

Financial Statements

and

Independent Auditors' Report

**VISITORS AND CONVENTION BUREAU
ERIE COUNTY**

September 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
Visitors & Convention Bureau - Erie County

We have reviewed the Independent Auditor's Report of the Visitors & Convention Bureau - Erie County, prepared by Kraus, Hanck & Co. for the audit period October 1, 2000 through September 30, 2001. 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 & Convention Bureau - Erie County is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

February 5, 2002

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Visitors and Convention Bureau – Erie County

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KRAUS, HANCK & CO.

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December 14, 2001

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 years ended September 30, 2001 and 2000, and the related statements of activities and cash flows for the years 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 auditing standards generally accepted in the United States of America 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, 2001 and 2000, and the changes in its net assets and its 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 December 14, 2001 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. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

STATEMENTS OF FINANCIAL POSITION
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 161,043	\$ 97,296
Investment in mutual funds	472	21,367
Intergovernmental receivable	205,343	91,166
Accounts receivable – net of allowance for doubtful accounts of \$3,646 and \$3,413	16,667	4,787
Prepaid expenses	<u>5,749</u>	<u>76,550</u>
Total Current Assets	389,274	291,166
Deposits	303	304
Property and equipment – net	<u>58,244</u>	<u>44,014</u>
Total Assets	<u>447,821</u>	<u>335,484</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 4,640	\$ 11,936
Salaries and wages payable	3,173	3,323
Payroll taxes, including employee withholding	4,101	3,803
Deferred revenue – advance advertising sales	<u>30,065</u>	<u>28,809</u>
Total Current Liabilities	41,979	47,871
Net Assets		
Unrestricted		
Operating	347,598	243,599
Fixed assets	<u>58,244</u>	<u>44,014</u>
Total Unrestricted Net Assets	<u>405,842</u>	<u>287,613</u>
Total Liabilities and Net Assets	<u>447,821</u>	<u>335,484</u>

See accompanying notes to the financial statements.

STATEMENTS OF ACTIVITIES
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 For the Years Ended September 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Unrestricted Public Support and Revenue		
Erie County funding	\$ 676,547	\$ 581,241
Advertising revenue	201,970	142,303
Investment return	9,074	8,810
Other revenues	<u>5,275</u>	<u>10,929</u>
Total Unrestricted Support and Revenue	892,866	743,283
 Expenses and Losses		
Programs		
Travel and tourism promotion	596,016	456,626
Supporting services	<u>178,621</u>	<u>187,345</u>
Total Expenses and Losses	<u>774,637</u>	<u>643,971</u>
 Change in net assets	118,229	99,312
 Net assets, beginning of year	<u>287,613</u>	<u>188,301</u>
 Net assets, end of year	<u>405,842</u>	<u>287,613</u>

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 For the Years Ended September 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$ 118,229	\$ 99,312
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	15,335	15,347
Loss (gain) on sale of investments	(562)	1,531
Unrealized loss on investments	84	1,146
Increase (decrease) in allowance for doubtful accounts	234	(2,142)
(Increase) decrease in accounts receivable	(12,114)	2,476
(Increase) decrease in prepaid expenses	70,801	(73,893)
(Increase) decrease in Erie County funding receivable	(114,177)	(11,602)
Increase (decrease) in accounts payable	(7,296)	(5,211)
Increase (decrease) in accrued salaries and wages	(150)	1,209
Increase (decrease) in accrued payroll taxes	299	(1,509)
Increase (decrease) in deferred revenue	<u>1,256</u>	<u>6,160</u>
Net cash provided by operating activities	<u>71,939</u>	<u>32,824</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of equipment	(29,565)	(12,755)
Net investing proceeds from (increase) decrease in mutual funds investment	<u>21,373</u>	(<u>8,197</u>)
Net cash used in investing activities	(<u>8,192</u>)	(<u>20,952</u>)
<u>Cash Flows from Financing Activities:</u>	<u>None</u>	<u>None</u>
Net increase in cash and cash equivalents	63,747	11,872
Cash and cash equivalents, beginning of year	<u>97,296</u>	<u>85,424</u>
Cash and cash equivalents, end of year	<u>161,043</u>	<u>97,296</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2001

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 permanently 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, 2001

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.

