



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34276

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 29, 2009

Board of Directors
Fort Wayne-Allen County Convention
and Tourism Authority
120 West Jefferson Blvd.
Fort Wayne, IN 46802

We have reviewed the audit reports prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2006 to December 31, 2007. In our opinion, the audit reports were prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinions, the financial statements included in the reports present fairly the financial condition of the Fort Wayne-Allen County Convention and Tourism Authority, as of December 31, 2006 and 2007, and the results of its operations for the periods then ended, on the basis of accounting described in the reports.

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

STATE BOARD OF ACCOUNTS

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

Accountants' Report and Financial Statements

December 31, 2006 and 2005

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

December 31, 2006 and 2005

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information.....	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets.....	8
Statements of Revenue, Expenses and Changes in Net Assets.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11
Other Supplementary Information	
Schedule of Revenue and Expenses and Changes in Net Assets and Capital Outlay — Budget and Actual (Budgetary Basis).....	20
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards.....	21
Schedule of Findings and Questioned Costs	23



Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Fort Wayne-Allen County Convention and Tourism Authority
Fort Wayne, Indiana

We have audited the accompanying basic financial statements of Fort Wayne-Allen County Convention and Tourism Authority (commonly known as the Grand Wayne Center) (Center), a component unit of the City of Fort Wayne, as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide 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 Fort Wayne-Allen County Convention and Tourism Authority as of December 31, 2006 and 2005, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2007, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is 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.

Our audits were conducted for the purpose of forming an opinion on the Center's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

BKD₁₀₀₀

April 3, 2007

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Management's Discussion and Analysis (Unaudited)

Introduction

The management's discussion and analysis (MD&A) of the Fort Wayne-Allen County Convention and Tourism Authority (commonly known as the Grand Wayne Center) (Center) provides a narrative overview and analysis of the Center's financial activities for the year ended December 31, 2006. It should be read in conjunction with the independent accountants' report at the front of this report and the Grand Wayne Center's financial statements, which follow this section.

Financial Highlights

Key financial highlights for 2006 are as follows:

- 2006 marked the first full year of operations under the new and expanded convention center.
- Total operating revenue was up 45% over 2005 year, since 2005 was only open for seven months.
- Total operating revenue for 2006 was \$18,000 more than budgeted.
- There were 43 major conventions and corporate meetings in 2006.

Overview of the Financial Statements

Balance Sheets/Statements of Revenue, Expenses and Changes in Net Assets

The balance sheet and the statement of revenue, expenses and changes in net assets report information about the Center's activities. The Center records all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid. These statements report the Center's net assets and changes in those net assets. This change in net assets is important because it tells the reader if the financial position of the Center has improved or diminished.

Statement of Cash Flows

The statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Center's Net Assets

The net assets of the Center are comprised of two categories:

- *Invested in capital assets, net of related debt* — this reflects the Center's investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Center uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the Center's investment in its capital assets is reported net of related debt, it should be noted that

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Management's Discussion and Analysis
(Unaudited)

the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- *Unrestricted net assets* — this represents resources that may be used to meet the Center's ongoing obligations to the public and creditors.

Table 1: Balance Sheet

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Current assets	\$ 8,640,137	\$ 8,110,691	\$ 19,110,146
Capital assets	52,884,049	52,582,147	40,483,097
Accumulated depreciation	<u>(6,634,438)</u>	<u>(5,479,665)</u>	<u>(4,316,253)</u>
Capital assets, net	<u>46,249,611</u>	<u>47,102,482</u>	<u>36,166,844</u>
Total assets	<u>\$ 54,889,748</u>	<u>\$ 55,213,173</u>	<u>\$ 55,276,990</u>
Liabilities			
Current liabilities	\$ 991,206	\$ 569,324	\$ 227,929
Long-term liabilities	<u>30,276,388</u>	<u>31,333,205</u>	<u>31,423,298</u>
Total liabilities	<u>31,267,594</u>	<u>31,902,529</u>	<u>31,651,227</u>
Net Assets			
Invested in capital assets, net of related debt	19,090,899	18,299,099	19,648,267
Unrestricted	<u>4,531,255</u>	<u>5,011,545</u>	<u>3,977,496</u>
Total net assets	<u>23,622,154</u>	<u>23,310,644</u>	<u>23,625,763</u>
Total liabilities and net assets	<u>\$ 54,889,748</u>	<u>\$ 55,213,173</u>	<u>\$ 55,276,990</u>

In 2006, current assets included cash, certificates of deposit and accounts receivable. Cash and certificates of deposits increased by \$342,209 coming principally from increased cash flow during the year. Accounts receivable increased by \$187,237 with the bulk of the increase coming from the Fort Wayne Redevelopment Commission receivable.

The 2006 capital assets, net of depreciation, decreased by \$852,871 due principally to depreciation of \$1,154,773 in 2006.

In 2005, current assets include cash, investments and accounts receivable. Cash increased by approximately \$95,000, while certificates of deposit increased by approximately \$31,000. This increase in cash and investments is due to there being \$76,795 in interest income in 2005 and an increase in accrued expenses (which will be paid in 2006). A decrease in accounts receivable of approximately \$11,000,000 is due to a reduction in the amount due from the Fort Wayne Redevelopment Authority which is directly related to the increase in the capital assets discussed below.

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Management's Discussion and Analysis
(Unaudited)

The 2005 capital assets, net of depreciation, increased by \$10,935,638 due to the continuing costs of expansion of the convention center. Total liabilities increased by \$251,302 due primarily to the recording of capitalized interest related to the expansion project and an increase in accrued expenses.

Table 2: Statement of Revenue, Expenses and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>Percentage Change 2006-2005</u>	<u>Percentage Change 2005-2004</u>
Operating Revenue	\$ 1,383,993	\$ 955,154	\$ 409,176	44.9%	133.4%
Nonoperating Revenue and Contributions	<u>3,628,415</u>	<u>3,250,617</u>	<u>3,440,499</u>	11.6	(5.5)
Total revenue	<u>5,012,408</u>	<u>4,205,771</u>	<u>3,849,675</u>	19.2	9.3
Operating Expenses	4,250,435	3,698,690	2,061,964	14.9	79.4
Nonoperating Expenses	<u>1,620,963</u>	<u>1,625,200</u>	<u>100,000</u>	(.3)	1,525.2
Total expenses	<u>5,871,398</u>	<u>5,323,890</u>	<u>2,161,964</u>	10.3	146.3
Income (Loss) Before Transfers	(858,990)	(1,118,119)	1,687,711	(23.2)	(166.3)
Transfers	<u>1,170,500</u>	<u>803,000</u>	<u>1,170,250</u>	45.8	(31.4)
Increase (Decrease) in Net Assets	311,510	(315,119)	2,857,961		
Net Assets, Beginning of Year	<u>23,310,644</u>	<u>23,625,763</u>	<u>20,767,802</u>		
Net Assets, End of Year	<u>\$23,622,154</u>	<u>\$23,310,644</u>	<u>\$23,625,763</u>	1.3	(1.3)

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Management's Discussion and Analysis (Unaudited)

Operating Results

In 2006, operating revenue increased by 44.9%, principally due to rental income increasing by \$308,902 and royalty and other income increasing by \$119,937. Operating expenses increased by 14.9%, due to an increase in personal services of \$260,669 and an increase in other services and charges of \$229,659. Each of these categories costs increased because this was the first full year of operations for the new and expanded convention center.

In 2005, operating revenue increased by 133.4%, due to rental income increasing by \$237,207 and royalty income increasing \$259,859. Operating expenses increased by 79.4%, due to an increase in personal services of \$348,126 and an increase in other services and charges of \$1,253,309. The primary reason for the increase in personal services was an increase in employees due to the expansion. Other services increased primarily due to an increase in depreciation expense of \$868,708 due to the capitalization and depreciation of the expansion in 2005 and an increase in utilities of \$286,201.

Nonoperating Revenue and Expense and Contributions

In 2006, nonoperating revenue and contributions increased by \$377,798 or 11.6% over 2005. The primary reason for this change was due to increased interest income of \$186,652 on short-term investments due to higher interest rates. Nonoperating expenses (interest expense) decreased by \$4,237 or .3% in 2006 due to the Center making its second payments on the bonds related to the expansion project.

In 2005, net nonoperating revenue and contributions combined decreased by \$1,715,082 or 51.3%, over 2004. The primary reason for this decrease is due to interest expense increasing \$1,525,200 in 2005 due to the Center making its first payments on the bonds related to the expansion project. There was a decrease of \$117,481 in interest income and a decrease of \$238,750 in contribution revenue related to a reduction in contributions since the expansion is complete. Indiana room tax income increased by \$303,038 from 2004.

