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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, 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 Hendricks County Tourism Commission d/b/a Hendricks County Convention & Visitors Bureau, 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 three comments.

STATE BOARD OF ACCOUNTS

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

FINANCIAL STATEMENTS and  
SUPPLEMENTARY INFORMATION

For the Years Ended December 31, 2008, 2007 and 2006

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## INDEPENDENT AUDITORS' REPORT

To The Commission Members  
Hendricks County Tourism Commission  
d/b/a Hendricks County Convention and Visitors Bureau  
Danville, Indiana 46122

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, 2008, 2007 and 2006, and the related statements of activities, cash flows and functional expense - modified cash basis for the years then ended. These financial statements are the responsibility of the Organization'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 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 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, 2008, 2007 and 2006 and the changes in its activities and its cash flows for the years 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 reported dated June 24, 2009, on our consideration of Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau'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 important for assessing the results of our audit.

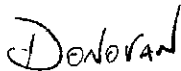
Hendricks County Tourism Comm.  
d/b/a Hendricks County Convention  
and Visitors Bureau

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June 24, 2009

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such 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.

DONOVAN

A handwritten signature in cursive script that reads "Donovan".

Avon, Indiana  
June 24, 2009

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
STATEMENTS OF FINANCIAL POSITION - MODIFIED CASH BASIS  
December 31, 2008, 2007 and 2006

ASSETS

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current assets:			
Cash and cash equivalents	\$ 60,521	\$ 1,084,742	\$ 461,689
Certificates of deposit (Note 2)	<u>400,000</u>	<u>-</u>	<u>-</u>
Total current assets	\$ 460,521	\$ 1,084,742	\$ 461,689
Property and equipment:			
Land	1,614,161	1,614,161	1,614,161
Building and improvements	434,907	430,196	430,196
Automobiles	49,706	49,706	49,706
Furniture and equipment	<u>75,002</u>	<u>66,054</u>	<u>66,054</u>
	2,173,776	2,160,117	2,160,117
Less accumulated depreciation	<u>(168,871)</u>	<u>(139,411)</u>	<u>(108,631)</u>
Total property and equipment	<u>2,004,905</u>	<u>2,020,706</u>	<u>2,051,486</u>
Beneficial interest in Hendricks County Community Foundation (Note 4)	<u>17,302</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,482,728</u>	<u>\$ 3,105,448</u>	<u>\$ 2,513,175</u>

LIABILITIES AND NET ASSETS

Notes payable (Note 5)	\$ 1,785,819	\$ 1,949,190	\$ 2,082,642
Unrestricted net assets	679,607	1,156,258	430,533
Temporarily restricted net assets	<u>17,302</u>	<u>-</u>	<u>-</u>
Total net assets	<u>696,909</u>	<u>1,156,258</u>	<u>430,533</u>
Total liabilities and net assets	<u>\$ 2,482,728</u>	<u>\$ 3,105,448</u>	<u>\$ 2,513,175</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, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
SUPPORT AND REVENUE			
Support:			
County Innkeepers Tax (Note 3)	\$ 775,258	\$ 1,836,837	\$ 863,270
Revenue:			
Interest income	17,337	15,610	12,293
Rent income	9,275	9,000	8,500
County map income	541	1,164	7,186
Co-op advertising income	4,675	1,200	2,250
Total revenue	<u>31,828</u>	<u>26,974</u>	<u>30,229</u>
Total support and revenue	807,086	1,863,811	893,499
EXPENSES			
Program Services:			
Marketing (Schedule I)	666,853	610,600	473,866
Salaries and wages	187,007	171,698	156,967
Advisory services	74,258	-	-
Employee benefits (Note 7)	50,028	43,380	44,036
Professional fees	21,308	20,323	26,718
Repairs and maintenance	17,582	13,628	17,601
Payroll taxes	15,561	13,914	13,262
Office supplies	15,417	20,960	19,932
Postage and shipping	15,007	13,271	9,695
Depreciation	14,730	15,390	15,236
Vehicle expense	14,369	13,001	11,110
Interest expense	8,313	8,755	10,712
Utilities	6,946	5,798	5,751
Insurance	4,718	5,774	3,905
Telephone	4,044	7,925	7,979
Change in fair value of beneficial interest	2,698	-	-
Unbudgeted expenditures	-	22,313	34,308
Total program services	1,118,839	986,729	851,078
Supporting services:			
Management and general	147,596	151,357	174,419
Total expenses	<u>1,266,435</u>	<u>1,138,086</u>	<u>1,025,497</u>
Change in net assets	(459,349)	725,725	(131,998)
Beginning net assets	<u>1,156,258</u>	<u>430,533</u>	<u>562,531</u>
Ending net assets	<u>\$ 696,909</u>	<u>\$ 1,156,258</u>	<u>\$ 430,533</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, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:			
Change in net assets	\$ (459,349)	\$ 725,725	\$ (131,998)
Adjustments to reconcile excess revenue to net cash provided by operating activities:			
Depreciation	29,460	30,780	30,472
Change in fair value of beneficial interest in Hendricks County Community Foundation	<u>2,698</u>	<u>-</u>	<u>-</u>
Net cash from operating activities	(427,191)	756,505	(101,526)
Cash flows from investing activities:			
Investment in certificates of deposit	(400,000)	-	-
Purchase of property and equipment	(13,659)	-	(8,026)
Investment in beneficial interest in Hendricks County Community Foundation	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Net cash from investing activities	<u>(433,659)</u>	<u>-</u>	<u>(8,026)</u>
Cash flows from financing activities:			
Proceeds from long-term debt	-	-	2,200,000
Payments on long-term debt	<u>(163,371)</u>	<u>(133,452)</u>	<u>(1,949,939)</u>
Net cash from financing activities	<u>(163,371)</u>	<u>(133,452)</u>	<u>250,061</u>
Net change in cash and cash equivalents	(1,024,221)	623,053	140,509
Cash at beginning of year	<u>1,084,742</u>	<u>461,689</u>	<u>321,180</u>
Cash at end of year	<u>\$ 60,521</u>	<u>\$ 1,084,742</u>	<u>\$ 461,689</u>
Supplemental cash flow disclosures:			
Cash paid for interest	<u>\$ 83,129</u>	<u>\$ 87,548</u>	<u>\$ 107,116</u>

