

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

AUDIT REPORT

OF

LAKE COUNTY CONVENTION AND VISITORS BUREAU

LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**

12/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President/CEO	James Tsismanakis Judith Brown (Interim) Speros A. Batistatos	01-01-05 to 04-22-05 04-23-05 to 10-06-05 10-07-05 to 12-31-07
Treasurer	Robert Forster Carl Doppler	01-01-05 to 12-31-06 01-01-07 to 12-31-07
Financial Manager/CFO	Janis Flutka	10-25-05 to 12-31-07
Chairman of the Board	Victor De Meyer	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE LAKE COUNTY CONVENTION  
AND VISITORS BUREAU, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lake County Convention and Visitors Bureau (Bureau), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Bureau's basic financial statements. These financial statements are the responsibility of the Bureau'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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Bureau as of December 31, 2005 and 2006, and the respective changes in financial position for the years then ended, in conformity with accounting principles generally accepted in the United States.

The Budgetary Comparison Schedules, Budget/GAAP Reconciliation, Schedule of Capital Assets, and Schedule of Long-Term Debt, as listed in the Table of Contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS

September 25, 2007

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF NET ASSETS  
December 31, 2005

	Primary Government
<u>Assets</u>	Governmental Activities
Cash and cash equivalents	\$ 3,057,591
Receivables (net of allowances for uncollectibles):	
Interest	7,560
Taxes	357,792
Accounts	29,868
Inventories	11,190
Prepaid expense	6,147
Restricted assets:	
Cash and cash equivalents	1,055,814
Interest receivable	7,186
Capital assets:	
Land	1,063,000
Improvements not depreciated	1,142,224
Buildings, net of depreciation	6,175,799
Improvements other than buildings, net of depreciation	45,830
Machinery and equipment, net of depreciation	185,872
 Total assets	 13,145,873
 <u>Liabilities</u>	
Accounts payable	171,470
Accrued payroll and withholdings payable	52,301
Payable from restricted assets:	
Accrued bond interest	7,047
Revenue bonds - due within one year	425,000
Noncurrent liabilities:	
Due within one year:	
Compensated absences	11,508
Due in more than one year:	
Revenue bonds payable	3,625,000
 Total liabilities	 4,292,326
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	4,562,725
Restricted for:	
Debt service	1,055,953
Unrestricted	3,234,869
 Total liabilities, equity and other credits	 \$ 8,853,547

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 2,122,710	\$ 30,023	\$ 16,311	\$ (2,076,376)
Interest on long-term debt	<u>90,227</u>	<u>-</u>	<u>-</u>	<u>(90,227)</u>
Total primary government	<u>\$ 2,212,937</u>	<u>\$ 30,023</u>	<u>\$ 16,311</u>	<u>(2,166,603)</u>
General revenues:				
Innkeepers taxes				1,513,562
Casino taxes				1,794,905
Unrestricted investment earnings				64,515
Other				<u>113,016</u>
Total general revenues				<u>3,485,998</u>
Change in net assets				1,319,395
Net assets - beginning				<u>7,534,152</u>
Net assets - ending				<u>\$ 8,853,547</u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2005

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Debt Service Reserve</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 3,031,228	\$ -	\$ -	\$ 26,363	\$ 3,057,591
Receivables (net of allowances for uncollectibles):					
Interest	7,560	-	-	-	7,560
Taxes	357,792	-	-	-	357,792
Accounts	-	-	-	29,868	29,868
Inventories	-	-	-	11,190	11,190
Prepaid expense	6,147	-	-	-	6,147
Restricted assets:					
Cash and cash equivalents	-	451,469	604,345	-	1,055,814
Interest receivable	-	-	7,186	-	7,186
<b>Total assets</b>	<b><u>\$ 3,402,727</u></b>	<b><u>\$ 451,469</u></b>	<b><u>\$ 611,531</u></b>	<b><u>\$ 67,421</u></b>	<b><u>\$ 4,533,148</u></b>

