

Financial Statements

and

Independent Auditors' Report

**VISITORS AND CONVENTION BUREAU
ERIE COUNTY**

For the Year Ended September 30, 1999

Visitors and Convention Bureau – Erie County

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JIM PETRO, AUDITOR OF STATE

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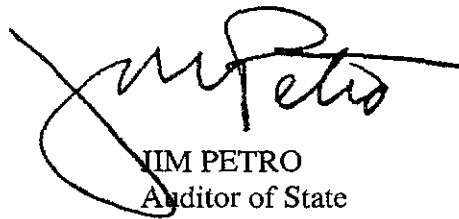
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Board of Trustees
Visitors and Convention Bureau - Erie County

We have reviewed the independent auditor's report of the Visitors and Convention Bureau - Erie County, prepared by Kraus, Hanck & Co. for the audit period October 1, 1998 through September 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Visitors and Convention Bureau - Erie County is responsible for compliance with these laws and regulations.



JIM PETRO
Auditor of State

February 29, 2000

KRAUS, HANCK & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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RUSSELL F. KRAUS, JR., CPA
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THOMAS J. GOTTLIEB, CPA
TIMOTHY H. ZORN, CPA

January 21, 2000

INDEPENDENT AUDITORS' REPORT

**Visitors and Convention Bureau
- Erie County**

4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the accompanying statement of financial position of the **Visitors and Convention Bureau - Erie County** (an Ohio nonprofit corporation), as of and for the year ended September 30, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the **Bureau's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental 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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Visitors and Convention Bureau - Erie County** as of September 30, 1999, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2000 on our consideration of the **Bureau's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of expressing an opinion on the basic financial statements taken as a whole. The Schedule of Allocated Program and Supporting Services Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

STATEMENT OF FINANCIAL POSITION
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 September 30, 1999

<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 85,424
Investment in mutual fund	16,243
Intergovernmental receivable	79,564
Accounts receivable - net of allowance for doubtful accounts of \$5,055	<u>5,121</u>
Prepaid expenses	<u>2,657</u>
Total Current Assets	189,009
Deposits	304
Property and equipment - net	<u>46,605</u>
Total Assets	<u>235,918</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts payable	\$ 17,147
Salaries and wages	2,114
Payroll taxes, including employee withholding	5,706
Deferred revenue – advance advertising sales	<u>22,650</u>
Total Current Liabilities	47,617
Net Assets	
Unrestricted	
Operating	141,696
Fixed assets	<u>46,605</u>
Total Unrestricted Net Assets	<u>188,301</u>
Total Liabilities and Net Assets	<u>235,918</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 For the Year Ended September 30, 1999

Unrestricted Public Support and Revenue	
Erie County funding	\$ 544,443
Advertising revenue	124,847
Investment return	7,358
Other revenues	<u>13,119</u>
Total Unrestricted Support and Revenue	689,767
Expenses and Losses:	
Programs	
Travel and tourism promotion	514,568
Supporting services	<u>146,375</u>
Total Expenses and Losses	<u>660,943</u>
Change in net assets	28,824
Net assets, beginning of year	<u>159,477</u>
Net assets, end of year	<u>188,301</u>

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
For the Year Ended September 30, 1999

Cash Flows from Operating Activities:

Change in net assets	\$ 28,824
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	13,421
Increase (decrease) in allowance for doubtful accounts	2,218
(Increase) decrease in accounts receivable	(117)
(Increase) decrease in prepaid expenses	(140)
(Increase) decrease in Erie County funding receivable	(18,084)
Increase (decrease) in accounts payable	11,383
Increase (decrease) in accrued salaries and wages	340
Increase (decrease) in accrued payroll taxes	(405)
Increase (decrease) in deferred revenue	(10,838)
Net cash provided by operating activities	<u>26,602</u>

Cash Flows from Investing Activities:

Purchase of equipment	(7,255)
Increase in mutual fund investment	(2,145)
Net cash used in investing activities	(9,400)

Cash Flows from Financing Activities:

Principal payments under capital lease obligations	(417)
Net cash used in financing activities	(417)

Net increase in cash and cash equivalents 16,785

Cash and cash equivalents, beginning of year 68,639

Cash and cash equivalents, end of year 85,424

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The **Visitors and Convention Bureau – Erie County** (the **Bureau**) was formed in 1985 as an Ohio not-for-profit corporation. Its stated purposes are to encourage economic development of Erie County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational means, travel to and visitation in Erie County, Ohio by nonresidents, for pleasure, business and other purposes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The **Bureau** currently follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the **Bureau** is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and restricted net assets. In addition, the **Bureau** is required to present a statement of cash flows.

Contributions

The **Bureau** also follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or premanently restricted support depending on the existence or nature of any donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 1999

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are charged to operations when incurred. When property is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss in support, revenue, gains, or expenses. Once placed in service, depreciable assets are depreciated over their estimated useful lives using the straight-line method.

Tax-exempt Status

The **Bureau** is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6) and therefore has made no provision for Federal income taxes. In addition, the **Bureau** has been determined by the Internal Revenue Service not to be a "private foundation" and is treated as a publicly supported foundation.

