

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

EXAMINATION REPORT
OF
LAKE COUNTY CONVENTION AND VISITORS BUREAU
LAKE COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
04/25/2011

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------|---------------------------------|--|
| President/CEO | Speros A. Batistatos | 01-01-09 to 12-31-11 |
| Treasurer | Mary Rakoczy Robert Forster | 01-01-09 to 12-31-09 01-01-10 to 12-31-11 |
| Chief Financial Officer | Janis Flutka | 01-01-09 to 12-31-11 |
| Chairman of the Board | W. F. Wellman Victor DeMeyer | 01-01-09 to 01-27-09 01-28-09 to 12-31-11 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements presented herein of the Lake County Convention and Visitors Bureau (Bureau), for the period of January 1, 2009 to December 31, 2010. The Bureau's management is responsible for the financial statements presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial information of the Bureau for the years ended December 31, 2009 and 2010, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Bureau has not presented Management's Discussion and Analysis, Schedule of Funding Progress, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

February 10, 2011

LAKE COUNTY CONVENTION AND VISITORS BUREAU
STATEMENT OF NET ASSETS
December 31, 2009

| <u>Assets</u> | <u>Primary Government Governmental Activities</u> |
|--|---|
| Cash and cash equivalents | \$ 2,341,737 |
| Receivables (net of allowances for uncollectibles): | |
| Taxes | 341,580 |
| Accounts | 68,051 |
| Intergovernmental | 78,913 |
| Other | 24,077 |
| Inventories | 41,136 |
| Prepaid items | 3,388 |
| Restricted assets: | |
| Cash and cash equivalents | 301,488 |
| Investments | 604,344 |
| Interest receivable | 1,356 |
| Capital assets: | |
| Land | 1,059,250 |
| Dillinger Collection | 1,142,225 |
| Buildings, net of depreciation | 5,610,212 |
| Improvements other than buildings, net of depreciation | 36,932 |
| Machinery and equipment, net of depreciation | <u>355,719</u> |
| Total assets | <u>12,010,408</u> |
| <u>Liabilities</u> | |
| Accounts payable | 88,093 |
| Accrued payroll and withholdings payable | 105,967 |
| Payable from restricted assets: | |
| Accrued bond interest | 5,778 |
| Noncurrent liabilities: | |
| Amounts due within one year: | |
| Revenue bonds payable | 515,000 |
| Amounts due beyond one year: | |
| Revenue bonds payable | 1,705,000 |
| Compensated absences | <u>100,910</u> |
| Total liabilities | <u>2,520,748</u> |
| <u>Net Assets</u> | |
| Invested in capital assets, net of related debt | 5,984,338 |
| Restricted for: | |
| Encumbrances | 40,248 |
| Inventories | 41,136 |
| Payables | 194,060 |
| Debt service | 901,410 |
| Unrestricted | <u>2,328,468</u> |
| Total net assets | <u>\$ 9,489,660</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, 2010

| <u>Assets</u> | <u>Primary Government Governmental Activities</u> |
|--|---|
| Cash and cash equivalents | \$ 2,268,213 |
| Receivables (net of allowances for uncollectibles): | |
| Taxes | 367,302 |
| Accounts | 47,358 |
| Intergovernmental | 74,541 |
| Other | 34,242 |
| Inventories | 33,800 |
| Prepaid items | 4,928 |
| Restricted assets: | |
| Cash and cash equivalents | 302,390 |
| Investments | 608,975 |
| Interest receivable | 60 |
| Capital assets: | |
| Land | 1,059,250 |
| Dillinger Collection | 1,142,225 |
| Buildings, net of depreciation | 5,431,766 |
| Improvements other than buildings, net of depreciation | 36,014 |
| Machinery and equipment, net of depreciation | <u>324,787</u> |
| Total assets | <u>11,735,851</u> |
| <u>Liabilities</u> | |
| Accounts payable | 81,088 |
| Accrued payroll and withholdings payable | 50,597 |
| Payable from restricted assets: | |
| Accrued bond interest | 4,437 |
| Noncurrent liabilities: | |
| Amounts due within one year: | |
| Revenue bonds payable | 540,000 |
| Amounts due beyond one year: | |
| Revenue bonds payable | 1,165,000 |
| Compensated absences | <u>128,351</u> |
| Total liabilities | <u>1,969,473</u> |
| <u>Net Assets</u> | |
| Invested in capital assets, net of related debt | 6,289,042 |
| Restricted for: | |
| Encumbrances | 117,048 |
| Inventories | 33,800 |
| Payables | 131,685 |
| Debt service | 906,988 |
| Unrestricted | <u>2,287,815</u> |
| Total net assets | <u>\$ 9,766,378</u> |