Liabilities and Fund Balances

<u>Liabilities:</u>					
Accounts payable	\$ 169,667	\$ -	\$ -	\$ 1,803	\$ 171,470
Accrued payroll and withholdings payable	52,301	-	-	-	52,301
Compensated absences payable	11,508	-	-	-	11,508
Payable from restricted assets:					
Accrued interest payable	-	7,047	-	-	7,047
<b>Total liabilities</b>	<b><u>233,476</u></b>	<b><u>7,047</u></b>	<b><u>-</u></b>	<b><u>1,803</u></b>	<b><u>242,326</u></b>
<u>Fund balances:</u>					
<u>Reserved for:</u>					
Encumbrances	221,968	-	-	1,803	223,771
Debt service funds	-	444,422	611,531	-	1,055,953
<u>Unreserved, reported in:</u>					
General fund	2,947,283	-	-	-	2,947,283
Special revenue funds	-	-	-	63,815	63,815
<b>Total fund balances</b>	<b><u>3,169,251</u></b>	<b><u>444,422</u></b>	<b><u>611,531</u></b>	<b><u>65,618</u></b>	<b><u>4,290,822</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 3,402,727</u></b>	<b><u>\$ 451,469</u></b>	<b><u>\$ 611,531</u></b>	<b><u>\$ 67,421</u></b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,612,725
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(4,050,000)

Net assets of governmental activities \$ 8,853,547

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Debt Service	Debt Service Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,308,467	\$ -	\$ -	\$ -	\$ 3,308,467
Intergovernmental	16,311	-	-	-	16,311
Charges for services	30,023	-	-	-	30,023
Other	41,934	9,846	24,161	105,471	181,412
	<u>3,396,735</u>	<u>9,846</u>	<u>24,161</u>	<u>105,471</u>	<u>3,536,213</u>
Total revenues					
Expenditures:					
Current:					
General government	2,109,210	-	-	13,500	2,122,710
Debt service:					
Principal	-	405,000	-	-	405,000
Interest	-	90,227	-	-	90,227
Capital outlay:					
Investment in general fixed assets	100,138	-	-	-	100,138
	<u>2,209,348</u>	<u>495,227</u>	<u>-</u>	<u>13,500</u>	<u>2,718,075</u>
Total expenditures					
Excess (deficiency) of revenues over (under) expenditures	<u>1,187,387</u>	<u>(485,381)</u>	<u>24,161</u>	<u>91,971</u>	<u>818,138</u>
Other financing sources (uses):					
Transfers in	-	625,388	-	-	625,388
Transfers out	(582,060)	-	(16,975)	(26,353)	(625,388)
	<u>(582,060)</u>	<u>625,388</u>	<u>(16,975)</u>	<u>(26,353)</u>	<u>-</u>
Total other financing sources and uses					
Net change in fund balances	605,327	140,007	7,186	65,618	818,138
Fund balances - beginning	<u>2,563,924</u>	<u>304,415</u>	<u>604,345</u>	<u>-</u>	<u>3,472,684</u>
Fund balances - ending	<u>\$ 3,169,251</u>	<u>\$ 444,422</u>	<u>\$ 611,531</u>	<u>\$ 65,618</u>	<u>\$ 4,290,822</u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Other Changes in Fund Balances)	\$	818,138
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		100,138
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(3,881)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		405,000
		<u>405,000</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u><u>1,319,395</u></u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF NET ASSETS  
December 31, 2006

	Primary Government
<u>Assets</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,971,644
Investments	1,000,000
Receivables (net of allowances for uncollectibles):	
Interest	12,984
Taxes	351,024
Accounts	42,610
Inventories	11,531
Prepaid expense	2,157
Restricted assets:	
Cash and cash equivalents	278,980
Investments	604,345
Interest receivable	2,760
Capital assets:	
Land	1,063,000
Improvements not depreciated	1,142,224
Buildings, net of depreciation	6,035,510
Improvements other than buildings, net of depreciation	44,831
Machinery and equipment, net of depreciation	252,638
 Total assets	 12,816,238
 <u>Liabilities</u>	
Accounts payable	61,751
Accrued payroll and withholdings payable	69,019
Compensated absences	39,555
Payable from restricted assets:	
Accrued bond interest	6,308
Revenue bonds - due within one year	445,000
Noncurrent liabilities:	
Due in more than one year:	
Revenue bonds payable	3,180,000
 Total liabilities	 3,801,633
 <u>Net Assets</u>	
Invested in capital assets, net of related debt	4,913,203
Restricted for:	
Debt service	879,777
Unrestricted	3,221,625
 Total liabilities, equity and other credits	 \$ 9,014,605

