



STATE OF INDIANA
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December 13, 2016

Board of Directors
Howard County Convention and Visitors Commission, Inc.
325 North Main Street
Kokomo, IN 46901

We have reviewed the audit report prepared by London Witte Group, LLC, for the period January 1, 2015 to December 31, 2015. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditors' Report, the financial statements included in the report present fairly the financial condition of Howard County Convention and Visitors Commission, Inc., as of December 31, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

***HOWARD COUNTY CONVENTION
AND VISITORS COMMISSION, INC.***

Financial Statements

Years Ended December 31, 2015 and 2014

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

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INDEPENDENT AUDITORS' REPORT



To the Board of Directors
Howard County Convention and Visitors Commission, Inc.

We have audited the accompanying financial statements of Howard County Convention and Visitors Commission, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating significant accounting estimates made by management as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Certified Public Accountants

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Howard County Convention and Visitors Commission, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with Government Auditing Standards, we have issued our report dated August 23, 2016 on our consideration of Howard County Convention and Visitors Commission, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howard County Convention and Visitors Commission, Inc.'s basic financial statements. Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. Management's Discussion and Analysis has not been included with the basic financial statements.

London Witte Group, LLC

London Witte Group, LLC
Indianapolis, Indiana
August 23, 2016

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,083,928	\$ 800,972
Receivables	41,128	66,711
Prepaid expenses	<u>10,183</u>	<u>10,082</u>
TOTAL CURRENT ASSETS	<u>1,135,239</u>	<u>877,765</u>
Fixed Assets		
Furniture and equipment	49,784	49,784
Vehicles	18,735	18,735
Less: Accumulated depreciation	<u>(68,519)</u>	<u>(68,519)</u>
TOTAL FIXED ASSETS	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 1,135,239</u>	<u>\$ 877,765</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 8,532	\$ 58,267
Payroll liabilities	<u>0</u>	<u>306</u>
TOTAL CURRENT LIABILITIES	<u>8,532</u>	<u>58,573</u>
Net Assets		
Unrestricted	<u>1,126,707</u>	<u>819,192</u>
TOTAL NET ASSETS	<u>1,126,707</u>	<u>819,192</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,135,239</u>	<u>\$ 877,765</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Innkeepers tax revenue	\$ 588,642	\$ 0	\$ 588,642
Total revenue	<u>588,642</u>	<u>0</u>	<u>588,642</u>
Other revenue			
Interest income	250	0	250
Miscellaneous income	<u>11,553</u>	<u>0</u>	<u>11,553</u>
Total other revenue	<u>11,803</u>	<u>0</u>	<u>11,803</u>
TOTAL SUPPORT AND REVENUE	<u>600,445</u>	<u>0</u>	<u>600,445</u>
EXPENSES			
Program services	255,289	0	255,289
Management and general	<u>37,641</u>	<u>0</u>	<u>37,641</u>
TOTAL EXPENSES	<u>292,930</u>	<u>0</u>	<u>292,930</u>
CHANGE IN NET ASSETS	307,515	0	307,515
NET ASSETS AT BEGINNING OF YEAR	<u>819,192</u>	<u>0</u>	<u>819,192</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,126,707</u>	<u>\$ 0</u>	<u>\$ 1,126,707</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF ACTIVITIES Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Innkeepers tax revenue	\$ 588,380	\$ 0	\$ 588,380
Total revenue	<u>588,380</u>	<u>0</u>	<u>588,380</u>
Other revenue			
Interest income	250	0	250
Miscellaneous income	<u>50,000</u>	<u>0</u>	<u>50,000</u>
Total other revenue	<u>50,250</u>	<u>0</u>	<u>50,250</u>
TOTAL SUPPORT AND REVENUE	<u>638,630</u>	<u>0</u>	<u>638,630</u>
EXPENSES			
Program services	339,837	0	339,837
Management and general	<u>40,903</u>	<u>0</u>	<u>40,903</u>
TOTAL EXPENSES	<u>380,740</u>	<u>0</u>	<u>380,740</u>
CHANGE IN NET ASSETS	257,890	0	257,890
NET ASSETS AT BEGINNING OF YEAR	<u>561,302</u>	<u>0</u>	<u>561,302</u>
NET ASSETS AT END OF YEAR	<u>\$ 819,192</u>	<u>\$ 0</u>	<u>\$ 819,192</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2015

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 45,648	\$ 11,412	\$ 57,060
Payroll taxes	4,438	1,110	5,548
Employee benefits	8,884	2,221	11,105
Contract labor	52,992	13,248	66,240
General insurance	4,666	1,166	5,832
Postage	2,298	574	2,872
Telephone	3,488	872	4,360
Dues and subscriptions	4,590	1,147	5,737
Travel	401	100	501
Meals and entertainment	189	47	236
Vehicle expense	643	161	804
General office expense	2,990	748	3,738
Marketing	104,722	0	104,722
Professional expense	4,686	1,172	5,858
Research services	7,700	1,925	9,625
Sponsorships and events	6,762	1,690	8,452
Training expense	192	48	240
TOTAL FUNCTIONAL EXPENSES	\$ <u>255,289</u>	\$ <u>37,641</u>	\$ <u>292,930</u>