Business Highlights

In 2006, the Grand Wayne Center experienced its first full year of events with the expansion and renovation of the building being completed. In 2006, the Grand Wayne Center hosted 43 major conventions and corporate meetings, well above the previous annual average of approximately 25. However, it should be emphasized that these were only a few of the many daily events held. There were scores of smaller corporate meetings, public and private seminars and events that contributed to the lifeblood of the daily operations. In 2006, the Center hosted over 600 total events and approximately 200,000 people in the facility.

Capital Assets and Debt

The expansion has given the Center an additional 123,000 gross square feet of space. This has doubled the size of the convention hall and ballroom and tripled the amount of available meeting rooms. The project was financed with \$31,985,000 of tax-exempt bonds that were issued by the Fort Wayne Redevelopment Authority. The expansion project has been overseen by the Fort Wayne Redevelopment Commission. Although a Redevelopment Commission project, the Grand

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Management's Discussion and Analysis
(Unaudited)

Wayne Center will continue to be operated on a day-to-day basis by the Fort Wayne-Allen County Convention and Tourism Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the expansion and long-term obligations of the Center.

Economic Factors and Other

With the increase in size and ability of the Grand Wayne Center to hold multiple events simultaneously, the future bookings are well ahead of projections. An upturn in economic and industry trends, excitement and newness of an improved Grand Wayne Center and the potential for a third hotel across from the Center indicate future success for the building.

Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Grand Wayne Center's finances and to show accountability for the funds it receives. Questions concerning any of the information provided in this report or requests additional information should be addressed to the Executive Director, Grand Wayne Center, 120 West Jefferson Blvd., Fort Wayne, Indiana.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Balance Sheets December 31, 2006 and 2005

	2006	2005
Assets		
Current Assets		
Cash and cash equivalents	\$ 971,056	\$ 2,737,805
Certificates of deposit	3,454,120	1,345,162
Room tax receivable	301,472	395,983
Royalty receivable, net of allowance of \$0 for 2006 and 2005	93,182	69,787
Other receivable	40,000	60,000
Other assets	10,052	—
Due from Fort Wayne Redevelopment Commission	3,770,255	3,501,954
Total current assets	8,640,137	8,110,691
Capital Assets		
Land	975,000	975,000
Building and improvements	48,804,602	48,529,302
Furniture, fixtures and equipment	3,104,447	3,061,105
Capital improvement projects, new roof	—	16,740
	52,884,049	52,582,147
Less accumulated depreciation	(6,634,438)	(5,479,665)
Total capital assets, net	46,249,611	47,102,482
Total assets	\$ 54,889,748	\$ 55,213,173
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 137,720	\$ 162,076
Capital lease, current portion	651,585	210,672
Due to Fort Wayne-Allen County Convention and Visitors Bureau	32,084	60,321
Due to Fort Wayne Redevelopment Commission	133,604	115,482
Rental deposits	36,213	20,773
Total current liabilities	991,206	569,324
Long-Term Liabilities, capital lease payable	30,276,388	31,333,205
Total liabilities	31,267,594	31,902,529
Net Assets		
Invested in capital assets, net of related debt	19,091,893	18,299,099
Unrestricted	4,530,261	5,011,545
Total net assets	23,622,154	23,310,644
Total liabilities and net assets	\$ 54,889,748	\$ 55,213,173

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Statements of Revenue, Expenses and Changes in Net Assets
Years Ended December 31, 2006 and 2005

	2006	2005
Operating Revenue		
Rental income	\$ 820,134	\$ 511,232
Royalties	488,240	391,431
Other income	<u>75,619</u>	<u>52,491</u>
Total operating revenue	<u>1,383,993</u>	<u>955,154</u>
Operating Expenses		
Salaries and wages	1,359,005	1,153,341
Payroll taxes and employee fringes	<u>367,003</u>	<u>311,998</u>
Total personal services	<u>1,726,008</u>	<u>1,465,339</u>
Maintenance supplies	71,851	39,995
Office supplies	8,141	12,514
Computer supplies	16,618	8,586
Audio-visual supplies	<u>28,597</u>	<u>2,695</u>
Total supplies	<u>125,207</u>	<u>63,790</u>
Depreciation	1,154,773	1,163,412
Utilities and telephone	611,495	479,655
Advertising and promotion	214,241	185,239
Repairs and maintenance	266,549	126,577
Professional services	66,902	64,006
Insurance	57,371	76,831
Other	<u>27,889</u>	<u>73,841</u>
Total other services and charges	<u>2,399,220</u>	<u>2,169,561</u>
Total operating expenses	<u>4,250,435</u>	<u>3,698,690</u>
Operating Loss	<u>(2,866,442)</u>	<u>(2,743,536)</u>
Nonoperating Revenue (Expense)		
Indiana room tax income	2,643,740	2,613,572
Interest income	263,447	76,795
Interest expense	(1,520,963)	(1,525,200)
Fort Wayne-Allen County Convention and Visitors Bureau	<u>(100,000)</u>	<u>(100,000)</u>
Net nonoperating revenue	<u>1,286,224</u>	<u>1,065,167</u>
Loss Before Capital Contributions and Transfers	<u>(1,580,218)</u>	<u>(1,678,369)</u>
Capital Contributions and Transfers		
Contribution income, expansion project	721,228	560,250
Transfer in from the City of Fort Wayne, CEDIT	435,500	435,500
Transfer in from the City of Fort Wayne, Light Lease	<u>735,000</u>	<u>367,500</u>
Total capital contributions and transfers	<u>1,891,728</u>	<u>1,363,250</u>
Change in Net Assets	311,510	(315,119)
Net Assets, Beginning of Year	<u>23,310,644</u>	<u>23,625,763</u>
Net Assets, End of Year	<u>\$ 23,622,154</u>	<u>\$ 23,310,644</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Statements of Cash Flows Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Rental income receipts	\$ 855,574	\$ 465,185
Royalty income receipts	464,845	323,612
Payments to suppliers	(1,360,360)	(1,069,939)
Payments to employees	(1,759,658)	(1,346,634)
Other operating receipts	65,567	52,491
Net cash used in operating activities	(1,734,032)	(1,575,285)
Cash Flows From Noncapital Financing Activities		
Indiana room tax receipts	3,267,001	2,986,512
Other	(10,115)	(1,943)
Payments to Fort Wayne-Allen County Convention and Visitors Bureau	(628,750)	(622,716)
Net cash provided by noncapital financing activities	2,628,136	2,361,853
Cash Flows From Capital and Related Financing Activities		
Proceeds due from Fort Wayne Redevelopment Commission for capital debt	(268,301)	—
Interest from capital lease	(1,520,963)	(1,525,200)
Principal paid on capital leases	(615,904)	—
Contributions and grants received for capital purposes	721,228	560,250
Purchase of capital assets	(301,902)	(575,704)
Transfer from the City of Fort Wayne	1,170,500	803,000
Net cash used in capital and related financing activities	(815,342)	(737,654)
Cash Flows From Investing Activities		
Investment interest income received	263,447	76,795
Purchase of investments	(2,108,958)	(30,835)
Net cash provided by (used in) investing activities	(1,845,511)	45,960
Increase (Decrease) in Cash and Cash Equivalents	(1,766,749)	94,874
Cash and Cash Equivalents, Beginning of Year	2,737,805	2,642,931
Cash and Cash Equivalents, End of Year	\$ 971,056	\$ 2,737,805
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (2,866,442)	\$ (2,743,536)
Depreciation expense	1,154,773	1,163,412
Changes in operating assets and liabilities		
Receivables, net	(3,395)	(127,819)
Other assets	(10,052)	—
Accounts payable and accrued expenses	(24,356)	118,705
Rental deposits	15,440	13,953
Net Cash Used in Operating Activities	\$ (1,734,032)	\$ (1,575,285)
Supplemental Cash Flow Information		
Capital lease obligation incurred for capital assets	\$ —	\$ 149,880

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Fort Wayne-Allen County Convention and Tourism Authority (Center) is a Capital Improvement Board of Managers created and in existence pursuant to the laws of the State of Indiana. The statutory provisions under which the Center operates and conducts its business specifically state the nature and type of transactions that can be entered into by the Center. As a governmental agency, the Center is exempt from federal and state taxes.

