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November 30, 2009

Board of Directors
Hendricks County Tourism Commission
d/b/a Hendricks County Convention & Visitors Bureau
8 W. Main St.
Danville, IN 46122

We have reviewed the audit report prepared by Donovan & Thomas, PC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 Hendricks County Tourism Commission d/b/a Hendricks County Convention & Visitors Bureau, as of December 31, 2007, 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.

STATE BOARD OF ACCOUNTS

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION &
VISITORS BUREAU

FINANCIAL STATEMENTS

For the Years Ended December 31, 2007, 2006 and 2005

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Donovan & Thomas

A Professional Corporation

Certified Public Accountants

Robert M. Donovan, CPA

Paul A. Thomas, CPA

Jeffrey M. Donovan, CPA, CVA, CFFA

INDEPENDENT AUDITORS' REPORT

Hendricks County Tourism Commission Members

We have audited the accompanying statements of financial position-modified cash basis of the Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau as of December 31, 2007, 2006 and 2005, and the related statements of activities-modified cash basis and cash flows-modified cash basis for the years then ended. These financial statements are the responsibility of the Hendricks County Tourism Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. These 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 opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principals.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau as of December 31, 2007, 2006 and 2005 and the results of its activities and its cash flows for the years then ended, on the basis of accounting described in Note 1.

DONOVAN & THOMAS, P.C.

DONOVAN & THOMAS, P.C.

May 22, 2008

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS
December 31, 2007, 2006 and 2005

	<u>ASSETS</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 1,084,742	\$ 461,689	\$ 321,180
Property and equipment:			
Land	1,614,161	1,614,161	1,614,161
Building and improvements	430,196	430,196	430,196
Automobiles	49,706	49,706	49,706
Furniture and equipment	<u>66,054</u>	<u>66,054</u>	<u>58,028</u>
	2,160,117	2,160,117	2,152,091
Less accumulated depreciation	<u>(139,411)</u>	<u>(108,631)</u>	<u>(78,159)</u>
Total property and equipment	<u>2,020,706</u>	<u>2,051,486</u>	<u>2,073,932</u>
Total assets	<u>\$ 3,105,448</u>	<u>\$ 2,513,175</u>	<u>\$ 2,395,112</u>

	<u>LIABILITIES AND NET ASSETS</u>		
Notes payable (Note 2)	\$ 1,949,190	\$ 2,082,642	\$ 1,832,581
Unrestricted net assets	<u>1,156,258</u>	<u>430,533</u>	<u>562,531</u>
Total liabilities and net assets	<u>\$ 3,105,448</u>	<u>\$ 2,513,175</u>	<u>\$ 2,395,112</u>

See auditors' report and accompanying notes to financial statements.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
STATEMENTS OF ACTIVITIES - MODIFIED CASH BASIS
For the Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenue:			
County Innkeepers Tax (Note 3)	\$ 1,836,837	\$ 863,270	\$ 970,593
Interest income	15,610	12,293	2,221
Rent income	9,000	8,500	9,800
County map income	1,164	7,186	23,503
Co-op advertising income	<u>1,200</u>	<u>2,250</u>	<u>800</u>
Total revenue	\$ 1,863,811	\$ 893,499	\$ 1,006,917
Operating expenses:			
Marketing (Note 4)	610,600	473,866	291,942
Salaries and wages	190,775	174,408	132,723
Interest expense	87,548	107,116	76,181
Employee benefits (Note 7)	48,200	48,929	33,939
Professional fees	40,645	53,436	46,443
Depreciation	30,780	30,472	30,401
Unbudgeted expenditures (Note 5)	24,792	38,120	-
Office supplies (Note 6)	23,289	22,147	16,644
Payroll taxes	15,460	14,736	12,066
Repairs and maintenance	15,142	19,557	14,848
Postage and shipping	14,746	10,772	10,446
Vehicle expense	14,446	12,344	10,592
Telephone	8,805	8,865	8,460
Utilities	6,442	6,390	6,424
Insurance	<u>6,416</u>	<u>4,339</u>	<u>4,425</u>
Total expenses	<u>1,138,086</u>	<u>1,025,497</u>	<u>695,534</u>
Change in net assets	\$ 725,725	\$ (131,998)	\$ 311,383
Beginning net assets	<u>430,533</u>	<u>562,531</u>	<u>251,148</u>
Ending net assets	<u>\$ 1,156,258</u>	<u>\$ 430,533</u>	<u>\$ 562,531</u>