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 3,159,029	\$ 91,054	\$ 25,631	\$ (3,042,344)
Interest on long-term debt	<u>81,632</u>	<u>-</u>	<u>-</u>	<u>(81,632)</u>
Total primary government	<u>\$ 3,240,661</u>	<u>\$ 91,054</u>	<u>\$ 25,631</u>	<u>(3,123,976)</u>
General revenues:				
Innkeepers taxes				1,450,805
Casino taxes				1,535,175
Unrestricted investment earnings				159,734
Other				<u>139,320</u>
Total general revenues				<u>3,285,034</u>
Change in net assets				161,058
Net assets - beginning				<u>8,853,547</u>
Net assets - ending				<u>\$ 9,014,605</u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2006

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Debt Service Reserve</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Cash and cash equivalents	\$ 1,810,512	\$ -	\$ -	\$ 161,132	\$ 1,971,644
Investments	1,000,000	-	-	-	1,000,000
Receivables (net of allowances for uncollectibles):					
Interest	12,984	-	-	-	12,984
Taxes	351,024	-	-	-	351,024
Accounts	11,790	-	-	30,820	42,610
Inventories	-	-	-	11,531	11,531
Prepaid expense	2,157	-	-	-	2,157
Restricted assets:					
Cash and cash equivalents	-	278,979	1	-	278,980
Investments	-	-	604,345	-	604,345
Interest receivable	-	-	2,760	-	2,760
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,188,467</u>	<u>\$ 278,979</u>	<u>\$ 607,106</u>	<u>\$ 203,483</u>	<u>\$ 4,278,035</u>

Liabilities and Fund Balances

Liabilities:					
Accounts payable	\$ 55,335	\$ -	\$ -	\$ 6,416	\$ 61,751
Accrued payroll and withholdings payable	69,019	-	-	-	69,019
Compensated absences payable	39,555	-	-	-	39,555
Payable from restricted assets:					
Accrued interest payable	-	6,308	-	-	6,308
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>163,909</u>	<u>6,308</u>	<u>-</u>	<u>6,416</u>	<u>176,633</u>
Fund balances:					
Reserved for:					
Encumbrances	124,354	-	-	6,416	130,770
Debt service	-	272,671	607,106	-	879,777
Unreserved, reported in:					
General fund	2,900,204	-	-	-	2,900,204
Special revenue funds	-	-	-	190,651	190,651
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>3,024,558</u>	<u>272,671</u>	<u>607,106</u>	<u>197,067</u>	<u>4,101,402</u>
Total liabilities and fund balances	<u>\$ 3,188,467</u>	<u>\$ 278,979</u>	<u>\$ 607,106</u>	<u>\$ 203,483</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,538,203
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	<u>(3,625,000)</u>

Net assets of governmental activities \$ 9,014,605

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	General	Debt Service	Debt Service Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,985,980	\$ -	\$ -	\$ -	\$ 2,985,980
Intergovernmental	-	-	-	25,631	25,631
Charges for services	-	-	-	91,054	91,054
Other	<u>159,028</u>	<u>12,037</u>	<u>28,419</u>	<u>99,570</u>	<u>299,054</u>
Total revenues	<u>3,145,008</u>	<u>12,037</u>	<u>28,419</u>	<u>216,255</u>	<u>3,401,719</u>
Expenditures:					
Current:					
General government	2,940,619	-	-	205,906	3,146,525
Debt service:					
Principal	-	425,000	-	-	425,000
Interest	-	81,632	-	-	81,632
Capital outlay:					
Investment in general fixed assets	<u>145,469</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,469</u>
Total expenditures	<u>3,086,088</u>	<u>506,632</u>	<u>-</u>	<u>205,906</u>	<u>3,798,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,920</u>	<u>(494,595)</u>	<u>28,419</u>	<u>10,349</u>	<u>(396,907)</u>
Other financing sources (uses):					
Transfers in	-	322,844	-	121,100	443,944
Transfers out	<u>(411,100)</u>	<u>-</u>	<u>(32,844)</u>	<u>-</u>	<u>(443,944)</u>
Total other financing sources and uses	<u>(411,100)</u>	<u>322,844</u>	<u>(32,844)</u>	<u>121,100</u>	<u>-</u>
Net change in fund balances	(352,180)	(171,751)	(4,425)	131,449	(396,907)
Fund balances - beginning	<u>3,376,738</u>	<u>444,422</u>	<u>611,531</u>	<u>65,618</u>	<u>4,498,309</u>
Fund balances - ending	<u>\$ 3,024,558</u>	<u>\$ 272,671</u>	<u>\$ 607,106</u>	<u>\$ 197,067</u>	<u>\$ 4,101,402</u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2006