The Center is a component unit of the City of Fort Wayne and is included as such in the City's Comprehensive Annual Financial Report. A seven-member Board governs the Center. The City appoints three members, the County appoints three members, and the appointed members elect the seventh member. The Center operates the convention center and promotes tourism. A hotel room tax helps to fund the Center's operations. The Center's budget is subject to approval by the City and County Council. Any resolutions for the sale of revenue bonds are subject to review by the Mayor. All sales of general obligation bonds are subject to approval by the City Council.

Measurement Focus Basis of Accounting and Presentation

The financial statements of the Center have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions and derived tax revenue (principally hotel room taxes) are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and certain program-specific, government-mandated nonexchange transactions.

The Center prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center applies all applicable GASB pronouncements. In addition, the Center follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the reporting period. Actual results could differ from those estimates.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents consist of bank deposits in federally insured accounts. The Center considers all liquid investments with an original maturity of three months or less to be cash equivalents. Nonnegotiable certificates of deposit are carried at amortized cost. The Center's deposits with financial institutions at year end were entirely insured by federal depository insurance or by the Indiana Public Deposits Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Capital Assets

Capital assets are recorded at cost at the date of acquisition where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are carried at their estimated fair value on the date received. The Center capitalized all capital asset purchases greater than \$1,000. Depreciation is computed using the straight-line method and the following estimated useful lives:

Building and improvements	5 – 50 years
Furniture, fixtures and equipment	3 – 15 years

The Center capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest capitalized was \$149,880 for the year ended December 31, 2005. There was no interest capitalized in 2006.

Innkeepers Tax Revenue

The Indiana Innkeepers (Room) Tax is levied on every person engaged in the business of renting or furnishing, for periods of less than thirty days, any lodgings in any hotel, motel, inn, tourist camp, tourist cabin or any other place in which lodgings are regularly furnished. A portion of the room tax received is retained by the Center to be used for daily operations.

Compensated Absences

Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expenses and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits because they do not vest with the employees. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

Classification of Revenue and Expense

The Center has classified its revenue and expense as either operating or nonoperating revenue according to the following criteria:

Operating revenue – Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) convention center rental income and (2) royalties for food and beverage sales.

Nonoperating revenue – Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as Indiana room taxes and capital contributions and investment income.

Operating expense – Operating expenses include activities that are related to operation of the Center, such as salaries and wages, depreciation and supplies.

Nonoperating expense – Nonoperating expenses include activities that are not related to the operation of the Center such as the annual contribution to the Fort Wayne-Allen County Convention and Visitors Bureau.

Reclassifications

Certain reclassification have been made to the 2005 financial statements to conform to the 2006 presentation. The reclassifications had no effect on the changes in financial position.

Note 2: Deposits and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Indiana; bonds of any city, county, school district or special road district of the state of Indiana; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Center's cash deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12.1.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

At December 31, 2006 and 2005, the Center's bank balances were fully insured and were not exposed to custodial credit risk.

Investment Income

Investment income for the years ended December 31, 2006 and 2005, consisted of:

	2006	2005
Interest income	\$ <u>263,447</u>	\$ <u>76,795</u>

Note 3: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2006 and 2005, is as follows:

	Beginning Balance January 1, 2006	Transfers and Additions	Transfers and Disposals	Ending Balance December 31, 2006
Capital assets, not being depreciated				
Land	\$ 975,000	\$ —	\$ —	\$ 975,000
Construction in progress	<u>16,740</u>	<u>203,375</u>	<u>(220,115)</u>	<u>0</u>
Total capital assets, not being depreciated	<u>991,740</u>	<u>203,375</u>	<u>(220,115)</u>	<u>975,000</u>
Capital assets, being depreciated				
Building and improvements	48,529,302	275,300	—	48,804,602
Furniture, fixtures and equipment	<u>3,061,105</u>	<u>43,342</u>	<u>—</u>	<u>3,104,447</u>
Total capital assets, being depreciated	<u>51,590,407</u>	<u>318,642</u>	<u>—</u>	<u>51,909,049</u>
Less accumulated depreciation for				
Building and improvements	(3,199,390)	(1,004,325)	—	(4,203,715)
Furniture, fixtures and equipment	<u>(2,280,275)</u>	<u>(150,448)</u>	<u>—</u>	<u>(2,430,723)</u>
Total accumulated depreciation	<u>(5,479,665)</u>	<u>(1,154,773)</u>	<u>—</u>	<u>(6,634,438)</u>
Total capital assets, being depreciated, net	<u>46,110,742</u>	<u>(836,131)</u>	<u>—</u>	<u>45,274,611</u>
Capital assets, net	<u>\$ 47,102,482</u>	<u>\$ (632,756)</u>	<u>\$ (220,115)</u>	<u>\$ 46,249,611</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

	Beginning Balance January 1, 2005	Transfers and Additions	Transfers and Disposals	Ending Balance December 31, 2005
Capital assets, not being depreciated				
Land	\$ 975,000	\$ —	\$ —	\$ 975,000
Construction in progress	<u>27,089,423</u>	<u>11,993,581</u>	<u>39,066,264</u>	<u>16,740</u>
Total capital assets, not being depreciated	<u>28,064,423</u>	<u>11,993,581</u>	<u>39,066,264</u>	<u>991,740</u>
Capital assets, being depreciated				
Building and improvements	10,200,660	38,328,642	—	48,529,302
Furniture, fixtures and equipment	<u>2,218,014</u>	<u>843,091</u>	<u>—</u>	<u>3,061,105</u>
Total capital assets, being depreciated	<u>12,418,674</u>	<u>39,171,733</u>	<u>—</u>	<u>51,590,407</u>
Less accumulated depreciation for				
Building and improvements	(2,131,826)	(999,418)	—	(3,131,244)
Furniture, fixtures and equipment	<u>(2,184,427)</u>	<u>(163,994)</u>	<u>—</u>	<u>(2,348,421)</u>
Total accumulated depreciation	<u>(4,316,253)</u>	<u>(1,163,412)</u>	<u>—</u>	<u>(5,479,665)</u>
Total capital assets, being depreciated, net	<u>8,102,421</u>	<u>38,008,321</u>	<u>—</u>	<u>46,110,742</u>
Capital assets, net	<u>\$ 36,166,844</u>	<u>\$ 50,001,902</u>	<u>\$ 39,066,264</u>	<u>\$ 47,102,482</u>

Accumulated depreciation includes amortization of property and equipment acquired under capital lease obligations.

Note 4: Long-Term Obligations

On May 1, 2003, the Fort Wayne Redevelopment Authority (Authority) issued Lease Rental Revenue Bonds in the amount of \$31,985,000, at fixed rates ranging from 2.5%-5.0%, for the expansion of the Grand Wayne Center (Project). The bonds are secured by the net revenue of the Center and property. The Authority owns the existing and expanded facilities and leases them back to the Fort Wayne Redevelopment Commission (Commission), who leases them to the Center until the bonds mature on February 1, 2028. Since ownership of the assets to be constructed under the Project will ultimately revert to the Center, the assets and corresponding capital lease obligation of the Project have been recorded on the balance sheet of the Center.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

The primary lease agreement with the Authority and the Commission is funded by four revenue sources: Grand Wayne Center primary pledge payments, City of Fort Wayne CEDIT and light lease revenue and Allen County CEDIT revenue, which are base pledges. The Project is also funded by tax increment financing revenue and the Professional Sports and Convention Development Area revenue which are based on annual collections. Commitments are as follows:

	Grand Wayne Center	City of Fort Wayne – CEDIT	City of Fort Wayne – Light Lease	Allen County - CEDIT
2007	\$ 610,000	\$ 435,500	\$ 735,000	\$ 477,500
2008	710,000	435,500	735,000	—
2009	815,000	435,500	735,000	—
2010	820,000	435,500	735,000	—
2011	825,000	435,500	—	—
Thereafter	<u>18,685,000</u>	<u>9,144,500</u>	<u>—</u>	<u>—</u>
Totals	<u>\$ 22,465,000</u>	<u>\$ 11,322,000</u>	<u>\$ 2,940,000</u>	<u>\$ 477,500</u>

In addition to the above base pledge payments, the sublease agreement with the Center includes a Supplemental Revenue Pledge based on an annually calculated amount, not to exceed the amount which the year-end unappropriated cash balance of the Grand Wayne Center exceeds the sum of (1) 100% of the subsequent year's adopted operating budget and (2) \$500,000 in 2004, plus an annual escalation factor of 3% annually. The Supplemental Revenue Pledge is to begin in 2008 and continue through the lease term.