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 53,787	\$ 13,447	\$ 67,234
Payroll taxes	5,525	1,381	6,906
Employee benefits	15,338	3,835	19,173
Contract labor	30,554	7,639	38,193
General insurance	4,038	1,010	5,048
Postage	1,766	441	2,207
Telephone	3,726	932	4,658
Dues and subscriptions	5,425	1,356	6,781
Travel	675	169	844
Vehicle expense	2,250	563	2,813
General office expense	2,487	622	3,109
Marketing	126,234	0	126,234
Professional expense	34,007	8,502	42,509
Bank charges	67	17	84
Human resources	3,934	983	4,917
Training expense	24	6	30
Grant expense	50,000	0	50,000
TOTAL FUNCTIONAL EXPENSES	\$ 339,837	\$ 40,903	\$ 380,740

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

STATEMENTS OF CASH FLOWS Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	\$ 614,225	\$ 522,168
Cash paid to employees and suppliers	(343,072)	(340,911)
Interest received	250	250
Miscellaneous income	11,553	50,000
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	282,956	231,507
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	0	0
NET INCREASE (DECREASE) IN CASH	282,956	231,507
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	800,972	569,465
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,083,928	\$ 800,972
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 307,515	\$ 257,890
Decrease (increase) in assets		
Contracts receivable	25,583	(66,212)
Prepaid Expenses	(101)	1,860
Increase (decrease) in liabilities		
Accounts payable and other liabilities	(49,735)	46,079
Payroll liabilities	(306)	(8,110)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 282,956	\$ 231,507

The accompanying notes are an integral part of these statements.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

(1) Summary of significant accounting policies

The significant accounting policies followed by the Howard County Convention and Visitors Commission, Inc. (CVB) are summarized below.

Nature of operations – The CVB was established to promote the development and growth of the convention and visitors industry in Howard County. Effective January 1, 2012 the CVB is under a management agreement with the Greater Kokomo Economic Development Alliance (Alliance) to recognize the benefits of shared management and services. The activities of the CVB are reported in the financial statements of Alliance. The CVB retains its corporate legal status.

Preparation of financial statements - The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The CVB is required to report 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. In addition, the CVB is required to present a statement of cash flows.

Financial statement estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents – The CVB considers cash in bank accounts and certificates of deposit with original maturities of three months or less to be cash and cash equivalents. At times, such investments may be in excess of the FDIC insurance limit.

Fixed assets – Fixed assets are recorded at cost at date of acquisition. Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset. Depreciation expense was \$- for 2015 and \$- for 2014. Fixed asset expenditures in excess of \$250 are capitalized at cost.

Receivables – The CVB carries its accounts receivable at cost. An allowance for uncollectible amounts has not been recorded, as the CVB believes these receivables to be fully collectible.

HOWARD COUNTY CONVENTION AND VISITORS COMMISSION, INC.

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2015 and 2014

(1) Summary of significant accounting policies (continued)

Provision for income taxes –The CVB follows “Accounting for Uncertainty in Income Taxes.” The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization’s financial statements. The accounting principal requires an organization to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the CVB does not believe they are taking any uncertain tax positions.

The CVB operates as a nonprofit organization as provided for in Section 501(c)(6) of the Internal Revenue Code, and therefore is exempt from income taxes. The CVB has tax years 2013 through 2015 open for both Federal and State filings. No penalties or interest have been included in these financial statements.

Subsequent events – Management has evaluated subsequent events through August 23, 2016, the date the financial statements were made available to be issued.

(2) Retirement plan

The CVB offers a retirement plan for the benefit of employees. The employee must complete one year of service, earn over \$363 and be at least 21 years old to be eligible to participate. The amount contributed was \$3,337 in 2015 and \$6,237 in 2014.

(3) Concentrations

The primary source of revenue for the CVB is a remission from Howard County of the innkeeper’s tax. This tax is assessed on hotel revenues at 5% less a 0.083% collection allowance. The hotels subject to the tax fill out a monthly return and submit with payment to Howard County. The county then issues a check to the CVB.

(4) Management agreement

The CVB is under a management agreement with the Alliance for management and other services. Amounts paid under the agreement were \$42,000 in 2015 and \$29,500 in 2014.

August 23, 2016

To the Board of Directors
of Howard County Convention and Visitors Commission, Inc.

We have audited the financial statements of Howard County Convention and Visitors Commission, Inc. (the "Organization") as of and for the years ended December 31, 2014 and 2015, and have issued our report thereon dated August 23, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Howard County Convention and Visitors Commission, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered Howard County Convention and Visitors Commission, Inc.'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 and not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certified Public Accountants

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

There is an absence of appropriate segregation of duties in certain accounting areas consistent with control objectives. However, the hiring of additional employees in order to segregate the duties may not be economically practical for the benefit to be derived.

Purpose of the Report

The purpose of these report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "London Witte Group, LLC". The signature is written in a cursive, flowing style.

London Witte Group, LLC