See auditors' report and accompanying notes to financial statements.

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
STATEMENTS OF FUNCTIONAL EXPENSE - MODIFIED CASH BASIS  
For the Years Ended December 31, 2008, 2007 and 2006

	2008		2008 Total	2007 Total	2006 Total
	Program Services	Supporting Services			
	Convention & Visitors Bureau	Mgmt. & General			
Marketing	666,853	-	666,853	610,600	473,866
Advisory services	74,258	-	74,258	-	-
Salaries and wages	187,007	20,779	207,786	190,775	174,408
Interest expense	8,313	74,816	83,129	87,548	107,116
Employee benefits (Note 7)	50,028	5,559	55,587	48,200	48,929
Professional fees	21,308	21,308	42,616	40,645	53,436
Depreciation	14,730	14,730	29,460	30,780	30,472
Unbudgeted expenditures	-	-	-	24,792	38,120
Office supplies	15,417	1,713	17,130	23,289	22,147
Payroll taxes	15,561	1,729	17,290	15,460	14,736
Repairs and maintenance	17,582	1,954	19,536	15,142	19,557
Postage and shipping	15,007	1,667	16,674	14,746	10,772
Vehicle expense	14,369	1,597	15,966	14,446	12,344
Telephone	4,044	449	4,493	8,805	8,865
Utilities	6,946	772	7,718	6,442	6,390
Insurance	4,718	523	5,240	6,416	4,339
Change in fair value of beneficial interest	2,698	-	2,698	-	-
Totals	<u>\$ 1,118,839</u>	<u>\$ 147,596</u>	<u>\$ 1,266,435</u>	<u>\$ 1,138,086</u>	<u>\$ 1,025,497</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, 2008, 2007 and 2006

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.

Basis of Presentation – The Commission reports financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Commission. Temporarily restricted net assets represent resources restricted by donors for specific purposes for which restrictions have not yet been met. Permanently restricted net assets represent donated resources with stipulations that they be used for specific purpose, be preserved, or be invested to provide a permanent source of income. The Commission has no permanently restricted net assets.

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, the Commission considers all demand deposit accounts, money market funds and securities with original maturities of three months or less to be cash equivalents.

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.

See independent auditors' report

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2008, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Reclassifications – Certain amounts in the 2007 and 2006 financial statements have been reclassified to conform with the 2008 presentation with no effect on previously reported change in net assets.