The future payments on the Center's capital lease obligation as of December 31, 2006, are as follows:

2007	\$ 2,314,563
2008	2,406,188
2009	2,117,950
2010	2,845,550
2011	3,079,300
2012 – 2016	12,280,000
2017 – 2021	12,222,251
2022 – 2026	11,671,749
2027 – 2029	<u>3,791,149</u>
	52,728,700
Amount representing interest	<u>(21,800,727)</u>
Present value of net minimum lease payments	<u>\$ 30,927,973</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

Property and equipment include the following property under capital leases:

	2006	2005
Buildings	\$ 38,394,839	\$ 38,328,643
Equipment	<u>737,620</u>	<u>737,620</u>
	39,132,459	39,066,263
Less accumulated depreciation	<u>(1,682,021)</u>	<u>(840,335)</u>
	<u>\$ 37,450,438</u>	<u>\$ 38,225,928</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the Center for the years ended December 31, 2006 and 2005:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Current Portion
Capital lease payable	\$ 31,543,877	\$ —	\$ (615,904)	\$ 30,927,973	\$ 651,585

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Current Portion
Capital lease payable	\$ 31,423,298	\$ 149,880	\$ (29,301)	\$ 31,543,877	\$ 210,672

Note 5: Pension Plan

Plan Description

The Center contributes to the Public Employees' Retirement Fund of Indiana (PERF), a defined-benefit pension plan established in accordance with Indiana statute (IC 5-10.2 and 5-10.3). PERF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. All full-time employees of the Center are eligible to participate in the plan. The authority to establish or amend benefit provisions rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the Board of Trustees of PERF in accordance with actuarial methods. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2006 and 2005

writing to Indiana Public Employees' Retirement Fund, Harrison Bldg., Suite 800, 143 West Market Street, Indianapolis, Indiana 46204, or by calling 317-233-4162. The following disclosures represent the most current and available information on the plan through the July 1, 2004, actuarial valuation.

Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

Funding Policy

Employees participating in PERF are required to contribute 5% of their annual covered salary to an annuity savings account. The Center has elected to make these contributions on behalf of the members. The Center is required to contribute at an actuarially determined rate. The employer rate is established by state statute. The employer rate for calendar year 2006 was 5.5% of annual covered payroll. The employer contribution requirements are established and may be amended by the PERF Board of Trustees. Accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

Annual Pension Cost

For calendar year 2006 and 2005, the Center's annual pension costs of \$92,100 and \$69,545, respectively, was equal to the Center's required and actual contributions.

Actuarial valuations are not available because the Center's pension funding is combined with the City of Fort Wayne as one participating employer. Therefore, the required three-year trend information and schedule of funding progress is not presented.

Note 6: Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses, natural disasters and employee health and accident benefits. The Center purchases commercial insurance coverage for claims arising from such matters other than those related to workers' compensation and natural disasters. Certain of these policies allow for deductibles, which range up to \$10,000 per occurrence. There were no reductions in insurance coverage during 2006 and settled claims have not exceeded this commercial coverage in any of the past three years.

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

**Notes to Financial Statements
December 31, 2006 and 2005**

Note 7: Commitments and Contingencies

The Center has two employment contracts, which are each for a one-year period. The contracts automatically renew every year unless cancelled by the employee or the Center. The agreements may be terminated only by cancellation.

The Center is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheet, change in net assets and cash flows of the Center. Events could occur that would change this estimate materially in the near term.

Supplementary Information

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

**Schedule of Revenue and Expenses
Budget and Actual
Years Ended December 31, 2006 and 2005
(Budgetary Basis)
(Unaudited)**

	2006		
	Budget as Approved by City and County Councils	Actual (Budgetary Basis)	Variance
Operating Revenue			
Rental income	\$ 770,000	\$ 820,134	\$ 50,134
Royalties	<u>520,000</u>	<u>488,240</u>	<u>(31,760)</u>
Total operating revenue	<u>1,290,000</u>	<u>1,308,374</u>	<u>18,374</u>
Operating Expenses			
Personal services	1,745,300	1,726,008	(19,292)
Supplies	125,000	125,207	207
Other services and charges (excluding depreciation expense)	<u>1,494,000</u>	<u>1,244,447</u>	<u>(249,553)</u>
Total operating expenses	3,364,300	3,095,662	(268,638)
Lease Payments	510,000	510,000	—
Fort Wayne-Allen County Convention and Visitors Bureau	<u>100,000</u>	<u>100,000</u>	<u>—</u>
Total operating and other budgeted expenses	<u>3,974,300</u>	<u>3,705,662</u>	<u>(268,638)</u>
Operating Loss	<u>(2,684,300)</u>	<u>(2,397,288)</u>	<u>287,012</u>
Nonoperating Revenue			
Indiana room tax income	2,625,000	2,643,740	18,740
Interest income	<u>100,000</u>	<u>263,447</u>	<u>163,447</u>
Nonoperating revenue	<u>2,725,000</u>	<u>2,907,187</u>	<u>182,187</u>
Change in Net Assets (Budgetary Basis)	40,700	509,899	469,199
Reconciliation to Change in Net Assets as Reported on Statements of Revenue, Expenses and Changes in Net Assets			
Depreciation expense	—	(1,154,773)	(1,154,773)
Interest expense	—	(1,520,963)	(1,520,963)
Other income	—	75,619	75,619
Capitalization of lease payments	—	510,000	510,000
Capital contributions and transfers	<u>—</u>	<u>1,891,728</u>	<u>1,891,728</u>
Change in Net Assets (GAAP Basis)	<u>\$ 40,700</u>	<u>\$ 311,510</u>	<u>\$ 270,810</u>
Capital Outlay (Budgetary Basis)	<u>\$ 100,000</u>	<u>\$ 54,830</u>	<u>\$ 45,170</u>

2005

Budget as Approved by City and County Councils			Actual (Budgetary Basis)	Variance	
\$	350,000	\$	511,232	\$	161,232
	<u>250,000</u>		<u>391,431</u>		<u>141,431</u>
	<u>600,000</u>		<u>902,663</u>		<u>302,663</u>
	1,447,132		1,465,339		18,207
	78,000		63,790		(14,210)
	<u>1,031,500</u>		<u>1,006,149</u>		<u>(25,351)</u>
	2,556,632		2,535,278		(21,354)
	560,000		560,000		—
	<u>100,000</u>		<u>100,000</u>		<u>—</u>
	<u>3,216,632</u>		<u>3,195,278</u>		<u>(21,354)</u>
	<u>(2,616,632)</u>		<u>(2,292,615)</u>		<u>324,017</u>
	2,361,000		2,613,572		252,572
	<u>36,000</u>		<u>76,795</u>		<u>40,795</u>
	<u>2,397,000</u>		<u>2,690,367</u>		<u>293,367</u>
	(219,632)		397,752		617,384
	—		(1,163,412)		(1,163,412)
	—		(1,525,200)		(1,525,200)
	—		52,491		52,491
	—		560,000		560,000
	<u>—</u>		<u>1,363,250</u>		<u>1,363,250</u>
\$	<u>(219,632)</u>	\$	<u>(315,119)</u>	\$	<u>(95,487)</u>
\$	<u>100,000</u>	\$	<u>122,211</u>	\$	<u>(22,211)</u>



**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Fort Wayne-Allen County Convention and Tourism Authority
Fort Wayne, Indiana

We have audited the financial statements of Fort Wayne-Allen County Convention and Tourism Authority (a component unit of the City of Fort Wayne) (Center) as of and for the year ended December 31, 2006, and have issued our report thereon dated April 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 06-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the Center's management in a separate letter dated April 3, 2007.