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, 2009

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|----------------------------------|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Primary Government Governmental Activities</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,477,686 | \$ 115,040 | \$ 194,452 | \$ (3,168,194) |
| Interest on long-term debt | <u>79,532</u> | <u>-</u> | <u>-</u> | <u>(79,532)</u> |
| Total primary government | <u>\$ 3,557,218</u> | <u>\$ 115,040</u> | <u>\$ 194,452</u> | <u>(3,247,726)</u> |
| General revenues: | | | | |
| Innkeepers taxes | | | | 1,436,990 |
| Riverboat admission taxes | | | | 1,617,932 |
| Unrestricted investment earnings | | | | 50,031 |
| Other | | | | <u>598,869</u> |
| Total general revenues | | | | <u>3,703,822</u> |
| Change in net assets | | | | 456,096 |
| Net assets - beginning | | | | <u>9,033,564</u> |
| Net assets - ending | | | | <u>\$ 9,489,660</u> |

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, 2010

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Assets</u> |
|----------------------------------|---------------------|---------------------------------------|---|--|
| | | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Primary Government</u> <u>Governmental</u> <u>Activities</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 3,410,694 | \$ 90,691 | \$ - | \$ (3,320,003) |
| Interest on long-term debt | <u>64,008</u> | <u>-</u> | <u>-</u> | <u>(64,008)</u> |
| Total primary government | <u>\$ 3,474,702</u> | <u>\$ 90,691</u> | <u>\$ -</u> | <u>(3,384,011)</u> |
| General revenues: | | | | |
| Innkeepers taxes | | | | 1,439,148 |
| Riverboat admission taxes | | | | 1,623,343 |
| Unrestricted investment earnings | | | | 28,567 |
| Other | | | | <u>569,671</u> |
| Total general revenues | | | | <u>3,660,729</u> |
| Change in net assets | | | | 276,718 |
| Net assets - beginning | | | | <u>9,489,660</u> |
| Net assets - ending | | | | <u>\$ 9,766,378</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, 2009

| <u>Assets</u> | <u>Promotion</u> | <u>Revenue Bond</u> | <u>Debt Service Reserve</u> | <u>Flood Recovery</u> | <u>Other Governmental Funds</u> | <u>Totals</u> |
|---|----------------------------|--------------------------|-------------------------------------|---------------------------|---|----------------------------|
| Cash and cash equivalents | \$ 1,497,058 | \$ - | \$ - | \$ 165,656 | \$ 679,023 | \$ 2,341,737 |
| Receivables (net of allowances for uncollectibles): | | | | | | |
| Taxes | 341,580 | - | - | - | - | 341,580 |
| Accounts | 8,701 | - | - | - | 59,350 | 68,051 |
| Intergovernmental | - | - | - | 78,913 | - | 78,913 |
| Other | - | - | - | - | 24,077 | 24,077 |
| Inventories | - | - | - | - | 41,136 | 41,136 |
| Prepaid items | 3,388 | - | - | - | - | 3,388 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | 301,488 | - | - | - | 301,488 |
| Investments | - | - | 604,344 | - | - | 604,344 |
| Interest receivable | - | - | 1,356 | - | - | 1,356 |
| Total assets | <u>\$ 1,850,727</u> | <u>\$ 301,488</u> | <u>\$ 605,700</u> | <u>\$ 244,569</u> | <u>\$ 803,586</u> | <u>\$ 3,806,070</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 74,026 | \$ - | \$ - | \$ - | \$ 14,067 | \$ 88,093 |
| Accrued payroll and withholdings payable | 101,260 | - | - | - | 4,707 | 105,967 |
| Payable from restricted assets: | | | | | | |
| Accrued interest payable | - | 5,778 | - | - | - | 5,778 |
| Total liabilities | <u>175,286</u> | <u>5,778</u> | <u>-</u> | <u>-</u> | <u>18,774</u> | <u>199,838</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 38,240 | - | - | - | 2,008 | 40,248 |
| Inventories | - | - | - | - | 41,136 | 41,136 |
| Payables | 175,286 | - | - | - | 18,774 | 194,060 |
| Debt service | - | 295,710 | 605,700 | - | - | 901,410 |
| Unreserved, reported in: | | | | | | |
| General fund | 1,461,915 | - | - | - | - | 1,461,915 |
| Special revenue funds | - | - | - | 244,569 | 722,894 | 967,463 |
| Total fund balances | <u>1,675,441</u> | <u>295,710</u> | <u>605,700</u> | <u>244,569</u> | <u>784,812</u> | <u>3,606,232</u> |
| Total liabilities and fund balances | <u>\$ 1,850,727</u> | <u>\$ 301,488</u> | <u>\$ 605,700</u> | <u>\$ 244,569</u> | <u>\$ 803,586</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. | 8,204,338 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | <u>(2,320,910)</u> |