NOTE 2 - INVESTMENTS

Investments are carried at fair value and consisted of the following at December 31:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Certificates of deposit, at surrender value	\$ <u>400,000</u>	\$ <u>-</u>	\$ <u>-</u>

NOTE 3 - BENEFICIAL INTEREST IN ENDOWMENT

The Hendricks County Tourism Commission is the sole beneficiary of an irrevocable endowment with the Hendricks County Community Foundation whose fair value is \$17,302. This endowment was created in 2008 to support an annual Hendricks County Tourism Scholarship Fund to benefit Hendricks County students that are majoring or will be majoring in the field of tourism. The spending policy of the endowment fund is a maximum 5% of the ending fund balance. In 2008 the ending fund balance was less than the principal fund balance thus allowing no distribution. The fair value of the Endowment has been included in beneficial interest in endowment and temporarily restricted net assets.

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSE

Expenses are classified according to the functional purpose for which the costs are incurred. The cost of providing program and management & general services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2008, 2007 and 2006

NOTE 5 - NOTES PAYABLE

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Note payable to First National Bank, interest rate of 4.29%, 180 monthly installments of \$16,597, due January 2021, secured by real estate	\$ 1,785,819	\$ 1,949,190	\$ 2,082,642
Current portion of long-term debt	<u>121,069</u>	<u>115,994</u>	<u>111,131</u>
Long-term portion	\$ <u>1,664,750</u>	\$ <u>1,833,196</u>	\$ <u>1,971,511</u>

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

2009	\$ 121,069
2010	126,366
2011	131,895
2012	137,674
2013	143,689
Thereafter	<u>1,125,126</u>
Total	\$ <u>1,785,819</u>

NOTE 6 - SUPPORT REVENUE

The Commission is funded by innkeepers' taxes collected by lodging facilities in Hendricks County. The tax is paid monthly to the Hendricks 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, 2008, 2007 and 2006 was \$775,258, \$1,836,827 and \$863,270, respectively.

NOTE 7 - UNBUDGETED EXPENDITURES

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

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2008, 2007 and 2006

NOTE 8 - 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 of \$361 and expires in January 2012. The total lease expense for the years ended December 31, 2008, 2007 and 2006 was \$7,768, \$9,110 and \$8,549, 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:

2009	\$ 9,192
2010	6,357
2011	4,332
2012	<u>361</u>
Total	\$ <u>20,242</u>

NOTE 9 - 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 \$15,077 (8%), \$11,547 (7%) and \$12,526 (8%) to the Plan in 2008, 2007 and 2006, respectively. Retirement plan contributions are included with employee benefits on the Statements of Activities.

NOTE 10 - CONCENTRATION OF RISK

At times, the Commission maintains balances in bank accounts that exceed the Federal Deposit Insurance Company's \$250,000 liability limit. This occurs because the Commission requests funds from Hendricks County on a periodic basis in large, lump-sum amounts.

NOTE 10 - RENTAL INCOME

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, 2008. Rent is payable on the first day of each month at a rate of \$775 in 2008 and \$800 in 2009.

See independent auditors' report.

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended December 31, 2008, 2007 and 2006

NOTE 11 - 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, 2008:

Sick days	\$ 18,861
Vacation and holidays	<u>2,720</u>
Total	\$ <u>21,581</u>

NOTE 12 - SUITE LEASE

The Commission entered into a five year suite lease with the National Hot Rod Association for an annual suite at the O'Reilly Raceway Park in Indianapolis, Indiana. Annual license fees are \$20,000 and expiration is December 31, 2008.

NOTE 13 - SUBSEQUENT EVENTS

The Hendricks County Treasurer collects and holds the innkeepers' tax support revenue for the Commission that requests funds on an as needed basis. On January 30, 2009 a deposit for \$992,116 was made from the Hendricks County Treasurer. All of these funds were collected for the 2008 calendar year. The Commission maintains its books on the modified cash basis of accounting which recognizes revenue when received. Accordingly, no revenue was recognized for this amount in 2008.

See independent auditors' report.

SUPPLEMENTARY INFORMATION

HENDRICKS COUNTY TOURISM COMMISSION  
d/b/a HENDRICKS COUNTY CONVENTION & VISITORS BUREAU  
SCHEDULE OF EXPENDITURES OF GOVERNMENT AWARDS - MODIFIED CASH BASIS  
For the Years Ended December 31, 2008, 2007 and 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Parks and fairground	\$ 291,525	\$ 268,252	\$ 207,699
Advertising	156,021	117,952	99,466
Advisory services	74,258	-	-
ORP suite	39,904	37,603	37,381
Parks and community promotions	37,072	36,366	27,429
Research	24,003	-	-
Promotional items	22,843	16,960	17,755
Seminars and trade shows	22,621	21,830	17,151
Printing	21,795	41,284	11,132
Association dues	13,425	10,375	11,165
Website production and maintenance	11,644	18,206	8,535
Creative services	8,925	21,863	18,600
Brochure distribution	8,192	7,498	7,880
Change in fair value of beneficial interest	2,698	-	-
Travel and entertainment	8,062	8,657	9,252
Miscellaneous	573	3,436	94
Trade publications	248	318	327
Total direct expenditures	<u>743,809</u>	<u>610,600</u>	<u>473,866</u>
Allocation of overhead to program services	<u>375,030</u>	<u>376,129</u>	<u>377,212</u>
Total expenditures of government awards	<u>\$ 1,118,839</u>	<u>\$ 986,729</u>	<u>\$ 851,078</u>

See auditors' report and accompanying notes to financial statements.