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures and Other Changes in Fund Balances)	\$ (396,907)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	145,469
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(12,504)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	425,000
Change in net assets of governmental activities (Statement of Activities)	<u>\$ 161,058</u>

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

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

Lake County Convention and Visitors Bureau (primary government) was established under the laws of the State of Indiana. The primary government operates under a Board of Directors form of government and provides services relating to the promotion of the tourism industry in the County.

The accompanying financial statements present the activities of the primary government. There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Innkeeper taxes, casino taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources and expenditures relating to the repayment of the revenue bond issue.

The debt service reserve fund accounts for the financial resources of a reserve account in an amount not to exceed one year's debt payment of the revenue bond

Additionally, the primary government reports the following fund type:

Special revenue funds account for the financial resources of other funds set up by the Bureau for special purposes.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The primary government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government 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.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include property, buildings, improvements, and equipment, are reported in the applicable governmental column in the government-wide financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight line	50 years
Improvements other than buildings	2,500	Straight line	50 years
Machinery and equipment	1,000	Straight line	5-7 years

Major outlays for capital assets and improvements are capitalized as projects are constructed.

4. Compensated Absences

a. Sick Leave – primary government employees earn sick leave at the rate of 12 days per year. Sick leave does not accumulate from year to year.

b. Vacation Leave – primary government employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave may be accumulated indefinitely. Accumulated vacation leave is paid to employees through cash payments upon termination.

Vacation leave is accrued when incurred.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

5. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis which is not consistent with accounting principles generally accepted in the United States. All annual appropriations lapse at fiscal year end.

On or before September 1 of each year, the Bureau shall prepare a budget, for the funds set up by the Bureau, for the following year. Copies of the budget and the advertisement are sent to the Indiana Department of Local Government Finance.

Expenditures did not exceed appropriations for any fund which required legally, approved budgets.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

The primary government's investments are categorized below to give an indication of the level of risk assumed by the primary government at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the primary government or its agent in the primary government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the primary government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the primary government's name.

	Category			Reported Amount	Fair Value
	1	2	3		
U.S. Government securities	\$ 1,604,345	\$ -	\$ -	\$ 1,604,345	\$ 1,604,345

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Capital Assets

Capital asset activity for the years ended December 31, 2005 and 2006, was as follows:

	Balance 01-01-05	Increases	Decreases	Balance 12-31-05
Primary government:				
Capital assets, not being depreciated:				
Land	\$ 1,063,000	\$ -	\$ -	\$ 1,063,000
Improvements	1,142,224	-	-	1,142,224
Total capital assets, not being depreciated	<u>2,205,224</u>	<u>-</u>	<u>-</u>	<u>2,205,224</u>
Capital assets, being depreciated:				
Buildings	6,316,088	-	140,289	6,175,799
Improvements other than buildings	46,829	-	999	45,830
Machinery and equipment	194,949	89,783	98,860	185,872
Total capital assets, being depreciated	<u>6,557,866</u>	<u>89,783</u>	<u>141,288</u>	<u>6,407,501</u>
Total governmental capital assets, net	<u>\$ 8,763,090</u>	<u>\$ 89,783</u>	<u>\$ 141,288</u>	<u>\$ 8,612,725</u>
	Balance 01-01-06	Increases	Decreases	Balance 12-31-06
Primary government:				
Capital assets, not being depreciated:				
Land	\$ 1,063,000	\$ -	\$ -	\$ 1,063,000
Improvements other than buildings	1,142,224	-	-	1,142,224
Total capital assets not being depreciated	<u>2,205,224</u>	<u>-</u>	<u>-</u>	<u>2,205,224</u>
Capital assets, being depreciated:				
Buildings	6,175,799	-	140,289	252638
Improvements other than buildings	45,830	-	999	6,035,510
Machinery and equipment	185,872	220,136	153,370	44,831
Total capital assets being depreciated	<u>6,407,501</u>	<u>220,136</u>	<u>294,658</u>	<u>252,638</u>
Total governmental capital assets, net	<u>\$ 8,612,725</u>	<u>\$ 220,136</u>	<u>\$ 294,658</u>	<u>\$ 8,538,203</u>

C. Interfund Balances and Activity

Interfund Transfers

Interfund transfers at December 31, 2005 and 2006, were as follows:

2005 Transfer From	Major Fund
General Fund	\$ 582,060
Major Governmental	16,975
Nonmajor Governmental	<u>26,353</u>
Total	<u>\$ 625,388</u>

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2006 Transfer From	Major Fund	Nonmajor Governmental	Totals
General Fund	\$ 290,000	\$ 121,100	\$ 411,100
Major Governmental	<u>32,844</u>	<u>-</u>	<u>32,844</u>
Totals	<u>\$ 322,844</u>	<u>\$ 121,100</u>	<u>\$ 443,944</u>

D. Long-Term Liabilities

1. Revenue Bonds

The primary government issues bonds to be paid by income derived from the Innkeepers tax. Revenue bonds currently outstanding at year end are as follows:

Purpose	Interest Rate	Amount
1999 Building Revenue Bond	2.88%	<u>\$ 3,625,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 445,000	\$ 101,232
2008	470,000	88,200
2009	490,000	74,520
2010	515,000	60,264
2011	540,000	45,216
2012-2013	<u>1,165,000</u>	<u>42,336</u>
Totals	<u>\$ 3,625,000</u>	<u>\$ 411,768</u>

The current interest rate is 2.88%. Per the bond ordinance, "the interest rate will be recalculated on June 1, 2008 to a rate which equals 90% of the yield on the five year United States Treasury Note as published by The Wall Street Journal on the business day immediately preceding each reset date; provided that such adjusted rate shall not increase more than 2% per annum above the previous interest rate on the Bonds." Therefore, the rate cannot exceed 4.088% at the next reset date. The interest shown in the annual debt service requirements schedule above has been calculated using the 2.88% interest rate.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2005 and 2006, was as follows:

	<u>Balance</u> 01-01-05	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12-31-05	<u>Due</u> <u>Within</u> <u>One Year</u>
Primary government:					
Governmental activities:					
Bonds payable:					
Revenue	\$ 4,455,000	\$ -	\$ 405,000	\$ 4,050,000	\$ 425,000
Compensated absences	-	11,508	-	11,508	-
Total governmental activities long-term liabilities	<u>\$ 4,455,000</u>	<u>\$ 11,508</u>	<u>\$ 405,000</u>	<u>\$ 4,061,508</u>	<u>\$ 425,000</u>
	<u>Balance</u> 01-01-06	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12-31-06	<u>Due</u> <u>Within</u> <u>One Year</u>
Primary government:					
Governmental activities:					
Bonds payable:					
Revenue	\$ 4,050,000	\$ -	\$ 425,000	\$ 3,625,000	\$ 445,000
Compensated absences	11,508	28,047	-	39,555	-
Total governmental activities long-term liabilities	<u>\$ 4,061,508</u>	<u>\$ 28,047</u>	<u>\$ 425,000</u>	<u>\$ 3,664,555</u>	<u>\$ 445,000</u>

Compensated absences for governmental activities typically have been liquidated from the general fund.