Net assets of governmental activities \$ 9,489,660

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, 2010

| <u>Assets</u> | <u>Promotion</u> | <u>Revenue Bond</u> | <u>Debt Service Reserve</u> | <u>Flood Recovery</u> | <u>Other Governmental Funds</u> | <u>Totals</u> |
|---|----------------------------|--------------------------|-------------------------------------|---------------------------|---|----------------------------|
| Cash and cash equivalents | \$ 1,516,879 | \$ - | \$ - | \$ 146,882 | \$ 604,452 | \$ 2,268,213 |
| Receivables (net of allowances for uncollectibles): | | | | | | |
| Taxes | 367,302 | - | - | - | - | 367,302 |
| Accounts | 2,394 | - | - | - | 44,964 | 47,358 |
| Intergovernmental | - | - | - | 74,541 | - | 74,541 |
| Other | - | - | - | - | 34,242 | 34,242 |
| Inventories | - | - | - | - | 33,800 | 33,800 |
| Prepaid items | 4,928 | - | - | - | - | 4,928 |
| Restricted assets: | | | | | | |
| Cash and cash equivalents | - | 302,390 | - | - | - | 302,390 |
| Investments | - | - | 608,975 | - | - | 608,975 |
| Interest receivable | - | - | 60 | - | - | 60 |
| Total assets | <u>\$ 1,891,503</u> | <u>\$ 302,390</u> | <u>\$ 609,035</u> | <u>\$ 221,423</u> | <u>\$ 717,458</u> | <u>\$ 3,741,809</u> |
| <u>Liabilities and Fund Balances</u> | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 32,639 | \$ - | \$ - | \$ - | \$ 48,449 | \$ 81,088 |
| Accrued payroll and withholdings payable | 48,289 | - | - | - | 2,308 | 50,597 |
| Payable from restricted assets: | | | | | | |
| Accrued interest payable | - | 4,437 | - | - | - | 4,437 |
| Total liabilities | <u>80,928</u> | <u>4,437</u> | <u>-</u> | <u>-</u> | <u>50,757</u> | <u>136,122</u> |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Encumbrances | 74,031 | - | - | - | 43,017 | 117,048 |
| Inventories | - | - | - | - | 33,800 | 33,800 |
| Payables | 80,928 | - | - | - | 50,757 | 131,685 |
| Debt service | - | 297,953 | 609,035 | - | - | 906,988 |
| Unreserved, reported in: | | | | | | |
| General fund | 1,655,616 | - | - | - | - | 1,655,616 |
| Special revenue funds | - | - | - | 221,423 | 539,127 | 760,550 |
| Total fund balances | <u>1,810,575</u> | <u>297,953</u> | <u>609,035</u> | <u>221,423</u> | <u>666,701</u> | <u>3,605,687</u> |
| Total liabilities and fund balances | <u>\$ 1,891,503</u> | <u>\$ 302,390</u> | <u>\$ 609,035</u> | <u>\$ 221,423</u> | <u>\$ 717,458</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. | 7,994,042 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | <u>(1,833,351)</u> |