This report is intended solely for the information and use of the governing body, management, the Indiana State Board of Accounts and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

BKD_{ilcp}

April 3, 2007

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2006**

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding	Questioned Costs
06-1	<p>Criteria or Specific Requirement – The Center should record the activity occurring in the accounts held for the expansion project at the Fort Wayne Redevelopment Commission.</p> <p>Condition – The Center is not recording the activity relating to the expansion project during the year; only at the end of the year.</p> <p>Context – Errors or irregularities may not be detected timely.</p> <p>Effect – Errors or irregularities may not be detected timely.</p> <p>Cause – Limited number of accounting personnel and expertise.</p> <p>Recommendation – We recommend that each quarter the expansion account activity that is maintained at the Fort Wayne Redevelopment Commission be recorded in the general ledger of the Center. In addition, the Center should receive a copy of the pertinent account statements on a monthly basis in order to review the propriety of the financial activity.</p> <p>View of Responsible Officials and Planned Corrective Actions – The Center has been in the process of meeting with the Fort Wayne Redevelopment Commission to discuss the expansion project. The Center will look into recording the expansion account activity on a quarterly basis.</p>	\$ —

**Fort Wayne-Allen County Convention and Tourism
Authority (A Component Unit of the City of Fort Wayne)**

Accountants' Report and Financial Statements

December 31, 2007 and 2006



**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

December 31, 2007 and 2006

Contents

Independent Accountants' Report on Financial Statements and Supplementary Information.....	1
Management's Discussion and Analysis	3
Financial Statements	
Balance Sheets	8
Statements of Revenue, Expenses and Changes in Net Assets.....	9
Statements of Cash Flows.....	10
Notes to Financial Statements.....	11
Other Supplementary Information	
Schedule of Revenue and Expenses and Changes in Net Assets and Capital Outlay — Budget and Actual (Budgetary Basis).....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards.....	20
Schedule of Findings and Questioned Costs	22
Schedule of Prior Audit Findings.....	23



Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Fort Wayne-Allen County Convention and Tourism Authority
Fort Wayne, Indiana

We have audited the accompanying basic financial statements of Fort Wayne-Allen County Convention and Tourism Authority (commonly known as the Grand Wayne Center) (Center), a component unit of the City of Fort Wayne, as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 audits provide 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 Fort Wayne-Allen County Convention and Tourism Authority as of December 31, 2007 and 2006, and its changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is 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.

Our audits were conducted for the purpose of forming an opinion on the Center's basic financial statements. The other supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

BKD_{LLP}

March 31, 2008

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Management's Discussion and Analysis (Unaudited)

Introduction

The management's discussion and analysis (MD&A) of the Fort Wayne-Allen County Convention and Tourism Authority (commonly known as the Grand Wayne Center) (Center) provides a narrative overview and analysis of the Center's financial activities for the year ended December 31, 2007. It should be read in conjunction with the independent accountants' report at the front of this report and the Grand Wayne Center's financial statements, which follow this section.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total operating revenue was up over 10% from 2006, as more and more major conventions are booked
- Total operating expenses were held to a 2% increase over 2006.

Overview of the Financial Statements

Balance Sheets/Statements of Revenue, Expenses and Changes in Net Assets

The balance sheet and the statement of revenue, expenses and changes in net assets report information about the Center's activities. The Center records all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid. These statements report the Center's net assets and changes in those net assets. This change in net assets is important because it tells the reader if the financial position of the Center has improved or diminished.

Statement of Cash Flows

The statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Center's Net Assets

The net assets of the Center are comprised of two categories:

- *Invested in capital assets, net of related debt* — this reflects the Center's investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Center uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the Center's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Management's Discussion and Analysis (Unaudited)

- *Unrestricted net assets* — this represents resources that may be used to meet the Center's ongoing obligations to the public and creditors.

Table 1: Balance Sheet

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Current assets	\$ <u>9,737,895</u>	\$ <u>8,640,137</u>	\$ <u>8,110,691</u>
Capital assets	53,022,198	52,884,049	52,582,147
Accumulated depreciation	<u>(7,759,326)</u>	<u>(6,634,438)</u>	<u>(5,479,665)</u>
Capital assets, net	<u>45,262,872</u>	<u>46,249,611</u>	<u>47,102,482</u>
Total assets	<u>\$ 55,000,767</u>	<u>\$ 54,889,748</u>	<u>\$ 55,213,173</u>
Liabilities			
Current liabilities	\$ 1,154,261	\$ 991,206	\$ 569,324
Long-term liabilities	<u>29,499,006</u>	<u>30,276,388</u>	<u>31,333,205</u>
Total liabilities	<u>30,653,267</u>	<u>31,267,594</u>	<u>31,902,529</u>
Net Assets			
Invested in capital assets, net of related debt	19,095,312	19,091,893	18,299,099
Unrestricted	<u>5,252,188</u>	<u>4,530,261</u>	<u>5,011,545</u>
Total net assets	<u>24,347,500</u>	<u>23,622,154</u>	<u>23,310,644</u>
Total liabilities and net assets	<u>\$ 55,000,767</u>	<u>\$ 54,889,748</u>	<u>\$ 55,213,173</u>

In 2007, current assets included cash, certificates of deposit and accounts receivable. Cash and certificates of deposits increased by \$720,648 coming principally from increased cash flow during the year. Accounts receivable increased by \$368,555 with the bulk of the increase coming from the Fort Wayne Redevelopment Commission receivable.

The 2007 capital assets, net of depreciation, decreased by \$986,739 due principally to depreciation of \$1,163,686 in 2007.

In 2006, current assets included cash, certificates of deposit and accounts receivable. Cash and certificates of deposits increased by \$342,209 coming principally from increased cash flow during the year. Accounts receivable increased by \$187,237 with the bulk of the increase coming from the Fort Wayne Redevelopment Commission receivable.

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Management's Discussion and Analysis
(Unaudited)

The 2006 capital assets, net of depreciation, decreased by \$852,871 due principally to depreciation of \$1,154,773 in 2006.

Table 2: Statement of Revenue, Expenses and Changes in Net Assets

	2007	2006	2005	Percentage Change 2007-2006	Percentage Change 2006-2005
Operating Revenue	\$ 1,527,910	\$ 1,383,993	\$ 955,154	10.4%	44.9%
Nonoperating Revenue and Contributions	<u>4,087,746</u>	<u>3,628,415</u>	<u>3,250,617</u>	12.7	11.6
Total revenue	<u>5,615,656</u>	<u>5,012,408</u>	<u>4,205,771</u>	12.0	19.2
Operating Expenses	4,336,320	4,250,435	3,698,690	2.0	14.9
Nonoperating Expenses	<u>1,724,490</u>	<u>1,620,963</u>	<u>1,625,200</u>	6.4	(.3)
Total expenses	<u>6,060,810</u>	<u>5,871,398</u>	<u>5,323,890</u>	3.2	10.3
Loss Before Transfers	(445,154)	(858,990)	(1,118,119)	(48.2)	(23.2)
Transfers	<u>1,170,500</u>	<u>1,170,500</u>	<u>803,000</u>	0.0	45.8
Increase (Decrease) in Net Assets	725,346	311,510	(315,119)		
Net Assets, Beginning of Year	<u>23,622,154</u>	<u>23,310,644</u>	<u>23,625,763</u>		
Net Assets, End of Year	<u>\$ 24,347,500</u>	<u>\$ 23,622,154</u>	<u>\$ 23,310,644</u>	3.1	1.3

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Management's Discussion and Analysis (Unaudited)

Operating Results

In 2007, operating revenue increased by 10.4%, principally due to Royalties increasing by \$130,116 and rental and other income increasing by \$13,801. Operating expenses increased by only \$85,885 (2.0%) principally due to an increase in advertising and promotion expense of \$37,936. All other operating costs including personnel services remained nearly the same as 2006 which was the first full year of operations for the new and expanded convention center.

In 2006, operating revenue increased by 44.9%, principally due to rental income increasing by \$308,902 and royalty and other income increasing by \$119,937. Operating expenses increased by 14.9%, due to an increase in personnel services of \$260,669 and an increase in other services and charges of \$229,659. Each of these categories costs increased because this was the first full year of operations for the new and expanded convention center.

Nonoperating Revenue and Expense and Contributions

In 2007, nonoperating revenue and contributions increased by \$459,331 or 12.7% over 2006. The primary reason for this change was due to increased Indiana room tax income of \$416,765 as a result of increased occupancy and increased effort by the state of Indiana to collect all room tax due. Nonoperating interest expenses increased by \$103,527 due to payments on the bonds related to the expansion project.

In 2006, nonoperating revenue and contributions increased by \$377,798 or 11.6% over 2005. The primary reason for this change was due to increased interest income of \$186,652 on short-term investments due to higher interest rates. Nonoperating expenses (interest expense) decreased by \$4,237 or .3% in 2007 due to the Center making its second payments on the bonds related to the expansion project.

Business Highlights

In 2007, the Grand Wayne Center experienced its second full year of events with the expansion and renovation of the building being completed. In 2007, the Grand Wayne Center hosted over 400 total events and approximately 200,000 people in the facility.

Capital Assets and Debt

The expansion completed in 2006 has given the Center an additional 123,000 gross square feet of space. This has doubled the size of the convention hall and ballroom and tripled the amount of available meeting rooms. The project was financed with \$31,985,000 of tax-exempt bonds that were issued by the Fort Wayne Redevelopment Authority. The expansion project has been overseen by the Fort Wayne Redevelopment Commission. Although a Redevelopment Commission project, the Grand Wayne Center will continue to be operated on a day-to-day basis by the Fort Wayne-Allen County Convention and Tourism Authority. The notes to the financial statements provide additional information that is essential to a full understanding of the expansion and long-term obligations of the Center.

