

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT EXAMINATION REPORT
OF

DELAWARE COUNTY CONVENTION
AND TOURISM COMMISSION
DELAWARE COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
12/07/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	12
Schedule of Capital Assets.....	13
Schedule of Long-Term Debt	14
Examination Results and Comments:	
Business Purpose Undetermined.....	15
Alcohol Purchases.....	15
Exit Conference.....	16
Official Response	17-19
Schedule of Questioned Costs	20

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	James Mansfield	01-01-09 to 12-31-11
Treasurer	Jeff Brandon Kris Shroyer	01-01-09 to 12-31-09 01-01-10 to 12-31-11
President of the Board	George Sheridan Jeff Brandon	01-01-09 to 12-31-09 01-01-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DELAWARE COUNTY CONVENTION AND
TOURISM COMMISSION, DELAWARE COUNTY, INDIANA

We have examined the financial statements of the Delaware County Convention and Tourism Commission (Commission), for the period of January 1, 2009 to December 31, 2010. The Commission's management is responsible for the financial statements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Commission prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Commission for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, for the year ended December 31, 2010, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statements. It has not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on it. A Combining Schedule of Receipts, Disbursements, and Cash and Investments Balances – Regulatory Basis was not presented for the year ended December 31, 2009.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

The Commission's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Commission's management and the Commission Board and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

October 3, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were prepared by management of the Commission. The financial statements and notes are presented as intended by the Commission.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General Fund	\$ 136,829	\$ 508,012	\$ 517,908	\$ 126,933

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	<u>\$ 126,933</u>	<u>\$ 478,430</u>	<u>\$ 495,305</u>	<u>\$ 110,058</u>

The notes to the financial statements are an integral part of this statement.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Commission was established under the laws of the State of Indiana. The Commission operates under an appointed governing board.

The accompanying financial statements present the financial information for the Commission (primary government), and do not include financial information for any of the Commission's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Commission (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: innkeepers tax, food and beverage tax, county economic development income tax, and other taxes that are set by the County.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants.

Charges for services which can include, but are not limited to the following: copies of public records, copy machine charges.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Commission. It includes all expenditures for the reduction of the principal and interest of the Commission's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Commission submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. County Innkeeper's Tax

A tax on room charges for patrons of lodging establishments in the County is distributed by the County Treasurer to the Tourism Commission.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Commission to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The Commission may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Commission to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Commission by recording as a disbursement and replacement items purchased.

Note 6. *Pension Plan*

The Commission contributes to a pension plan unique to the Commission. Information regarding this plan may be obtained from the Commission.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Commission's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Report of the Commission which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Commission. It is presented as intended by the Commission.

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund
Cash and investments - beginning	\$ 126,933
Receipts:	
Intergovernmental	467,916
Other receipts	10,514
Total receipts	478,430
Disbursements:	
Personal services	242,650
Supplies	6,525
Other services and charges	159,409
Capital outlay	86,721
Total disbursements	495,305
Deficiency of receipts over disbursements	(16,875)
Cash and investments - ending	\$ 110,058

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Machinery and equipment	<u>\$ 68,457</u>

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Commission has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Kyocera Taskalfa 400ci	\$ 10,882	\$ 2,720
Bonds payable:		
General obligation bonds:		
Improvements for Sportsplex	<u>920,000</u>	<u>89,663</u>
Total governmental activities debt	<u>\$ 930,882</u>	<u>\$ 92,383</u>

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
EXAMINATION RESULTS AND COMMENTS

BUSINESS PURPOSE UNDETERMINED

Records presented for examination included claims for Country Club golf dues. A determination that the expenses were for employees conducting governmental business could not be made. These payments were posted to business professional membership fees. The payments, totaling \$3,450, represent a questioned cost. (See Schedule of Questioned Costs, page 20)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Indiana Code 6-9-18-4(c) states:

"Money in a convention, visitor, and tourism promotion fund, or money transferred from such a fund under subsection (b), may be expended only to promote and encourage conventions, visitors, and tourism within the county. Expenditures under this subsection may include, but are not limited to, expenditures for advertising, promotional activities, trade shows, special events, and recreation."

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid for by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

The Schedule of Questioned Costs provided herein is based upon a definition by the United States Office of Inspector General (OIG) as follows:

"5 USC APPENDIX - INSPECTOR GENERAL ACT OF 1978 Sec. 5 01/24/94 '(f) As used in this section - (1) the term 'questioned cost' means a cost that is questioned by the Office because of - (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable; . . ."

ALCOHOL PURCHASES

We noted one instance of alcohol being paid from public funds of the Commission for James Mansfield.

James Mansfield reimbursed the Commission \$3.50 for the alcohol purchases on September 21, 2011.

Purchases of alcoholic beverages may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2011, with Julia Ashton, Business Manager, and James Mansfield, Director. The Official Response has been made a part of this report and may be found on pages 17 through 19.



MISSION STATEMENT

"To advance sustainable economic, cultural and environmental progress and development for Muncie/ Delaware County through tourism."

October 5, 2011

EXECUTIVE DIRECTOR

Jim Mansfield

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Mary Slafkosky

Bill Summers

State Board of Accounts
302 W. Washington Street
Room E418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

Dear Sirs:

This letter is in response to the Exit Conference conducted on Monday, October 3, 2011 with Field Agent Nancy Wright and Field Supervisor William Vinson for the Delaware County Convention & Tourism Commission, Inc. (DCCTC). Also in attendance was Julia Ashton, Business Manager for the DCCTC.