Deferred Revenue

Income from advance advertising sales is deferred and recognized during the period in which the advertising publication is released.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the **Bureau** considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The **Bureau** carries investments in mutual funds at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 1999

NOTE 2 – PROPERTY AND EQUIPMENT

As of September 30, 1999, property and equipment consisted of:

Furniture and fixtures	\$ 42,288
Leasehold improvements	21,936
Vehicles	<u>18,610</u>
Total	82,834
Less: Accumulated depreciation	<u>36,229</u>
 Net Property and Equipment	 <u>46,605</u>

NOTE 3 – OPERATING LEASES

The **Bureau** leases office equipment under a noncancellable operating lease with a term in excess of one year. Total rent expense under all equipment leases was \$4,485 for the year ended September 30, 1999. Future minimum lease payments for the years ending September 30, 2000 and 2001 are as follows:

2000	\$ 1,620
2001	1,620

On January 15, 1998, the **Bureau** entered into a ten-year noncancellable operating lease for its office facility requiring rent of \$39,360 annually. The lease agreement also grants the **Bureau** three rights to renew the lease for additional five-year terms. Total building rent expense for the year ended September 30, 1999 was \$39,360. Future minimum lease payments under this agreement are as follows:

2000	\$ 39,360
2001	39,360
2002	39,360
2003	39,360
2004	39,360
2005-2008	<u>144,320</u>
Total	<u>341,120</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 1999

NOTE 4 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program services consist of travel and tourism. The **Bureau** encourages and stimulates interest in Erie County, Ohio through advertisement and other educational and informational means. It fosters knowledge and facilitates participation in travel to Erie County through the publication and distribution of the **Bureau's** publication, *Buckeye North*.

Supporting services consist of general and management services. These services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the **Bureau's** program strategy through the Executive Director, secure proper administrative functioning of the Board of Directors and manage the financial and budgetary responsibility of the **Bureau**.

NOTE 5 – SUPPORT AND REVENUE

The **Bureau** receives the majority of its support and revenue from two sources. The **Bureau** has an agreement with the Board of County Commissioners of Erie County, Ohio, whereas the **Bureau** is the sole recipient of a 1% County hotel lodging excise tax. For the year ended September 30, 1999, the amount of support from this tax was \$544,443, representing 79% of the **Bureau's** total support and revenue. The **Bureau** also receives a substantial amount of its revenue from advertisement sales for the publication, *Buckeye North*. For the year ended September 30, 1999, the amount of revenue received from advertisement sales was \$124,847, representing 18% of the **Bureau's** total support and revenue.

NOTE 6 – RETIREMENT PLAN

Employees of the **Bureau** who are reasonably expected to receive at least \$5,000 in compensation for the calendar year or who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year participate in a defined benefit contribution retirement plan. The employees can elect to contribute and defer up to \$6,000 of their calendar year compensation. The **Bureau's** contributions are equal to 3% of calendar year compensation for each eligible employee. During the year ended September 30, 1999, the **Bureau's** contribution to the plan totaled \$2,524.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 1999

NOTE 7 – OTHER INFORMATION

During November 1996, the Board of County Commissioners of Erie County authorized an additional 1% countywide lodging excise tax to be used to defray the local share debt of approximately \$4,300,000, plus interest, needed for the U. S. Route 250 Project. This additional tax will be in effect until such time as the local share debt, plus interest, is repaid by the County to the State of Ohio, Department of Transportation. The **Bureau** has agreed to act as a conduit in order that the additional tax may be used for this purpose. The **Bureau's** responsibility in this arrangement is to remit the additional 1% tax to the County in order for them to pay the local share debt of this project. The **Bureau** is not indebted for this project and this arrangement is not expected to affect the normal operations of the **Bureau**.

Also, during November 1996, the County Commissioners agreed to extend the original 1% countywide lodging excise tax, the purpose of which is to support the **Bureau's** normal operations. The original 1% tax will be collected by the County and remitted to the **Bureau** until such time as the local share debt of approximately \$4,300,000, plus interest, needed for the U. S. Route 250 Project is paid by the County to the State of Ohio, Department of Transportation. The final payment by the County is expected to be made on September 30, 2015.

See independent auditors' report.

**SCHEDULE OF ALLOCATED PROGRAM AND SUPPORTING SERVICES EXPENSE
VISITORS AND CONVENTION BUREAU – ERIE COUNTY**
For the Year Ended September 30, 1999

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Printing and publications	\$ 162,569	\$ - 0 -	\$ 162,569
Salaries and wages	128,726	38,450	167,176
Advertising and promotions	114,437	- 0 -	114,437
Postage and shipping	49,687	5,521	55,208
Payroll taxes	10,806	3,228	14,034
Office supplies and expense	10,472	- 0 -	10,472
Employee benefits	6,103	1,823	7,926
Bad debt expense	2,218	- 0 -	2,218
Equipment rent and maintenance	3,212	6,520	9,732
Telephone	26,338	6,585	32,923
Depreciation	- 0 -	13,421	13,421
Occupancy	- 0 -	45,602	45,602
Professional fees	- 0 -	6,917	6,917
Seminars and meetings	- 0 -	9,306	9,306
General insurance	- 0 -	2,614	2,614
Dues and subscriptions	- 0 -	3,399	3,399
Travel expenses	- 0 -	2,529	2,529
Equipment	- 0 -	110	110
Interest	- 0 -	107	107
Miscellaneous	<u>- 0 -</u>	<u>243</u>	<u>243</u>
 Total Expenses	 <u>514,568</u>	 <u>146,375</u>	 <u>660,943</u>

See independent auditors' report.



January 21, 2000

REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Visitors and Convention Bureau
- Erie County
4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the financial statements of the **Visitors and Convention Bureau – Erie County** (an Ohio nonprofit corporation) as of and for the year ended September 30, 1999, and issued our report thereon dated January 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Bureau's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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VISITORS AND CONVENTION BUREAU

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: *Susan Babbitt*

Date: MARCH 21, 2000