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May 8, 2008

Board of Directors
Wayne County Convention and
Tourism Bureau, Inc.
5701 National Road East
Richmond, IN 47374

We have reviewed the audit report prepared by Fennimore & Associates, PC, Independent Public Accountants, for the period January 1, 2005 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Wayne County Convention and Tourism Bureau, Inc., as of December 31, 2006 and 2005, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

FENNI/MORE & ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

WAYNE COUNTY CONVENTION AND
TOURISM BUREAU, INC.

FINANCIAL STATEMENTS

December 31, 2006 and 2005

WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.

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Independent Auditor's Report

Board of Directors
The Wayne County Convention and Tourism Bureau, Inc.
Richmond, Indiana

We have audited the accompanying statement of financial position of The Wayne County Convention and Tourism Bureau, Inc. as of December 31, 2006 and 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Wayne County Convention and Tourism Bureau, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Wayne County Convention and Tourism Bureau, Inc. of December 31, 2006 and 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Fennimore & Associates PC

Richmond, Indiana
March 1, 2007

WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.
Statement of Financial Position
December 31, 2006 and 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash	\$ 140,234	\$ 86,423
Accounts Receivable	1,040	-
Government Receivable	36,294	78,940
Inventory	9,826	7,772
Total current assets	187,394	173,135
PROPERTY AND EQUIPMENT		
Land & Building	870,547	870,547
Furniture & Fixtures	99,956	105,073
Interstate signage	18,448	18,448
	988,951	994,068
Less accumulated depreciation	(249,921)	(240,259)
Net property and equipment	739,030	753,809
TOTAL ASSETS	\$ 926,424	\$ 926,944
 LIABILITIES & NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,125	\$ 8,556
Accrued expenses	\$ -	\$ 8,429
Current Portion of Long Term Debt	2,029	2,029
Total Current Liabilities	11,154	19,014
Long Term Debt - Lease Payable	3,720	5,749
Unrestricted net assets	911,550	902,181
TOTAL LIABILITIES AND NET ASSETS	\$ 926,424	\$ 926,944

WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.

Statement of Activities

For the Year Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE:		
Lodging tax appropriations	\$ 407,565	\$ 473,639
State tourism income	27,961	27,961
Hospitality Participation Income	14,671	-
Contribution - Building	-	706,648
Gift Shop Sales (Net of cost of goods sold)	4,434	1,107
Interest income	2,472	2,368
Total unrestricted revenue	<u>457,103</u>	<u>1,211,724</u>
ADMINISTRATIVE EXPENSES:		
Salaries	58,000	58,000
Rent	-	45,356
Outside services	23,418	30,233
Ancillary services	13,973	13,183
Travel and mileage	8,459	9,093
Payroll taxes	4,891	4,880
Office supplies	8,409	7,663
Utilities	10,244	9,619
Legal and accounting fees	12,017	13,522
Insurance - personnel	4,628	8,677
Telephone	4,548	5,105
Insurance - business	4,080	4,722
Retirement	5,000	5,000
Office equipment and furniture	617	519
Depreciation	20,084	16,551
	<u>178,369</u>	<u>232,123</u>
PROMOTION EXPENSES:		
Salaries	126,009	121,093
Convention & Tourism marketing	44,416	49,784
Welcome center wages	19,644	18,824
Postage and freight	11,114	10,983
Payroll taxes	13,580	10,737
Insurance - personnel	7,596	12,163
Telephone	1,647	1,776
Volunteer expenses	2,937	3,421
Retirement	10,000	8,000
Public relations	2,562	2,101
Dues and memberships	3,330	3,397
Out of town expenses	1,459	2,612
Miscellaneous	2,694	2,338
Training and education	1,088	1,143
Printing and duplication	21,288	2,567
	<u>269,365</u>	<u>250,939</u>
Total expenses	<u>447,734</u>	<u>483,062</u>
Change in net assets	9,369	728,662
Beginning unrestricted net assets	<u>\$ 902,181</u>	<u>\$ 173,519</u>
Ending unrestricted net assets	<u>\$ 911,550</u>	<u>\$ 902,181</u>

WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.
Statement of Cash Flows
For the Year Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES:		
Change in net assets	9,369	728,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non cash - Contribution of building	-	(706,648)
Depreciation	20,084	16,551
	<u>29,453</u>	<u>38,565</u>
Changes in operating assets and liabilities:		
Increase in accounts receivable	(1,040)	
Decrease/Increase in government receivable	42,646	(37,773)
Increase/Decrease in inventory	(2,054)	412
Decrease in deposits	-	4,929
Increase in accounts payable	568	3,617
Decrease in accrued expenses	(8,429)	-
Net Cash Used in Operating Activities	61,144	9,750
INVESTING ACTIVITIES:		
Purchase of equipment	(5,304)	(4,052)
Purchase of building & improvements	-	(32,732)
Net Cash Used in Investing Activities	(5,304)	(36,784)
FINANCING ACTIVITIES:		
Capital Lease	-	-
Payments on lease	(2,029)	(2,029)
Net Cash Provided by Financing Activities	(2,029)	(2,029)
NET INCREASE/DECREASE IN CASH	53,811	(29,063)
CASH--beginning of year	86,423	115,486
CASH--end of year	<u>140,234</u>	<u>86,423</u>

THE WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.
Notes to Financial Statements
Year Ended December 31, 2006 and 2005

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Wayne County Convention and Tourism Bureau, Inc. (The Bureau) is an Indiana not-for-profit organization whose primary purpose is to promote the development and growth of the convention and tourism industry in Wayne County, Indiana. They incorporated under the laws of the State of Indiana in 1990. The Bureau is funded by an annual allocation of the "innkeeper taxes" by the Wayne County Council. The "innkeeper taxes" are collected by Wayne County Treasurer from Wayne County hotels, motels, campgrounds and other miscellaneous lodging facilities in Wayne County, Indiana.