See auditor's report and accompanying notes to financial statements.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Years Ended December 31, 2007, 2006 and 2005

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:			
Change in net assets	\$ 725,725	\$ (131,998)	\$ 311,383
Adjustments to reconcile excess revenue to net cash provided by operating activities:			
Depreciation	<u>30,780</u>	<u>30,472</u>	<u>30,401</u>
Net cash from operating activities	756,505	(101,526)	341,784
Cash flows from investing activities:			
Purchase of property and equipment	-	(8,026)	(1,656,045)
Cash flows from financing activities:			
Proceeds from long-term debt	-	2,200,000	1,636,591
Payments on long-term debt	<u>(133,452)</u>	<u>(1,949,939)</u>	<u>(23,027)</u>
Net cash from financing activities	<u>(133,452)</u>	<u>250,061</u>	<u>1,613,564</u>
Net change in cash and cash equivalents	623,053	140,509	299,303
Cash at beginning of year	<u>461,689</u>	<u>321,180</u>	<u>21,877</u>
Cash at end of year	<u>\$ 1,084,742</u>	<u>\$ 461,689</u>	<u>\$ 321,180</u>
 Supplemental cash flow disclosures:			
Cash paid for interest	<u>\$ 87,548</u>	<u>\$ 107,116</u>	<u>\$ 76,181</u>

See auditors' report and accompanying notes to financial statements.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007, 2006 and 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau (the Commission) was established in 1999 to promote tourism in Hendricks County, Indiana. The Commission advertises for area attractions, lodging facilities and restaurants to attract tourists to the County and is headquartered in Danville, Indiana.

The Commission derives nearly all of its revenues from innkeepers tax remitted by Hendricks County Innkeepers. In October 2005 the tax rate was increased from 5% to 8%. The Commission shares half of the 3% increase with Hendricks County. Area innkeepers remit the tax they collect monthly to the Hendricks County Treasurer. The Commission is authorized to request funds from the county on an as-needed basis.

Basis of Accounting – The Commission maintains its books on the modified cash basis of accounting. Consequently, revenue is recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Additionally, the Commission capitalizes and depreciates certain capital expenditures. Accordingly, the accompanying financial statements are not intended to present financial position and changes in net assets in conformity with generally accepted accounting principles.

Income Taxes – The Commission is exempt from federal and Indiana state taxes as a quasi-governmental unit.

Estimates – The preparation of financial statements 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash includes all demand deposit accounts.

Property and Equipment – Property and equipment is valued at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years. It is the Commission's policy to capitalize purchases of property and equipment that benefit future periods and exceed \$1,500 in cost.

Compensated Absences – Expenditures for compensated absences are recognized when paid.

See auditors' report.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended December 31, 2007, 2006 and 2005

NOTE 2 - NOTES PAYABLE

Notes payable consists of the following:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
4.29% note payable to First National Bank in monthly installments of \$16,597 due January 2021, secured by real estate.	\$ 1,949,190	\$ 2,082,642	-
5.75% note payable to Lincoln Bank in monthly interest-only payments of approximately \$7,620, due April 2008, secured by real estate	-	-	1,590,430
5.06% note payable to Hendricks County Bank and Trust Company in monthly installments of \$2,033, due January 2007, secured by real estate.	-	-	205,861
4.50% note payable to Lincoln Bank in monthly installments of \$862, due September 2010, secured by automobiles.	-	-	<u>36,290</u>
	1,949,190	2,082,642	1,832,581
Current portion of long-term debt	<u>115,994</u>	<u>111,131</u>	<u>22,100</u>
Long-term portion	<u>\$ 1,833,196</u>	<u>\$ 1,971,511</u>	<u>\$ 1,810,481</u>

Future minimum principal payments on long-term borrowings are summarized as follows:

2008	\$ 115,994
2009	121,069
2010	126,366
2011	131,895
2012	137,674
Thereafter	<u>1,316,192</u>
Total	<u>\$ 1,949,190</u>

See auditors' report.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
For the Years Ended December 31, 2007, 2006 and 2005

NOTE 3 - FUNDING

The Commission is funded by Innkeepers taxes collected by lodging facilities in Hendricks County. The tax is paid monthly to the County Treasurer and disbursed to the Commission as needed throughout the year. The total Innkeepers tax received by the Commission for the years ended December 31, 2007, 2006 and 2005 was \$1,836,837; \$863,270 and \$970,593, respectively.