IV. Other Information

A. Risk Management

The primary government is 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 (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Health Insurance

Per Indiana Code 6-9-2-10, the Bureau participates in the Lake County Self-Insured Health Insurance Program. The risk financing fund is accounted for in the Lake County Health Insurance Fund, an internal service fund of Lake County, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$275,000 per person, cumulative to \$2,000,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A \$12,000 annual premium is charged for each Bureau employee covered under the plan.

Claim expenditures and liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay outs and other economic and social factors.

However, claim liabilities cannot be reasonably estimated.

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The primary government contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the primary government authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Currently, the Bureau contributes to PERF along with Lake County, under the County's plan number. Financial information for the plan cannot be separated between the County and the Bureau.

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULES  
 GENERAL FUND AND MAJOR DEBT SERVICE FUNDS  
 For The Year Ended December 31, 2005

	General Fund				Major Debt Service Fund			
	Budgeted Amounts		Actual Amounts	Variance	Budgeted Amounts		Actual Amounts	Variance
	Original	Final	(Budgetary Basis)	With Final Budget Positive (Negative)	Original	Final	(Budgetary Basis)	With Final Budget Positive (Negative)
Revenues:								
Taxes:								
Innkeeper	\$ 1,200,000	\$ 1,200,000	\$ 1,393,811	\$ 193,811	\$ -	\$ -	\$ -	\$ -
Casino	1,600,000	1,600,000	1,604,645	4,645	-	-	-	-
Intergovernmental	16,000	16,000	16,310	310	-	-	-	-
Charges for services	50,000	50,000	51,784	1,784	-	-	-	-
Other	92,811	92,811	57,510	(35,301)	-	-	9,843	9,843
Total revenues	<u>2,958,811</u>	<u>2,958,811</u>	<u>3,124,060</u>	<u>165,249</u>	<u>-</u>	<u>-</u>	<u>9,843</u>	<u>9,843</u>
Expenditures:								
Current:								
General government	2,535,587	2,535,587	1,775,690	759,897	-	-	-	-
Investment in fixed assets	152,065	152,065	100,138	51,927	-	-	-	-
Total general government	<u>2,687,652</u>	<u>2,687,652</u>	<u>1,875,828</u>	<u>811,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service:								
Principal	-	-	-	-	405,000	405,000	405,000	-
Interest	-	-	-	-	90,935	90,935	90,932	3
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495,935</u>	<u>495,935</u>	<u>495,932</u>	<u>3</u>
Total expenditures	<u>2,687,652</u>	<u>2,687,652</u>	<u>1,875,828</u>	<u>811,824</u>	<u>495,935</u>	<u>495,935</u>	<u>495,932</u>	<u>3</u>
Other financing sources (uses):								
Operating transfers in	-	-	-	-	582,060	582,060	625,388	43,328
Operating transfers out	-	-	(582,060)	(582,060)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(582,060)</u>	<u>(582,060)</u>	<u>582,060</u>	<u>582,060</u>	<u>625,388</u>	<u>43,328</u>
Net change in fund balances	271,159	271,159	666,172	395,013	86,125	86,125	139,299	53,174
Fund balances - beginning	<u>2,365,055</u>	<u>2,365,055</u>	<u>2,365,055</u>	<u>-</u>	<u>312,170</u>	<u>312,170</u>	<u>312,170</u>	<u>-</u>
Fund balances - December 31	<u>\$ 2,636,214</u>	<u>\$ 2,636,214</u>	<u>\$ 3,031,227</u>	<u>\$ 395,013</u>	<u>\$ 398,295</u>	<u>\$ 398,295</u>	<u>\$ 451,469</u>	<u>\$ 53,174</u>

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET/GAAP RECONCILIATION  
 GENERAL FUND AND MAJOR DEBT SERVICE FUNDS  
 For The Year Ended December 31, 2005

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	General	Major Debt Service
Excess of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$ 666,172	\$ 139,299
Adjustments:	-	-
To adjust revenues for accruals	272,675	183
To adjust expenditures for accruals	(125,150)	(705)
To adjust expenditures for depreciation expense	(208,370)	-
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)	\$ 605,327	\$ 138,777