Net assets of governmental activities \$ 9,766,378

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, 2009

| | Promotion | Revenue Bond | Debt Service Reserve | Flood Recovery | Other Governmental Funds | Total Governmental Funds |
|--|------------------|-----------------|----------------------------|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 3,054,921 | \$ - | \$ - | \$ - | \$ - | \$ 3,054,921 |
| Intergovernmental | 150,321 | - | - | 43,495 | 635 | 194,451 |
| Charges for services | - | - | - | - | 115,040 | 115,040 |
| Interest | 22,750 | 4,835 | 13,623 | - | 8,823 | 50,031 |
| Other | 58,645 | - | - | - | 540,226 | 598,871 |
| Total revenues | 3,286,637 | 4,835 | 13,623 | 43,495 | 664,724 | 4,013,314 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 2,418,667 | - | - | 19,060 | 783,428 | 3,221,155 |
| Debt service: | | | | | | |
| Principal | - | 490,000 | - | - | - | 490,000 |
| Interest | - | 79,532 | - | - | - | 79,532 |
| Capital outlay: | | | | | | |
| General government | 31,984 | - | - | 56,676 | - | 88,660 |
| Total expenditures | 2,450,651 | 569,532 | - | 75,736 | 783,428 | 3,879,347 |
| Excess (deficiency) of revenues over (under) expenditures | 835,986 | (564,697) | 13,623 | (32,241) | (118,704) | 133,967 |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | 563,299 | - | 34,671 | 289,150 | 887,120 |
| Transfers out | (869,083) | - | (18,037) | - | - | (887,120) |
| Total other financing sources and uses | (869,083) | 563,299 | (18,037) | 34,671 | 289,150 | - |
| Net change in fund balances | (33,097) | (1,398) | (4,414) | 2,430 | 170,446 | 133,967 |
| Fund balances - beginning | 1,708,538 | 297,108 | 610,114 | 242,139 | 614,366 | 3,472,265 |
| Fund balances - ending | \$ 1,675,441 | \$ 295,710 | \$ 605,700 | \$ 244,569 | \$ 784,812 | \$ 3,606,232 |

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, 2010

| | Promotion | Revenue Bond | Debt Service Reserve | Flood Recovery | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|----------------------------|-------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Taxes | \$ 3,062,491 | \$ - | \$ - | \$ - | \$ - | \$ 3,062,491 |
| Charges for services | - | - | - | - | 90,691 | 90,691 |
| Interest | 12,997 | 3,155 | 6,431 | - | 5,984 | 28,567 |
| Other | 10,569 | - | - | - | 559,102 | 569,671 |
| Total revenues | <u>3,086,057</u> | <u>3,155</u> | <u>6,431</u> | <u>-</u> | <u>655,777</u> | <u>3,751,420</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 2,194,305 | - | - | 11,554 | 891,938 | 3,097,797 |
| Debt service: | | | | | | |
| Principal | - | 515,000 | - | - | - | 515,000 |
| Interest | - | 64,008 | - | - | - | 64,008 |
| Capital outlay: | | | | | | |
| General government | 15,618 | - | - | 11,592 | 47,950 | 75,160 |
| Total expenditures | <u>2,209,923</u> | <u>579,008</u> | <u>-</u> | <u>23,146</u> | <u>939,888</u> | <u>3,751,965</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>876,134</u> | <u>(575,853)</u> | <u>6,431</u> | <u>(23,146)</u> | <u>(284,111)</u> | <u>(545)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | - | 578,096 | - | - | 166,000 | 744,096 |
| Transfers out | (741,000) | - | (3,096) | - | - | (744,096) |
| Total other financing sources and uses | <u>(741,000)</u> | <u>578,096</u> | <u>(3,096)</u> | <u>-</u> | <u>166,000</u> | <u>-</u> |
| Net change in fund balances | 135,134 | 2,243 | 3,335 | (23,146) | (118,111) | (545) |
| Fund balances - beginning | <u>1,675,441</u> | <u>295,710</u> | <u>605,700</u> | <u>244,569</u> | <u>784,812</u> | <u>3,606,232</u> |
| Fund balances - ending | <u>\$ 1,810,575</u> | <u>\$ 297,953</u> | <u>\$ 609,035</u> | <u>\$ 221,423</u> | <u>\$ 666,701</u> | <u>\$ 3,605,687</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, 2009