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)
Management's Discussion and Analysis
(Unaudited)**

Economic Factors and Other

With the increase in size and ability of the Grand Wayne Center to hold multiple events simultaneously, future bookings continue to grow. The development of the Harrison Square project scheduled for completion in 2009 will also increase future bookings at the Grand Wayne Center.

Request for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Grand Wayne Center's finances and to show accountability for the funds it receives. Questions concerning any of the information provided in this report or requests additional information should be addressed to the Executive Director, Grand Wayne Center, 120 West Jefferson Blvd., Fort Wayne, Indiana.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Balance Sheets December 31, 2007 and 2006

	2007	2006
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,584,657	\$ 971,056
Certificates of deposit	3,561,167	3,454,120
Room tax receivable	278,225	301,472
Royalty receivable, net of allowance of \$0 for 2007 and 2006	115,194	93,182
Other receivable	71,217	40,000
Other assets	18,607	10,052
Due from Fort Wayne Redevelopment Commission	4,108,828	3,770,255
Total current assets	9,737,895	8,640,137
Land	975,000	975,000
Building and improvements	48,857,501	48,804,602
Furniture, fixtures and equipment	3,189,697	3,104,447
	53,022,198	52,884,049
Less accumulated depreciation	(7,759,326)	(6,634,438)
Total capital assets, net	45,262,872	46,249,611
Total assets	\$ 55,000,767	\$ 54,889,748
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 121,455	\$ 137,720
Capital lease, current portion	777,382	651,585
Due to Fort Wayne-Allen County Convention and Visitors Bureau	66,138	32,084
Due to Fort Wayne Redevelopment Commission	149,629	133,604
Rental deposits	39,657	36,213
Total current liabilities	1,154,261	991,206
Long-Term Liabilities, capital lease payable	29,499,006	30,276,388
Total liabilities	30,653,267	31,267,594
Net Assets		
Invested in capital assets, net of related debt	19,095,312	19,091,893
Unrestricted	5,252,188	4,530,261
Total net assets	24,347,500	23,622,154
Total liabilities and net assets	\$ 55,000,767	\$ 54,889,748

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Statements of Revenue, Expenses and Changes in Net Assets Years Ended December 31, 2007 and 2006

	2007	2006
Operating Revenue		
Rental income	\$ 860,093	\$ 820,134
Royalties	618,356	488,240
Other income	<u>49,461</u>	<u>75,619</u>
Total operating revenue	<u>1,527,910</u>	<u>1,383,993</u>
Operating Expenses		
Salaries and wages	1,351,783	1,359,005
Payroll taxes and employee fringes	<u>373,811</u>	<u>367,003</u>
Total personnel services	<u>1,725,594</u>	<u>1,726,008</u>
Maintenance supplies	62,503	71,851
Office supplies	9,215	8,141
Computer supplies	15,323	16,618
Audio-visual supplies	<u>19,980</u>	<u>28,597</u>
Total supplies	<u>107,021</u>	<u>125,207</u>
Depreciation	1,163,686	1,154,773
Utilities and telephone	627,153	611,495
Advertising and promotion	252,177	214,241
Repairs and maintenance	280,642	266,549
Professional services	80,152	66,902
Insurance	73,053	57,371
Other	<u>26,842</u>	<u>27,889</u>
Total other services and charges	<u>2,503,705</u>	<u>2,399,220</u>
Total operating expenses	<u>4,336,320</u>	<u>4,250,435</u>
Operating Loss	<u>(2,808,410)</u>	<u>(2,866,442)</u>
Nonoperating Revenue (Expense)		
Indiana room tax income	3,060,505	2,643,740
Interest income	335,768	263,447
Interest expense	(1,624,490)	(1,520,963)
Fort Wayne-Allen County Convention and Visitors Bureau	<u>(100,000)</u>	<u>(100,000)</u>
Net nonoperating revenue	<u>1,671,783</u>	<u>1,286,224</u>
Loss Before Capital Contributions and Transfers	<u>(1,136,627)</u>	<u>(1,580,218)</u>
Capital Contributions and Transfers		
Contribution income, expansion project	691,473	721,228
Transfer in from the City of Fort Wayne, CEDIT	435,500	435,500
Transfer in from the City of Fort Wayne, light lease	<u>735,000</u>	<u>735,000</u>
Total capital contributions and transfers	<u>1,861,973</u>	<u>1,891,728</u>
Change in Net Assets	725,346	311,510
Net Assets, Beginning of Year	<u>23,622,154</u>	<u>23,310,644</u>
Net Assets, End of Year	<u>\$ 24,347,500</u>	<u>\$ 23,622,154</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Statements of Cash Flows Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities		
Rental income receipts	\$ 832,320	\$ 855,574
Royalty income receipts	596,344	464,845
Payments to suppliers	(1,441,719)	(1,360,360)
Payments to employees including benefits	(1,747,180)	(1,759,658)
Other operating receipts	<u>40,906</u>	<u>65,567</u>
Net cash used in operating activities	<u>(1,719,329)</u>	<u>(1,734,032)</u>
Cash Flows From Noncapital Financing Activities		
Indiana room tax receipts	3,931,899	3,267,001
Other	50,079	(10,115)
Payments to Fort Wayne-Allen County Convention and Visitors Bureau	<u>(948,147)</u>	<u>(628,750)</u>
Net cash provided by noncapital financing activities	<u>3,033,831</u>	<u>2,628,136</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds due from Fort Wayne Redevelopment Commission for capital debt	(338,573)	(268,301)
Interest from capital lease	(1,624,490)	(1,520,963)
Principal paid on capital leases	(651,585)	(615,904)
Contributions and grants received for capital purposes	691,473	721,228
Purchase of capital assets	(176,947)	(301,902)
Transfer from the City of Fort Wayne	<u>1,170,500</u>	<u>1,170,500</u>
Net cash used in capital and related financing activities	<u>(929,622)</u>	<u>(815,342)</u>
Cash Flows From Investing Activities		
Investment interest income received	335,768	263,447
Purchase of investments	<u>(107,047)</u>	<u>(2,108,958)</u>
Net cash provided by (used in) investing activities	<u>228,721</u>	<u>(1,845,511)</u>
Increase (Decrease) in Cash and Cash Equivalents	613,601	(1,766,749)
Cash and Cash Equivalents, Beginning of Year	<u>971,056</u>	<u>2,737,805</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,584,657</u>	<u>\$ 971,056</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (2,808,410)	\$ (2,866,442)
Depreciation expense	1,163,686	1,154,773
Changes in operating assets and liabilities		
Receivables, net	(53,229)	(3,395)
Other assets	(8,555)	(10,052)
Accounts payable and accrued expenses	(16,265)	(24,356)
Rental deposits	<u>3,444</u>	<u>15,440</u>
Net Cash Used in Operating Activities	<u>\$ (1,719,329)</u>	<u>\$ (1,734,032)</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Fort Wayne-Allen County Convention and Tourism Authority (Center) is a Capital Improvement Board of Managers created and in existence pursuant to the laws of the state of Indiana. The statutory provisions under which the Center operates and conducts its business specifically state the nature and type of transactions that can be entered into by the Center. As a governmental agency, the Center is exempt from federal and state taxes.

The Center is a component unit of the City of Fort Wayne and is included as such in the City's Comprehensive Annual Financial Report. A seven-member Board governs the Center. The City appoints three members, the County appoints three members, and the appointed members elect the seventh member. The Center operates the convention center and promotes tourism. A hotel room tax helps to fund the Center's operations. The Center's budget is subject to approval by the City and County Council. Any resolutions for the sale of revenue bonds are subject to review by the Mayor. All sales of general obligation bonds are subject to approval by the City Council.

Measurement Focus, Basis of Accounting and Financial Presentation

The financial statements of the Center have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions and derived tax revenue (principally hotel room taxes) are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenue and expenses include exchange transactions and certain program-specific, government-mandated nonexchange transactions.

The Center prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Center applies all applicable GASB pronouncements. In addition, the Center follows all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the reporting period. Actual results could differ from those estimates.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

Cash and Cash Equivalents and Certificates of Deposit

Cash and cash equivalents consist of bank deposits in federally insured accounts. The Center considers all liquid investments with an original maturity of three months or less to be cash equivalents. Nonnegotiable certificates of deposit are carried at amortized cost. The Center's deposits with financial institutions at year end were entirely insured by federal depository insurance or by the Indiana Public Deposits Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Capital Assets

Capital assets are recorded at cost at the date of acquisition where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are carried at their estimated fair value on the date received. The Center capitalized all capital asset purchases greater than \$1,000. Depreciation is computed using the straight-line method and the following estimated useful lives:

Building and improvements	5 – 50 years
Furniture, fixtures and equipment	3 – 15 years

Innkeepers Tax Revenue

The Indiana Innkeepers (Room) Tax is levied on every person engaged in the business of renting or furnishing, for periods of less than thirty days, any lodgings in any hotel, motel, inn, tourist camp, tourist cabin or any other place in which lodgings are regularly furnished. A portion of the room tax received is retained by the Center to be used for daily operations.