NOTE 4 - MARKETING

The Commission's purpose is to promote tourism in Hendricks County. In keeping with that purpose, the Commission expends funds in the form of marketing. The following schedule details the different types of marketing expenses paid during 2007, 2006 and 2005:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Parks and fairground	\$ 268,252	\$ 207,699	\$ -
Advertising	117,952	99,466	65,149
Printing	41,284	11,132	13,200
IRP suite	37,603	37,381	35,708
Parks and community promotions	36,366	27,429	34,481
Creative services	21,863	18,600	18,100
Seminars and trade shows	21,830	17,151	10,601
Website production and maintenance	18,206	8,535	2,665
Promotional items	16,960	17,755	5,883
Association dues	10,375	11,165	10,826
Travel and entertainment	8,657	9,252	9,526
Brochure distribution	7,498	7,880	7,578
Miscellaneous	3,436	94	4,581
Trade publications	318	327	509
County map project	-	-	73,115
Total	<u>\$ 610,600</u>	<u>\$ 473,866</u>	<u>\$ 291,922</u>

See auditors' report.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007, 2006 and 2005

NOTE 5 - UNBUDGETED EXPENDITURES

Unbudgeted expenditures include expenses that were not specifically included in the Commission-approved budget.

NOTE 6 - EQUIPMENT LEASES

The Commission leases postage equipment and a copier under non-cancelable operating leases. The postage equipment lease requires quarterly payments of \$405 and expires in May 2010. The copier lease requires monthly payments based on a minimum amount and the volume of copies and expires in December 2008. The total lease expense for the years ended December 31, 2007, 2006 and 2005 was \$9,110, \$8,549 and \$7,388, respectively. Equipment leases are included with office supplies expenses on the Statements of Activities.

The following is a schedule of future minimum lease payments required under the non-cancelable operating leases:

2008	\$ 6,060
2009	4,860
2010	<u>2,025</u>
Total	\$ <u>12,945</u>

NOTE 7 - RETIREMENT PLAN

The Commission maintains a retirement plan for all eligible employees. Employer contributions can range from 5% - 25% of eligible compensation and are determined annually by the Commission members. The Plan has a gradual six-year vesting schedule. The Commission made contributions totaling \$11,547 (7%), \$12,526 (8%) and \$8,551 (9%) to the Plan in 2007, 2006 and 2005, respectively. Retirement plan contributions are included with employee benefits on the Statements of Activities.

NOTE 8 - CONCENTRATION OF RISK

At times, the Commission maintains balances in bank accounts that exceed the Federal Deposit Insurance Company's \$100,000 liability limit. This occurs because the Commission requests funds from Hendricks County on a periodic basis in large, lump-sum amounts.

See auditors' report.

HENDRICKS COUNTY TOURISM COMMISSION
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2007, 2006 and 2005

NOTE 9 -LEASES

The Commission owns an apartment that it leases out. The apartment is part of its main office facility in Danville, Indiana. The lease is for a two-year term beginning February 1, 2006 with an opt-out option for either the lessee or lessor after the first year.

NOTE 10 – BENEFIT DAYS

The commission offers a certain number of benefit days (sick days, vacation days and personal days) to each of its employees. The number of days employees receive annually is based on the number of years of service and level of each employee.

The Commission does not accrue benefit days. The following schedule summarizes the dollar value of non-accrued benefit days as of December 31, 2007:

Sick days	\$ 10,137
Vacation and holidays	<u>1,878</u>
Total	\$ 12,015

See auditors' report.

Donovan & Thomas

A Professional Corporation

Certified Public Accountants

Robert M. Donovan, CPA

Paul A. Thomas, CPA

Jeffrey M. Donovan, CPA, CVA, CFFA

May 22, 2008

Hendricks County Convention & Visitors Bureau Members:

In planning and performing our audit of the financial statements of the Hendricks County Convention & Visitors Bureau for the year ended December 31, 2007, we considered the organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we did not note any material weaknesses within the organization's internal control structure that require additional attention. This letter does not affect our report dated May 22, 2008 on the financial statements of the Hendricks County Convention & Visitors Bureau.

DONOVAN & THOMAS, P.C.

DONOVAN & THOMAS, P.C.