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 Changes in Fund Balances). | \$ | 133,967 |
| 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. | | (137,011) |
| The net effect of various miscellaneous transactions involving capital asset (i.e., sales, trade-ins, and donations) is to increase net assets. | | (13,444) |
| 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. | | 490,000 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>(17,416)</u> |
| Change in net assets of governmental activities (Statement of Activities) | \$ | <u><u>456,096</u></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, 2010

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 Changes in Fund Balances). | \$ | (545) |
| 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. | | (169,656) |
| The net effect of various miscellaneous transactions involving capital asset (i.e., sales, trade-ins, and donations) is to increase net assets. | | (40,640) |
| 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. | | 515,000 |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | <u>(27,441)</u> |
| Change in net assets of governmental activities (Statement of Activities) | \$ | <u><u>276,718</u></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

The Lake County Convention and Visitors Bureau (the "Bureau") was established under the laws of the State of Indiana on July 1, 1983. The Bureau operates under a Board of Directors form of government and leads and supports the visitor industry through the marketing and development of the County from convention, sports, gaming and special interest travel segments, thereby, increasing economic impact, creating employment and enhancing the communities' quality of life. For marketing purposes, the Bureau is doing business as the South Shore Convention and Visitors Authority.

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

Related Organizations

The Bureau's officials are also responsible for appointing the voting majority of the board of the South Shore Promotions, Inc. South Shore Promotions, Inc., is a public benefit corporation incorporated on June 17, 2008. It was created to receive charitable contributions (services, cash or property) for hospitality specific projects. The Bureau's accountability for this organization does not extend beyond making the appointments.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Bureau. 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.

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

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 Bureau considers revenues to be available if they are collected within 60 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.

Innkeeper taxes, riverboat admissions 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 Bureau receives cash.

The Bureau reports the following major governmental funds:

The promotion fund is the primary general operating fund. It accounts for all innkeeper and riverboat admission taxes and interest earned on investments. The promotion fund is used to account for expenditures of traditional economic development services.

The revenue bond 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 held in a reserve account in accordance with the revenue bond indenture requirements.

The flood recovery fund accounts for the federal emergency management reimbursements received for the disbursements related to the flood damage.

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 Bureau 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 Bureau's policy to use restricted resources first, then unrestricted resources as they are needed.

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

D. Assets, Liabilities and Net Assets or Equity

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to bond covenants.

2. Deposits and Investments

The Bureau'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 Bureau 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.

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.

3. Interfund Transactions and Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/payables.

4. Innkeeper and Riverboat Admission Taxes

State statute (IC 6-9-2) establishes the Lake County Innkeeper's Tax which is levied on every person engaged in the business of renting or furnishing, for periods of less than thirty (30) days, any room or rooms, lodgings, or accommodations, in any hotel, motel, inn, tourist camp, tourist cabin or any other place in which rooms, lodgings, or accommodations are regularly furnished for a consideration. Such tax shall be at a rate of five percent (5%) on the gross retail income derived there from. The tax is collected by the County Treasurer and thirty-five percent (35%) of the first \$1,200,000 and eighty-five (85%) of amounts over \$1,200,000 received revenues are distributed to the Bureau's Promotion Fund.

State statute (IC 4-33-12-6) instructs the treasurer of state to pay the county in which a riverboat is docked a one dollar (\$1) admissions tax collected by the licensed owner for each person admitted to a riverboat during the quarter that has implemented flexible scheduling. Per IC 4-33-12-6(d)(3), nine cents (\$0.09) of the admissions tax collected by the licensed owner shall be paid to the county convention and visitors bureau or promotion fund for the county in which the riverboat is docked.

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

5. 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.

6. Capital Assets

Capital assets, which include property, buildings, improvements, and equipment, are reported in the 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 and proprietary funds are as follows:

| | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-----------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 5,000 | Straight line | 20-50 years |
| Improvements other than buildings | 2,500 | Straight line | 20-50 years |
| Machinery and equipment | 1,000 | Straight line | 5-7 years |

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

7. Compensated Absences

- a. Sick/Personal Leave – Bureau employees earn sick/personal leave at the rate of 10 to 12 days per year. Unused sick/personal leave may be accumulated to a maximum of 30 days. Only six (6) days of unused leave may be carried over to the following year. Accumulated sick/personal leave is not paid to employees upon termination.
- b. Vacation Leave – Bureau employees earn vacation leave at rates from 10 days to 25 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year; however, a portion of vacation time may be carried over with proper approval. Accumulated vacation leave is paid to employees upon termination.

