Convention development	5,304	3.6	0	0.0	5,304	3.6
Tourism development	1,498	1.0	0	0.0	1,498	1.0
Promotional material	27,733	18.9	0	0.0	27,733	18.9
	<u>\$ 125,605</u>	<u>85.6 %</u>	<u>\$ 19,852</u>	<u>13.5 %</u>	<u>\$ 145,457</u>	<u>99.1 %</u>
Total Expenses						

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

## Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from innkeeper's tax and sales	\$ 152,990	\$ 178,099
Cash received from interest	941	1,818
Cash paid to employees and suppliers	(123,404)	(129,573)
Cash paid for interest	<u>(1,153)</u>	<u>(1,211)</u>
Net Cash Provided by Operating Activities	29,374	49,133
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of fixed assets	(2,587)	(816)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for capital lease	<u>(2,267)</u>	<u>(2,419)</u>
<b>INCREASE IN CASH &amp; CASH EQUIVALENTS</b>	24,520	45,898
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>98,076</u>	<u>52,178</u>
<b>CASH &amp; CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 122,596</u>	<u>\$ 98,076</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

## Statements of Cash Flows

For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
INCREASE IN NET ASSETS	\$ 19,122	\$ 1,272
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	8,296	8,086
(Gain) loss on sale of fixed assets	113	(2,134)
(Increase) decrease in:		
Innkeeper's tax receivable	0	35,322
Inventory	620	(1,115)
Prepaid expenses	701	7,016
Increase (decrease) in:		
Accounts payable	(255)	502
Payroll taxes payable	224	(86)
Accrued expenses	553	270
TOTAL ADJUSTMENTS	<u>10,252</u>	<u>47,861</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 29,374</u>	<u>\$ 49,133</u>

See Accompanying Notes to Financial Statements

# Montgomery County Visitors & Convention Bureau, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

Montgomery County Visitors & Convention Bureau, Inc. was incorporated under the laws of the State of Indiana on December 1, 1987. Its purpose is to promote tourism within Montgomery County, Indiana. The Bureau's main source of revenue is from the Innkeeper's taxes, which are levied under Ordinance No. Coun-2-86, as adopted by the Montgomery County Council. Tax receipts and other income may be expended only to promote and encourage conventions, visitors, tourism and festivals within Montgomery County.

### Basis of Accounting

The financial statements of Montgomery County Visitors & Convention Bureau, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### Financial Statement Presentation

Montgomery County Visitors & Convention Bureau, Inc. reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as required under Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". In addition, the Bureau is required to present a statement of cash flows.

It is the Bureau's policy to account for all temporarily restricted donations as temporarily restricted even if the donor-imposed stipulation is met in the same year as the donation.

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Bureau considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

# Montgomery County Visitors & Convention Bureau, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Non-cash Investing and Financing Activity

Non-cash investing and financing activity in 2007 consisted of financing the cost of a copier through a capital lease. See capital lease footnote.

### Inventory

The inventory balance includes gift shop items. Inventory is valued at the lower of cost or market. Cost is determined by using the first-in, first-out (FIFO) method.

### Property and Equipment

Property and equipment are carried at cost. Major additions and improvements are added to the equipment accounts while maintenance, repairs, and replacements, which do not improve or extend the lives of assets, are expensed currently. Depreciation is provided using straight-line methods. The useful lives of the property and equipment for purposes of computing depreciation are:

Building and improvements	20 - 40 years
Furniture and equipment	3 - 12 years

Depreciation expense for 2008 and 2007 was \$8,296 and \$8,086.

When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is reflected in earnings or in the cost of the replacement assets.

### Significant Group Concentrations of Credit Risk

The Bureau received \$152,770 and \$142,172 in unrestricted revenues from the Innkeeper's tax levied in Montgomery County, Indiana in 2008 and 2007. These monies are received under a contract with the Montgomery County Visitors and Convention Commission to provide promotional services as detailed in the ordinance. If there was a significant reduction in the level of support, this may impact the effectiveness of the programs and activities.