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005

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:	
Land	\$ 1,063,000
Improvements other than buildings	1,142,224
Capital assets, net of depreciation:	
Buildings	6,175,799
Improvements other than buildings	45,830
Machinery and equipment	<u>185,872</u>
Total governmental activities, capital assets	<u>\$ 8,612,725</u>

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULES  
 GENERAL FUND AND MAJOR DEBT SERVICE FUNDS  
 For The Year Ended December 31, 2006

	General Fund				Major Debt Service Fund			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Innkeeper	\$ 1,055,500	\$ 1,055,500	\$ 1,450,101	\$ 394,601	\$ -	\$ -	\$ -	\$ -
Casino	1,515,600	1,515,600	\$ 1,542,645	\$ 27,045	-	-	-	-
Other	250,200	250,200	144,245	(105,955)	-	-	12,038	12,038
Total revenues	2,821,300	2,821,300	3,136,991	315,691	-	-	12,038	12,038
Expenditures:								
Current:								
General government	4,230,394	4,230,394	2,725,697	1,504,697	-	-	-	-
Investment in fixed assets	293,469	293,469	218,481	74,988	-	-	-	-
Total general government	4,523,863	4,523,863	2,944,178	1,579,685	-	-	-	-
Debt Service:								
Principal	-	-	-	-	425,000	425,000	425,000	-
Interest	-	-	-	-	81,632	81,632	82,372	(740)
Total debt service	-	-	-	-	506,632	506,632	507,372	(740)
Total expenditures	4,523,863	4,523,863	2,944,178	1,579,685	506,632	506,632	507,372	(740)
Other financing sources (uses):								
Operating transfers in	-	-	-	-	545,060	545,060	322,844	(222,216)
Operating transfers out	(545,060)	(545,060)	(411,100)	133,960	-	-	-	-
Total other financing sources (uses)	(545,060)	(545,060)	(411,100)	133,960	545,060	545,060	322,844	(222,216)
Net change in fund balances	(2,247,623)	(2,247,623)	(218,287)	2,029,336	38,428	38,428	(172,490)	(210,918)
Fund balances - beginning	3,031,227	3,031,227	3,031,227	-	459,882	459,882	459,882	-
Fund balances - December 31	\$ 783,604	\$ 783,604	\$ 2,812,940	\$ 2,029,336	\$ 498,310	\$ 498,310	\$ 287,392	\$ (210,918)

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGET/GAAP RECONCILIATION  
 GENERAL FUND AND DEBT SERVICE FUNDS  
 For The Year Ended December 31, 2006

The major differences between Budgetary (Non-GAAP) basis and GAAP basis are:

- a. Revenues are recorded when received in cash (budgetary) as opposed to susceptible to accrual (GAAP).
- b. Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).

Adjustments necessary to convert the results of operations at the end of the year on a budgetary basis to a GAAP basis are as follows:

	General	Major Debt Service
Deficiency of revenues and other financing sources under expenditures and other financing uses (budgetary basis)	\$ (218,287)	\$ (172,490)
Adjustments:	-	-
To adjust revenues for accruals	3,727	-
To adjust expenditures for accruals	69,867	739
To adjust expenditures for depreciation expense	(207,487)	-
Deficiency of revenues and other financing sources under expenditures and other financing uses (GAAP basis)	\$ (352,180)	\$ (171,751)

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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:	
Land	\$ 1,063,000
Improvements other than buildings	1,142,224
Capital assets, net of depreciation:	
Buildings	6,035,510
Improvements other than buildings	44,831
Machinery and equipment	<u>252,638</u>
Total governmental activities, capital assets	<u>\$ 8,538,203</u>

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The TwoYears Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Bonds payable:		
Revenue bonds:		
Convention and visitors center	\$ 3,625,000	\$ 445,000

LAKE COUNTY CONVENTION AND VISITORS BUREAU  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2007, with Carl Doppler, Treasurer; Robert Forster, former Treasurer; Victor De Meyer, Chairman of the Board; Speros A. Batistatos, President/CEO; and Janis Flutka, Financial Manager/CFO. Our audit disclosed no material items that warrant comment at this time.