Vacation leave is accrued when incurred.

No liability is reported for sick/personal leave.

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

8. 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.

9. 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 are on file with the Lake County Auditor and 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

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Bureau does not have a deposit policy for custodial credit risk. At December 31, 2010, the Bureau had deposit balances in the amount of \$2,629,448. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

As of December 31, 2010, the Bureau had \$608,975 invested in a certificate of deposit.

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

Statutory Authorization for Investments

IC 5-13-9 authorizes the Bureau to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Bureau to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

B. Capital Assets

Capital asset activity for the years ended December 31, 2009 and 2010, was as follows:

| | 01-01-09 | | | 12-31-09 |
|---|---------------------|------------------|-------------------|---------------------|
| | Balance | Increases | Decreases | Balance |
| Governmental activity: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,059,250 | \$ - | \$ - | \$ 1,059,250 |
| Dillinger Collection | 1,142,225 | - | - | 1,142,225 |
| Total capital assets, not being depreciated | <u>2,201,475</u> | - | - | <u>2,201,475</u> |
| Capital assets, being depreciated, net: | | | | |
| Buildings | 5,677,754 | 70,552 | 138,094 | 5,610,212 |
| Improvements other than buildings | 36,539 | 1,312 | 919 | 36,932 |
| Machinery and equipment | 439,025 | 16,796 | 100,102 | 355,719 |
| Total capital assets being depreciated, net | <u>6,153,318</u> | <u>88,660</u> | <u>239,115</u> | <u>6,002,863</u> |
| Total governmental activity capital assets, net | <u>\$ 8,354,793</u> | <u>\$ 88,660</u> | <u>\$ 239,115</u> | <u>\$ 8,204,338</u> |
| | 01-01-10 | | | 12-31-10 |
| | Balance | Increases | Decreases | Balance |
| Governmental activity: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,059,250 | \$ - | \$ - | \$ 1,059,250 |
| Dillinger Collection | 1,142,225 | - | - | 1,142,225 |
| Total capital assets, not being depreciated | <u>2,201,475</u> | - | - | <u>2,201,475</u> |
| Capital assets, being depreciated, net: | | | | |
| Buildings | 5,610,212 | - | 178,446 | 5,431,766 |
| Improvements other than buildings | 36,932 | - | 918 | 36,014 |
| Machinery and equipment | 355,719 | 75,160 | 106,092 | 324,787 |
| Total capital assets being depreciated, net | <u>6,002,863</u> | <u>75,160</u> | <u>285,456</u> | <u>5,792,567</u> |
| Total governmental activity capital assets, net | <u>\$ 8,204,338</u> | <u>\$ 75,160</u> | <u>\$ 285,456</u> | <u>\$ 7,994,042</u> |

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

C. Interfund Transfers

Interfund transfers at December 31, 2009 and 2010, were as follows:

| 2009 | | | | |
|----------------------|--------------|----------------|--------------------|------------|
| Transfer From | Transfer To | | | Totals |
| | Debt Service | Flood Recovery | Other Governmental | |
| General Fund | \$ 545,262 | \$ 34,671 | \$ 289,150 | \$ 869,083 |
| Debt Service Reserve | 18,037 | - | - | 18,037 |
| Totals | \$ 563,299 | \$ 34,671 | \$ 289,150 | \$ 887,120 |

| 2010 | | | |
|----------------------|--------------|--------------------|------------|
| Transfer From | Transfer To | | Totals |
| | Debt Service | Other Governmental | |
| General Fund | \$ 575,000 | \$ 166,000 | \$ 741,000 |
| Debt Service Reserve | 3,096 | - | 3,096 |
| Totals | \$ 578,096 | \$ 166,000 | \$ 744,096 |

The Bureau typically uses transfers to fund ongoing operating subsidies and to transfer the portion of revenues from the promotion fund to the debt service fund for current-year debt service requirements.

D. Operating Lease

The Bureau has entered into an operating lease having initial or remaining noncancelable terms exceeding one year for copiers. Rental expenditures for this lease were \$10,391 and \$22,065 for 2009 and 2010, respectively. Future minimum rental payments as of December 31, 2010, are \$21,384 and \$14,256, for 2011 and 2012, respectively.