Compensated Absences

Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expenses and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits because they do not vest with the employees. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Classification of Revenue and Expense

The Center has classified its revenue and expense as either operating or nonoperating revenue according to the following criteria:

Operating revenue – Operating revenue includes activities that have the characteristics of exchange transactions, such as convention center rental income and royalties for food and beverage sales.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

Nonoperating revenue – Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as Indiana room taxes and capital contributions and investment income.

Operating expense – Operating expenses include activities that are related to operation of the Center, such as salaries and wages, depreciation and supplies.

Nonoperating expense – Nonoperating expenses include activities that are not related to the operation of the Center such as the annual contribution to the Fort Wayne-Allen County Convention and Visitors Bureau.

Reclassifications

Certain reclassifications have been made to the 2006 financial statements to conform to the 2007 financial statement presentation. These reclassifications had no effect on net earnings.

Note 2: Deposits and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the state of Indiana; bonds of any city, county, school district or special road district of the state of Indiana; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

The Center's cash deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund. The Indiana Public Deposits Insurance Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12.1.

At December 31, 2007 and 2006, the Center's bank balances were fully insured and were not exposed to custodial credit risk.

Investment Income

Investment income for the years ended December 31, 2007 and 2006, consisted of:

	2007	2006
Interest income	\$ 335,768	\$ 263,447

Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)

Notes to Financial Statements
December 31, 2007 and 2006

Note 3: Capital Assets

A summary of changes in capital assets for the years ended December 31, 2007 and 2006, is as follows:

	Beginning Balance January 1, 2007	Transfers and Additions	Transfers and Disposals	Ending Balance December 31, 2007
Capital assets, not being depreciated				
Land	\$ 975,000	\$ —	\$ —	\$ 975,000
Capital assets, being depreciated				
Building and improvements	48,804,602	52,899	—	48,857,501
Furniture, fixtures and equipment	<u>3,104,447</u>	<u>124,048</u>	<u>(38,798)</u>	<u>3,189,697</u>
Total capital assets, being depreciated	<u>51,909,049</u>	<u>176,947</u>	<u>(38,798)</u>	<u>52,047,198</u>
Less accumulated depreciation for				
Building and improvements	(4,203,715)	(1,010,645)	—	(5,214,360)
Furniture, fixtures and equipment	<u>(2,430,723)</u>	<u>(153,041)</u>	<u>(38,798)</u>	<u>(2,544,966)</u>
Total accumulated depreciation	<u>(6,634,438)</u>	<u>(1,163,686)</u>	<u>(38,798)</u>	<u>(7,759,326)</u>
Total capital assets, being depreciated, net	<u>45,274,611</u>	<u>(986,739)</u>	<u>—</u>	<u>44,287,872</u>
Capital assets, net	<u>\$ 46,249,611</u>	<u>\$ (986,739)</u>	<u>\$ 0</u>	<u>\$ 45,262,872</u>

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

	Beginning Balance January 1, 2006	Transfers and Additions	Transfers and Disposals	Ending Balance December 31, 2006
Capital assets, not being depreciated				
Land	\$ 975,000	\$ —	\$ —	\$ 975,000
Construction in progress	<u>16,740</u>	<u>203,375</u>	<u>(220,115)</u>	<u>0</u>
Total capital assets, not being depreciated	<u>991,740</u>	<u>203,375</u>	<u>(220,115)</u>	<u>975,000</u>
Capital assets, being depreciated				
Building and improvements	48,529,302	275,300	—	48,804,602
Furniture, fixtures and equipment	<u>3,061,105</u>	<u>43,342</u>	<u>—</u>	<u>3,104,447</u>
Total capital assets, being depreciated	<u>51,590,407</u>	<u>318,642</u>	<u>—</u>	<u>51,909,049</u>
Less accumulated depreciation for				
Building and improvements	(3,199,390)	(1,004,325)	—	(4,203,715)
Furniture, fixtures and equipment	<u>(2,280,275)</u>	<u>(150,448)</u>	<u>—</u>	<u>(2,430,723)</u>
Total accumulated depreciation	<u>(5,479,665)</u>	<u>(1,154,773)</u>	<u>—</u>	<u>(6,634,438)</u>
Total capital assets, being depreciated, net	<u>46,110,742</u>	<u>(836,131)</u>	<u>—</u>	<u>45,274,611</u>
Capital assets, net	<u>\$ 47,102,482</u>	<u>\$ (632,756)</u>	<u>\$ (220,115)</u>	<u>\$ 46,249,611</u>

Accumulated depreciation includes amortization of property and equipment acquired under capital lease obligations.

Note 4: Long-Term Obligations

On May 1, 2003, the Fort Wayne Redevelopment Authority (Authority) issued Lease Rental Revenue Bonds in the amount of \$31,985,000, at fixed rates ranging from 2.5%-5.0%, for the expansion of the Grand Wayne Center (Project). The bonds are secured by the net revenue of the Center and property. The Authority owns the existing and expanded facilities and leases them back to the Fort Wayne Redevelopment Commission (Commission), who leases them to the Center until the bonds mature on February 1, 2028. Since ownership of the Project assets will ultimately revert to the Center, these assets and corresponding capital lease obligation of the Project have been recorded on the balance sheet of the Center.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

The primary lease agreement with the Authority and the Commission is funded by four revenue sources: Grand Wayne Center primary pledge payments, City of Fort Wayne CEDIT and light lease revenue and Allen County CEDIT revenue, which are base pledges. The Project is also funded by tax increment financing revenue and the Professional Sports and Convention Development Area revenue which are based on annual collections. Commitments are as follows:

	Grand Wayne Center	City of Fort Wayne – CEDIT	City of Fort Wayne – Light Lease
2008	\$ 710,000	\$ 435,500	\$ 735,000
2009	815,000	435,500	735,000
2010	820,000	435,500	735,000
2011	825,000	435,500	—
2012	825,000	435,500	—
Thereafter	<u>17,860,000</u>	<u>8,709,000</u>	<u>—</u>
Totals	<u>\$ 21,855,000</u>	<u>\$ 10,886,500</u>	<u>\$ 2,205,000</u>

The future payments on the Center's capital lease obligation as of December 31, 2007, are as follows:

2008	\$ 2,406,188
2009	2,117,950
2010	2,845,550
2011	3,079,300
2012	2,498,050
2013 – 2017	12,225,500
2018 – 2022	12,223,500
2023 – 2027	11,533,000
2028	<u>1,485,101</u>
	50,414,139
Amount representing interest	<u>(20,137,751)</u>
Present value of net minimum lease payments	<u>\$ 30,276,388</u>

Property and equipment include the following property under capital leases:

	2007	2006
Buildings	\$ 38,394,839	\$ 38,394,839
Equipment	<u>737,620</u>	<u>737,620</u>

Fort Wayne-Alten County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

	2007	2006
Less accumulated depreciation	\$ 39,132,459	\$ 39,132,459
	<u>(2,523,707)</u>	<u>(1,682,021)</u>
	<u>\$ 36,608,752</u>	<u>\$ 37,450,438</u>

Changes in Long-Term Obligations

The following is a summary of long-term obligations for the Center for the years ended December 31, 2007 and 2006:

	Balance January 1, 2007	Reductions	Balance December 31, 2007	Current Portion
Capital lease payable	\$ 30,927,973	\$ (651,585)	\$ 30,276,388	\$ 777,382

	Balance January 1, 2006	Reductions	Balance December 31, 2006	Current Portion
Capital lease payable	\$ 31,543,877	\$ (615,904)	\$ 30,927,973	\$ 651,585

Note 5: Pension Plan

Plan Description

The Center contributes to the Public Employees' Retirement Fund of Indiana (PERF), a defined-benefit pension plan established in accordance with Indiana statute (IC 5-10.2 and 5-10.3). PERF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. All full-time employees of the Center are eligible to participate in the plan. The authority to establish or amend benefit provisions rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the Board of Trustees of PERF in accordance with actuarial methods. PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing to Indiana Public Employees' Retirement Fund, Harrison Bldg., Suite 800, 143 West Market Street, Indianapolis, Indiana 46204, or by calling 317.233.4162. The following disclosures represent the most current and available information on the plan through the July 1, 2007, actuarial valuation.