The matter in question is for payment of membership dues paid to Delaware Country Club for use by the Executive Director of the DCCTC. This membership, and recurring payments, was a result of action taken by the Board of Commissioners of the DCCTC in June 2008.

Some background information ...

At a strategic planning session conducted in November 2007 by the DCCTC Board of Commissioners, it was determined that staff members should become more involved in community organizations and activities to create a stronger presence and awareness of tourism and the tourism efforts within the community. It was the opinion of the DCCTC Board of Commissioners that such action would result in an increase in the number of events, functions and activities related to tourism. The board members expressed a desire to see the Executive Director create more networking opportunities with business owners, government officials and community leaders. This discussion led to the DCCTC Board of Commissioners approving within the annual budget the purchase of the membership to the Delaware Country Club to be used by the Executive Director. It was also noted the funds used for this membership should come from supplemental revenues generated through the DCCTC advertising and sales efforts and not from Innkeeper's Tax revenues. The funds for the membership fees have been appropriated in the budget each year and clearly defined as expenditure in the "Dues and Subscriptions" line item of the budget. This expenditure and the budget have also been approved by the Delaware County Council each year since that decision was made.

The opportunity to network with many of our community leaders at Delaware Country Club during the past few years has proven beneficial in several ways. Becoming better acquainted and more familiar with these individuals, and they more familiar with me, has allowed the DCCTC to connect with more groups and organizations that have brought tourism functions (meetings, conferences and events) to the Muncie area. The DCCTC has established record revenues in each of the last two years, due in part to the increased networking efforts.



MISSION STATEMENT

"To advance sustainable economic, cultural and environmental progress and development for Muncie/ Delaware County through tourism."

*Response letter
Page 2*

EXECUTIVE DIRECTOR

Jim Mansfield

2011 BOARD OF COMMISSIONERS

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Marsha Clark
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Bill Summers

As an example, an interaction at the Delaware Country Club with a local bank president resulted in a significant cost savings for the DCCTC. The bank, upon closing one of its branch offices, was looking for an organization to donate the building to. The bank made the decision to gift the building to our sister organization, the Muncie Sports Commission, Inc. (MSC), a 501(c)3 not-for-profit organization that is housed within the DCCTC offices. The MSC, in turn, made the facility available to the DCCTC at a cost savings of 60% of previous building lease costs. The building is being remodeled and will be used as a visitor's center at the southern most gate way into our city. I feel strongly the relationship with the bank executive that led to this generous gift was developed through the opportunities gained from the membership to the Delaware Country Club and played a big role in this decision by the bank.

Another example occurred when I hosted Vice President Bill Horton of the National Softball Association (NSA) in October 2010. I was able to entertain him with a round of golf and dinner at the country club while he was making a site visit to our community last year. Our hospitality resulted in the NSA awarding Muncie four national tournaments, twice as many as we had ever received in the past. I could have done the same thing at another location but the fact that I would bring him to the finest facility in Delaware County for this occasion left a lasting impression.

In understanding the importance of how tourism dollars are to be spent, I have made a point to not create additional expenditures for the DCCTC that may be associated with having a membership at Delaware Country Club. To that end, any personal expenses associated with golf activities, food and beverage consumption or related country club events have been paid for through my personal bank account. I have not, nor do I intend to, abuse the use of this membership to create a burden on the DCCTC or use it for personal gain.

I appreciate the DCCTC Board of Commissioners recognizing the importance of networking and connecting with our community leaders in an effort to bring more tourism business to Muncie. It is important and has proven to be an effective tool in increasing the economic impact for businesses that tourism has brought to Muncie and Delaware County as a result of this membership.

Sincerely,

Jim Mansfield
Executive Director



MISSION STATEMENT

"To advance sustainable economic, cultural and environmental progress and development for Muncie/ Delaware County through tourism."

EXECUTIVE DIRECTOR

Jim Mansfield

**2011
BOARD OF
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Bill Summers

October 7, 2011

State Board of Accounts
302 W. Washington Street
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Indianapolis, IN 46304-2765

OFFICIAL RESPONSE

Dear Sirs:

This letter is in response to the Exit Conference conducted with Field Agent Nancy Wright, Field Supervisor William Vinson and Jim Mansfield, Executive Director for the Delaware County Convention & Tourism Commission, Inc. (DCCTC) and Julia Ashton, Business Manager for the DCCTC.

The matter in question, as brought to my attention by Jim Mansfield, is for payment of membership dues to the Delaware Country Club to be used by the Executive Director of the DCCTC.

It was the decision of the Commission that a membership to Delaware Country Club would be paid from non-tax related revenues for the Executive Director. This was being done so that he could become more engaged with the leaders in our community. Furthermore, the intent was for this membership to be used by him for entertaining potential clients that may be visiting our community for the purpose of considering Delaware County for a convention, sporting event or any other venue that could bring more visitors to our community.

It was never the intent of the commission for this membership to be considered a perk to the Executive Director. Rather it is a way for him to be able to entertain guests coming into our community for professional or business related purposes.

Sincerely,

Jeff Brandon
President
Delaware County Convention
& Tourism Commission

DELAWARE COUNTY CONVENTION AND TOURISM COMMISSION
SCHEDULE OF QUESTIONED COSTS

Finding Reference	Questioned Costs
James Mansfield, Executive Director: Business Purpose Undetermined, page 15: Country Club Dues	<u>\$ 3,450</u>