E. Long-Term Liabilities

1. Revenue Bonds

The Bureau issues bonds to be paid by income derived from innkeepers tax. Revenue bonds outstanding at year end are as follows:

| Purpose | Interest Rates | Balance at December 31 |
|----------------------------|----------------|------------------------|
| 1999 Building Revenue Bond | 1.562% | \$ 1,705,000 |

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

Revenue bonds debt service requirements to maturity are as follows:

| | Governmental Activities | |
|--------|-------------------------|-----------|
| | Principal | Interest |
| 2011 | \$ 540,000 | \$ 49,031 |
| 2012 | 570,000 | 31,933 |
| 2013 | 595,000 | 13,975 |
| Totals | \$ 1,705,000 | \$ 94,939 |

2. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2009 and 2010, was as follows:

| | 01-01-09 Balance | Additions | Reductions | 12-31-09 Balance | Due Within One Year |
|--|---------------------|-----------|------------|---------------------|------------------------|
| Governmental activities: | | | | | |
| Revenue bonds payable | \$ 2,710,000 | \$ - | \$ 490,000 | \$ 2,220,000 | \$ 515,000 |
| Compensated absences | 83,494 | 17,416 | - | 100,910 | - |
| Total governmental activities long-term liabilities | \$ 2,793,494 | \$ 17,416 | \$ 490,000 | \$ 2,320,910 | \$ 515,000 |
| | 01-01-10 Balance | Additions | Reductions | 12-31-10 Balance | Due Within One Year |
| Governmental activities: | | | | | |
| Revenue bonds payable | \$ 2,220,000 | \$ - | \$ 515,000 | \$ 1,705,000 | \$ 540,000 |
| Compensated absences | 100,910 | 27,441 | - | 128,351 | - |
| Total governmental activities long-term liabilities | \$ 2,320,910 | \$ 27,441 | \$ 515,000 | \$ 1,833,351 | \$ 540,000 |

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

IV. Other Information

A. Risk Management

The Bureau 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.

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

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.

Medical Benefits

Per Indiana Code 6-9-2-10, the Bureau participates in the Lake County Self-Insurance Health Insurance Program. The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees and job related illnesses or injuries. The risk financing fund is accounted for in Lake County's Health Insurance Reserve Fund, an internal service fund of Lake County, where assets are set aside for claim settlements. Lake County has an excess policy through commercial insurance which covers individual claims in excess of \$275,000 per year, but not more than \$2,000,000 per year, per employee. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. A \$14,300 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. 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, any claim liabilities would be reported by the County.

B. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Bureau 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 Bureau 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 three percent 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

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

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. Currently, the Bureau contributes to PERF along with Lake County, under the County's plan number. The total contributions made to PERF by the Bureau through Lake County for 2009 and 2010 were \$94,645 and \$100,271, respectively.

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXAMINATION RESULTS AND COMMENTS

APPROVED FEES

The Board approved Resolution No. 2009-12-23 on December 16, 2009, setting admissions and rental fees as of January 1, 2010. A review of the contracts for the Air Show booth rentals noted differences between the amounts charged and the approved fee schedule.

Per the approved fee schedule, retail and food vendors could have rented a 10' x 10' booth for \$400 or \$600, respectively, each additional 10' x 10' space was \$250, tent rental was \$150, and the electrical 1 (20 amp) outlet was \$75.

For the contracts reviewed, all electrical charges were \$100 regardless of the amount of amps noted. A tent rental was only charged \$100. Air Show booth rentals greater than 10' x 10' (i.e. 10' x 16' and 14' x 20') were not charged an additional \$250 for the additional size. A retail vendor 10' X 10' booth was charged \$450 and not the approved \$400 and a 10' X 20' booth was charged \$700 and not the approved fee of \$650.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONTRACT

Payments were made to Ice Miller law firm from 2007 to 2009 totaling \$76,648 for litigation, the partnership program, and name change analysis without a written contract. The hourly rates charged for services were \$245, \$335, and \$495 per hour.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE COUNTY CONVENTION AND VISITORS BUREAU
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2011, with Speros A. Batistatos, President/CEO; W. F. Wellman, Vice Chairman of the Board; Robert Forster, Treasurer; Janis Flutka, Chief Financial Officer; and Tricia Bellich, Attorney. The officials concurred with our findings.