Comparative Data

The financial information in Schedule 1 for the year ended September 30, 2000 is presented in total but not by function. This information is presented for comparative purposes and is not intended to be a complete financial presentation. Accordingly, such information should be read in conjunction with the September 30, 2000 financial statements from which this information was derived.

See independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2001

NOTE 2 – PROPERTY AND EQUIPMENT

As of September 30, 2001 and 2000, property and equipment consisted of:

	<u>2001</u>	<u>2000</u>
Furniture and fixtures	\$ 59,754	\$ 55,043
Leasehold improvements	21,937	21,937
Vehicles	<u>24,854</u>	<u>18,610</u>
Total	106,545	95,590
Less: Accumulated depreciation	<u>48,301</u>	<u>51,576</u>
Net Property and Equipment	<u>58,244</u>	<u>44,014</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 for the years ended September 30, 2001 and 2000 was \$5,176 and \$1,848, respectively. Future minimum office equipment lease payments for the next five years and in the aggregate are as follows:

2002	\$ 4,876
2003	4,876
2004	4,876
2005	<u>4,876</u>
Total	19,504

On January 15, 1998, the **Bureau** entered into a ten-year noncancellable operating lease for its office facility requiring rent of \$42,965 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 years ended September 30, 2001 and 2000 was \$44,975 and \$39,360, respectively. Future minimum lease payments under this agreement are as follows:

2002	\$ 42,965
2003	42,965
2004	42,965
2005	42,965
2006	42,965
2007-2009	<u>85,930</u>
Total	<u>300,755</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2001

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 years ended September 30, 2001 and 2000, the amount of support from this tax was \$676,547 and \$581,241, representing 76% and 78%, respectively 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 years ended September 30, 2001 and 2000, the amount of revenue received from advertisement sales was \$142,508 and \$142,303, representing 16% and 19%, respectively 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 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 years ended September 30, 2001 and 2000, the **Bureau's** contribution to the plan totaled \$3,156 and \$2,800, respectively.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2001

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, 2001

	<u>Program</u> <u>Services</u>	<u>Supporting</u> <u>Services</u>	<u>2001</u> <u>Total</u>	<u>2000</u> <u>Total</u>
Printing and publications	\$ 199,648	\$ - 0 -	\$ 199,648	\$ 150,435
Salaries and wages	129,437	40,220	169,657	166,457
Advertising and promotions	175,650	- 0 -	175,650	106,250
Postage and shipping	55,016	6,113	61,129	53,793
Payroll taxes	12,366	1,767	14,133	14,232
Office supplies and expense	7,302	- 0 -	7,302	8,421
Employee benefits	10,146	1,450	11,596	8,672
Bad debt expense	234	- 0 -	234	2,998
Equipment rent and maintenance	4,827	9,656	14,483	12,679
Telephone	- 0 -	19,061	19,061	26,939
Depreciation	- 0 -	15,335	15,335	15,347
Occupancy	- 0 -	52,142	52,142	51,840
Professional fees	- 0 -	5,977	5,977	7,179
Seminars and meetings	- 0 -	8,272	8,272	7,945
General insurance	- 0 -	3,406	3,406	2,814
Dues and subscriptions	- 0 -	3,501	3,501	3,662
Travel expenses	- 0 -	3,563	3,563	4,057
Equipment	- 0 -	2,958	2,958	103
Interest	- 0 -	21	21	148
Miscellaneous	<u>1,390</u>	<u>5,179</u>	<u>6,569</u>	<u>- 0 -</u>
 Total Expenses	 <u>596,016</u>	 <u>178,621</u>	 <u>774,637</u>	 <u>643,971</u>

See independent auditors' report.

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December 14, 2001

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 years ended September 30, 2001 and 2000, and issued our report thereon dated December 14, 2001. 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.

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.

Kraus, Hanck & Co.
Certified Public Accountants



STATE OF OHIO
OFFICE OF THE AUDITOR

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ERIE COUNTY VISITOR 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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2002**