**DONOVAN**  
Certified Public Accountants  
and Advisors

To the Commission Members  
Hendricks County Tourism Commission  
d/b/a Hendricks County Convention and  
Visitors Bureau  
Danville, IN 46122

In planning and performing our audit of the financial statements of the Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau as of and for the years ended December 31, 2008, 2007 and 2006 in accordance with auditing standards generally accepted in the United States of America, we considered Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau's internal control over financial reporting (internal control) 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 the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 the entity'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 the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 the entity's internal control. We noted no deficiencies in internal control that we consider to be significant deficiencies or other deficiencies that we consider to be material weaknesses.

**Other Comments and Recommendations:**

Process to Prepare Financial Statements

Statement on Auditing Standards No. 112 "Communication of Internal Control Related Matters Identified in an Audit" requires consideration of whether an Organization has effective controls over the preparation of financial statements in cases where the independent public accountant prepares the financial statements.

The purpose of an audit is to express an opinion on the financial statements. While the Commission prepares the financial statements from the QuickBooks reporting software at a satisfactory level to be in accordance with the modified-cash basis of accounting, Donovan is relied upon for year end adjusting entries and preparation of the footnotes.

We suggest that an internal control process be designed and implemented to review current accounting standards to ensure the accounting policies of the Commission are appropriate under the modified-cash basis of accounting and that all required journal entries and disclosures are made.

Allocation of Indirect Expenses

The Commission currently relies on the annual audit to allocate indirect expenses between the functions of program, supporting, and fundraising. A subjective approach is used to estimate the allocation by account. Financial standards recommend a more objective approach, using time sheets. Each employee should maintain a time sheet of where time is spent. Accounts should be established to track all the functions of the Commission by each type of expense. Using this time sheet method, expenses specifically related to one of the functions will be charged directly to the function. All other expenses will be allocated based on the overall totals from the time sheets for the year. This method would provide supporting documentation for the allocation calculation and give a more accurate presentation of the expenses of the Commission.

Bank Statement Review

We suggest that an individual who is not directly involved in purchasing or invoice approval, such as the Board Treasurer or President, receive the bank statements directly from the bank. This individual would review the bank statements and cancelled checks for any strange or unusual items and investigate these items should any be found. Documentation of their review should be made on the face of the bank statement. We feel that this suggestion will further enhance the checks and balances necessary for strong controls over cash.

The aforementioned comments were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 2008 financial statements, and this communication does not affect our report on those financial statements dated June 24, 2009. We have not considered internal controls since the date of our report.

This communication is intended solely for the information and use of management, Hendricks County Tourism Commission Members, and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties.

DONOVAN

*DONOVAN*

June 24, 2009



June 24, 2009

To The Commissioners  
Hendricks County Tourism Commission  
d/b/a Hendricks County Convention and  
Visitors Bureau  
Danville, IN 46122

We have audited the financial statements of the Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau for the years ended December 31, 2008, 2007 and 2006 and have issued our report thereon dated June 24, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 10, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified-cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau are described in Note 1 to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no sensitive disclosures affecting the financial statements.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the Organization's financial reporting process:

<u>Description of Adjustment</u>	<u>Income (Expense)</u>
To capitalize building improvements and equipment above capitalization threshold	\$ 13,660
To record annual depreciation expense for the year ended December 31, 2008	(29,460)
To record deposit to Hendricks County Community Foundation as beneficial interest asset	20,000
To record change in fair value of beneficial interest in Hendricks County Community Foundation	( 2,698)

*Disagreement with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 24, 2009.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Commissioners and management of Hendricks County Tourism Commission d/b/a Hendricks County Convention and Visitors Bureau and is not intended to be and should not be used by anyone other than these specified parties. We were pleased to serve your Organization as its independent auditors for 2008, 2007 and 2006. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire.

Sincerely,

DONOVAN

A handwritten signature in dark ink, appearing to read "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".