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Notes to Financial Statements December 31, 2007 and 2006

Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

Funding Policy

Employees participating in PERF are required to contribute 3% of their annual covered salary to an annuity savings account. The Center has elected to make these contributions on behalf of the members. The Center is required to contribute at an actuarially determined rate. The employer rate is established by state statute. The employer rate for calendar year 2007, was 6.25% of annual covered payroll. The employer contribution requirements are established and may be amended by the PERF Board of Trustees. Accumulated employee contributions and allocated interest income are maintained by PERF in a separate system-wide fund for all members. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

Annual Pension Cost

For calendar year 2007 and 2006, the Center's annual pension costs of \$90,656 and \$92,100, respectively, was equal to the Center's required and actual contributions.

Actuarial valuations are not available because the Center's pension funding is combined with the City of Fort Wayne as one participating employer. Therefore, the required three-year trend information and schedule of funding progress is not presented.

Note 6: Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses, natural disasters and employee health and accident benefits. The Center purchases commercial insurance coverage for claims arising from such matters other than those related to workers' compensation and natural disasters. Certain of these policies allow for deductibles, which range up to \$10,000 per occurrence. There were no reductions in insurance coverage during 2007, and settled claims have not exceeded this commercial coverage in any of the past three years.

Note 7: Commitment

In 2007, the Center pledged \$250,000 per year for ten years commencing in 2010 for the Harrison Square project. The pledge is contingent upon the completion of the new hotel.

Supplementary Information

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

**Schedule of Revenue and Expenses
Budget and Actual
Years Ended December 31, 2007 and 2006
(Budgetary Basis)
(Unaudited)**

	2007		
	Budget as Approved by City and County Councils	Actual (Budgetary Basis)	Variance
Operating Revenue			
Rental income	\$ 815,000	\$ 860,093	\$ 45,093
Royalties	525,000	618,356	93,356
Other income	45,000	49,461	4,461
Total operating revenue	<u>1,385,000</u>	<u>1,527,910</u>	<u>142,910</u>
Operating Expenses			
Personnel services	1,725,600	1,725,594	(6)
Supplies	125,000	107,021	(17,979)
Other services and charges (excluding depreciation expense)	<u>1,515,000</u>	<u>1,340,019</u>	<u>(174,981)</u>
Total operating expenses	3,365,600	3,172,634	(192,966)
Lease Payments	610,000	610,000	—
Fort Wayne-Allen County Convention and Visitors Bureau	<u>100,000</u>	<u>100,000</u>	<u>—</u>
Total operating and other budgeted expenses	<u>4,075,600</u>	<u>3,882,634</u>	<u>(192,966)</u>
Operating Loss	<u>(2,690,600)</u>	<u>(2,354,724)</u>	<u>335,876</u>
Nonoperating Revenue (Expense)			
Indiana room tax income	2,775,000	3,060,505	285,505
Interest income	<u>175,000</u>	<u>206,936</u>	<u>31,936</u>
Nonoperating revenue	<u>2,950,000</u>	<u>3,267,441</u>	<u>317,441</u>
Change in Net Assets (Budgetary Basis)	<u>\$ 259,400</u>	912,717	<u>\$ 653,317</u>
Reconciliation to Change in Net Assets as reported on Statements of Revenue, Expenses and Changes in Net Assets			
Depreciation and expense		(1,163,686)	
Interest expense		(1,624,490)	
Interest income – Fort Wayne Redevelopment Commission		128,832	
Capitalization of lease payments		610,000	
Capital contributions and transfers		<u>1,861,973</u>	
Change in Net Assets (GAAP Basis)		<u>\$ 725,346</u>	
Capital Outlay (Budgetary Basis)	<u>\$ 203,000</u>	<u>\$ 241,466</u>	<u>\$ 38,466</u>

2006

Budget as Approved by City and County Councils	Actual (Budgetary Basis)	Variance
\$ 770,000	\$ 820,134	\$ 50,134
520,000	488,240	(31,760)
—	75,619	75,619
1,290,000	1,383,993	93,993
1,745,300	1,726,008	(19,292)
125,000	125,207	207
1,494,000	1,244,447	(249,553)
3,364,300	3,095,662	(268,638)
510,000	510,000	—
100,000	100,000	—
3,974,300	3,705,662	(268,638)
(2,684,300)	(2,321,669)	362,631
2,625,000	2,643,740	18,740
100,000	193,809	93,809
2,725,000	2,837,549	112,549
\$ 40,700	515,880	\$ 475,180
	(1,154,773)	
	(1,520,963)	
	69,638	
	510,000	
	1,891,728	
	\$ 311,510	
\$ 100,000	\$ 54,830	\$ 45,170



Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Trustees
Fort Wayne-Allen County Convention and Tourism Authority
Fort Wayne, Indiana

We have audited the financial statements of Fort Wayne-Allen County Convention and Tourism Authority (a component unit of the City of Fort Wayne) (Center) as of and for the year ended December 31, 2007, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1 and 07-2 to be material weaknesses.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the Center's management in a separate letter dated March 31, 2008.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Center's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management, the Indiana State Board of Accounts and others within the Center and is not intended to be and should not be used by anyone other than these specified parties.

BKD_{LLP}

March 31, 2008

Fort Wayne-Allen County Convention and Tourism Authority (A Component Unit of the City of Fort Wayne)

Schedule of Findings and Questioned Costs Year Ended December 31, 2007

Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
07-1	<p>Criteria or Specific Requirement – The Center should record the activity occurring in the accounts held for the expansion project at the Fort Wayne Redevelopment Commission.</p> <p>Condition – The Center is not recording the activity relating to the expansion project during the year; only at the end of the year.</p> <p>Context – Errors or irregularities may not be detected timely.</p> <p>Effect – Errors or irregularities may not be detected timely.</p> <p>Cause – Limited number of accounting personnel and expertise.</p> <p>Recommendation – We recommend that each quarter the expansion account activity that is maintained at the Fort Wayne Redevelopment Commission be recorded in the general ledger of the Center. In addition, the Center should receive a copy of the pertinent account statements on a monthly basis in order to review the propriety of the financial activity.</p> <p>View of Responsible Officials and Planned Corrective Actions – The Center has been in the process of meeting with the Fort Wayne Redevelopment Commission to discuss the expansion project. The Center will look into recording the expansion account activity on a quarterly basis.</p>
07-2	<p>Criteria or Specific Requirement – The Center should ensure there is appropriate and adequate review of general ledger accounts at month and year end.</p> <p>Condition – During the Center’s review of the general ledger at the end of the year, certain accrued accounts (such as wages and PERF) were not properly stated.</p> <p>Context – Errors or irregularities may not be detected timely.</p> <p>Effect – Errors or irregularities may not be detected timely.</p> <p>Cause – Limited number of accounting personnel and expertise.</p> <p>Recommendation – We recommend that management perform a more thorough review of the general ledger accounts and supporting detail to ensure activity is reflected appropriately in the Center’s financial statements.</p> <p>View of Responsible Officials and Planned Corrective Actions – The Center will implement necessary procedures to ensure appropriate general ledger review of accounts and supporting documentation occurs.</p>

**Fort Wayne-Allen County Convention and Tourism Authority
(A Component Unit of the City of Fort Wayne)**

**Schedule of Prior Audit Findings
Year Ended December 31, 2007**

Reference Number	Summary of Findings	Status
06-1	<p><i>Criteria or Specific Requirement</i> – The Center should record the activity occurring in the accounts held for the expansion project at the Fort Wayne Redevelopment Commission.</p> <p><i>Condition</i> – The Center is not recording the activity relating to the expansion project during the year; only at the end of the year.</p> <p><i>Context</i> – Errors or irregularities may not be detected timely.</p> <p><i>Effect</i> – Errors or irregularities may not be detected timely.</p> <p><i>Cause</i> – Limited number of accounting personnel and expertise.</p> <p><i>Recommendation</i> – We recommend that each quarter the expansion account activity that is maintained at the Fort Wayne Redevelopment Commission be recorded in the general ledger of the Center. In addition, the Center should receive a copy of the pertinent account statements on a monthly basis in order to review the propriety of the financial activity.</p> <p><i>View of Responsible Officials and Planned Corrective Actions</i> – The Center has been in the process of meeting with the Fort Wayne Redevelopment Commission to discuss the expansion project. The Center will look into recording the expansion account activity on a quarterly basis.</p>	Unresolved See 07-1