# Montgomery County Visitors & Convention Bureau, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

### Donated Services

The Bureau recognizes donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

### Expense Allocation

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Bureau.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of 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.

## TAX STATUS

The Bureau has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(6) of the Internal Revenue Code as a tax-exempt organization. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

## CAPITAL LEASE COMMITMENTS

The assets and liabilities under capital lease are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is depreciated over the lower of its related lease terms or its estimated productive life. Depreciation of the equipment under capital lease is included in the depreciation expense for 2008 and 2007.

# Montgomery County Visitors & Convention Bureau, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

## CAPITAL LEASE COMMITMENTS, continued

During 2007, the Bureau entered into a new capital lease arrangement expiring in 2012. The fair value of the equipment under capital lease is \$13,476. Depreciation on the equipment under capital lease charged to expense in 2008 and 2007 was \$2,695 and \$674.

The minimum future lease payments under capital lease as of December 31, 2008 for each of the next five years and in the aggregate are:

Year Ended	Amount
2009	\$ 3,420
2010	3,420
2011	3,420
2012	2,280
Total minimum lease payments	12,540
Less: Amount representing interest	(2,040)
Present value of net minimum lease payments	10,500
Less: Current portion	(2,502)
Long-Term Capital Lease Obligation	\$ 7,998

The interest rate on capitalized lease for the copier is 26.4% and is imputed based on the lessor's implicit rate of return. The interest expense relating to capital leases for 2008 and 2007 was \$1,153 and \$1,211.



February 26, 2009

To the Senior Management and  
The Board of Directors of  
Montgomery County Visitors & Convention Bureau, Inc.

In planning and performing our audit of the financial statements of Montgomery County Visitors & Convention Bureau, Inc. for the year ended December 31, 2008 we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operational efficiency. This letter does not affect our report dated February 26, 2009, on the financial statements of Montgomery County Visitors & Convention Bureau, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with members of management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

#### **RETIREMENT PLAN**

During our audit field work, we noted that Montgomery County Visitors & Convention Bureau, Inc. has begun matching Sharon and Joan's contributions to their individual retirement accounts (IRA) that they hold personally. While contributing to a retirement plan is a great benefit for employees, the way that it is currently being handled is being treated as additional compensation and taxable to the employees because no retirement plan is set up by the Organization.

We recommend that you set up a SIMPLE IRA plan. This plan must be set up by October 1<sup>st</sup> of 2009, in order to make contributions in 2009. All employees that have earned \$5,000 or more in the prior 2 years are eligible to participate. Employees can contribute up to \$11,500 (or \$14,000 if over 50 years of age). Montgomery County Visitors & Convention Bureau, Inc. would then match dollar for dollar up to 3% of the employee's compensation or 2% of compensation for all eligible employees.

By setting up a SIMPLE IRA plan, employees would be able to defer compensation and the Organization would be able to make matching contributions to the plan for employees that would not be taxable to the employee. If the Organization plans to continue with the current "retirement plan," we recommend that it be paid to the employees as a bonus annually or quarterly in order for it to be properly included in payroll.

## ORGANIZATIONAL STRUCTURE

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimal segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

In order for Montgomery County Visitors & Convention Bureau, Inc. to be successful, it is very important for all board members to remain actively involved in the activities of the Organization. We encourage each board member to volunteer at events and continue to offer support for the activities of the visitors bureau.

We would like to express our sincere appreciation to Sharon Kenny and Joan Woods for their assistance in the audit.

Reed & Company, P.C. would like to thank Montgomery County Visitors & Convention Bureau, Inc. for the opportunity to be of service and we look forward to a continuing business relationship. If assistance is needed in the implementation of any of the above recommendations, we would be glad to assist.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.

*Reed & Company, P.C.*  
Lafayette, Indiana