Basis of Accounting – The financial statements of The Bureau have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Asset Classifications – The financial statements have been prepared in conformity with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. SFAS No. 117 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. All net assets of The Bureau, including any board-designated or appropriated amounts, are unrestricted.

Cash – Cash consists of bank deposits in federally insured accounts and petty cash.

Prepaid Expenses – Prepaid Expenses consist of payment made in 2006 to an outside service provider for payroll services paid to the employees of the Bureau in January 2007.

Property and Equipment – Equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line and accelerated methods over the useful lives of the assets. Routine repairs and maintenance are expensed when incurred.

Financial Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimated.

Functional Allocation of Expenses – The costs of providing the promotion of tourism have been provided on a functional basis in the statement of activities. Costs are allocated between administrative and promotion based on evaluations of the related activities. Administrative expenses include those expenses that are not directly identifiable with the promotion of tourism, but provide for the overall support and direction of the Bureau.

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(6) of the U.S. Internal Revenue Code and under similar state provisions.

Donated Services – A substantial number of volunteers donate significant amounts of time to the activities of the Bureau. No amounts have been included in the financial statements for the value of this donated time since the value is not determinable.

Promotional Expenses – Marketing and promotional costs are expensed as incurred. Promotional expenses were \$ 268,725 and \$ 250,939 for the year ended December 31, 2006 and 2005, respectively. Further, the costs associated with the biennial production and publication of The Bureau's Visitor Guide to Richmond, Wayne County, Indiana are expensed, net of nominal third-party advertising revenue, as incurred.

THE WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.
Notes to Financial Statements
Year Ended December 31, 2006 and 2005

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Inventories - Inventory consists of Welcome Center retail items, brochures and excess office supplies stated at cost.

NOTE B – PROPERTY AND EQUIPMENT

The Organization's property and equipment are as follows:

	Balance <u>12/31/06</u>	Balance <u>12/31/05</u>
Land	\$ 257,600	\$ 257,600
Building	479,698	479,698
Building Improvement	133,249	133,249
Interstate Signage	18,448	18,448
Furniture & fixtures	<u>99,956</u>	<u>105,073</u>
Total Cost	988,951	994,068
Less Accumulated Depreciation	<u>249,921</u>	<u>240,259</u>
	 <u>\$ 739,030</u>	 <u>\$ 753,809</u>

NOTE C – LEASE COMMITMENTS

In 2004, the Bureau entered into a capital lease with Ikon Financial Services for the lease of a copier. The lease agreement is a five year lease with no stated interest. The copier was recorded at \$10,145 and depreciation for the capital asset was \$2,029 for 2006 and 2005. Future minimum payments required under the lease are as follows:

2007-2008	\$2,029 per year
2009	\$1,691

In 2005, the Bureau entered a lease for a vehicle for \$408 per month under a lease agreement that expires August 2008. During 2005, the Bureau reached the end of a prior vehicle lease which was leased for \$400 per month.

During 2005, the Bureau also reached the end of a lease for office space which leased for \$4,929 per month.

Lease expense for the office space and the vehicles was \$4,896 and \$50,227 for 2006 and 2005, respectively.

Future minimum payments required under the operating lease are as follows:

2007	\$4,896 per year
2008	\$3,264

THE WAYNE COUNTY CONVENTION AND TOURISM BUREAU, INC.
Notes to Financial Statements
Year Ended December 31, 2006 and 2005

Note D – RICHMOND WELCOME CENTER CONTRACT

The Bureau entered into a contract with the Indiana Department of Commerce to provide services at the Welcome Center from July 1, 2003 until June 30, 2005 and then renewed the contract from July 1, 2005 until June 30, 2007. The contract required the Bureau to provide the day to day operation of the center, hire and employ all staff, and have the Welcome Center operational seven days a week for a minimum of 45 hours and a maximum of 55 hours per week. Welcome Center payments under the contract are \$2,330 per month of which a minimum of \$600 is required to be spent on Internet access.

NOTE E – RETIREMENT PLAN

The Bureau maintains an informal retirement plan which covers all employees completing one year of service. Under the plan, contributions are treated as extra compensation and are paid to each qualified employee at the end of the year, the employee can then deposit that amount into an IRA. Contribution amounts are determined by the policy set by the governing Board. The retirement contribution for the year ended December 31, 2006 and 2005 was \$15,000 and \$13,000 respectively.

NOTE F – WAYNE COUNTY CONVENTION AND TOURISM BUILDING

The building located at the present site of the Welcome Center, was recorded as a contribution at the fair market value on October 28, 2005 as represented by the independent sale negotiation with the unrelated owners of the premise, less the cash paid by the Bureau. In 1980, an agency of the Wayne County government named the Board of Managers of the Wayne County Convention and Tourism Bureau was created for the sole purpose of promoting the development and growth of the convention and tourism industry in Wayne County. On September 22, 2005, that Board of Managers pledged a portion of the Innkeepers Tax to the direct payment of debt service on and for the bonds which were used to purchase the building given to the Bureau. Although the Board of Managers is a separate organized body of the county government, the financial impact on future cash flow of the Bureau is directly related.

NOTE G – CONCENTRATION OF CREDIT RISK

The Bureau maintains its cash balances in one financial institution located in Evansville, Indiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2006 the Bureau's uninsured cash balances totaled \$ 40,234.