

OTTAWA COUNTY VISITORS BUREAU
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2002 AND 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Trustees
Ottawa County Visitor's Bureau
109 Madison Street
Port Clinton, Ohio 43452

We have reviewed the Independent Auditor's Report of the Ottawa County Visitor's Bureau, prepared by Soderberg and Schafer CPAs, for the audit period July 1, 2001 through June 30, 2002. 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 Ottawa County Visitor's Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 26, 2002

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SODERBERG AND SCHAFER

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Ottawa County Visitors Bureau
Port Clinton, Ohio 43452**

We have audited the accompanying statements of financial position of Ottawa County Visitors Bureau (a non-profit organization) as of June 30, 2002 and 2001, 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 audits.

We conducted our audits in accordance with U.S. 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. 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 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 Ottawa County Visitors Bureau as of June 30, 2002 and 2001, and the changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2002 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 performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Soderberg and Schafer CPAs, LLC
November 15, 2002

**OTTAWA COUNTY VISITORS BUREAU
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 15,542.76	\$ 39,757.66
Restricted for construction	66,782.55	500,000.00
Accounts receivable:		
Bed tax receivable	106,597.04	91,188.51
GLA ads receivable	24,561.50	15,438.50
Grant receivable	23,125.00	—
Prepaid insurance	670.46	633.39
Prepaid copier lease	2,017.98	—
Employee advances	—	2.00
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	239,297.29	647,020.06
FIXED ASSETS		
Office furniture and equipment	91,270.59	85,359.14
Leasehold improvements	19,037.16	19,037.16
Construction in progress	718,144.49	217,675.75
	<hr/>	<hr/>
	828,452.24	322,072.05
Less: Accumulated depreciation	(82,730.50)	(76,405.06)
	<hr/>	<hr/>
	745,721.74	245,666.99
OTHER ASSETS		
Deposit with Industrial Commission	36.54	36.54
Loan organization costs	7,000.00	—
	<hr/>	<hr/>
	7,036.54	36.54
	<hr/>	<hr/>
	\$ 992,055.57	\$ 892,723.59
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,122.42	\$ 110,398.56
Accrued wages	466.25	650.70
Accrued vacation	4,417.37	5,908.40
Accrued interest	346.89	—
Payroll taxes payable	6,254.14	7,244.34
Unearned revenue:		
Unrestricted	10,756.63	17,620.34
Restricted for construction and grant activities	—	500,874.20
Construction loan	133,563.38	—
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	177,927.08	642,696.54
NET ASSETS		
Unrestricted	747,345.94	280,027.05
Temporarily Restricted	66,782.55	—
	<hr/>	<hr/>
	814,128.49	250,027.05
	<hr/>	<hr/>
	\$ 992,055.57	\$ 892,723.59

See accompanying notes.

**OTTAWA COUNTY VISITORS BUREAU
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>Unrestricted</u>	<u>2002 Temporarily Restricted</u>	<u>Total</u>	<u>2001</u>
<u>REVENUE, GAINS AND OTHER SUPPORT</u>				
Grants:				
Building grant		\$ 500,000.00	\$ 500,000.00	
Exhibit grant		66,782.55	66,782.55	
Discover Lake Erie grant		92,500.00	92,500.00	
Ohio Sea grant		4,624.20	4,624.20	\$ 2,875.80
Tax revenue	\$ 365,341.58	-	365,341.58	360,622.37
GLA advertising	174,657.55	-	174,657.55	161,288.06
LEAP revenue	43,654.76	-	43,654.76	57,325.07
Interest	6,545.05	-	6,545.05	15,911.03
Miscellaneous	532.20	-	532.20	1,666.57
Net assets released from restrictions:				
Restrictions satisfied by payments	<u>597,124.20</u>	<u>(597,124.20)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	1,187,855.34	66,782.55	1,254,637.89	599,688.90
<u>EXPENSES</u>				
Payroll	178,012.13	-	178,012.13	165,185.97
Great Lake Adventure	125,772.00	-	125,772.00	140,502.59
Advertising	117,133.67	-	117,133.67	78,590.56
Rent and utilities	44,074.33	-	44,074.33	36,229.35
LEAP expenses	41,908.57	-	41,908.57	54,458.82
Promotional mailings	31,914.78	-	31,914.78	40,675.83
Insurance	31,281.37	-	31,281.37	27,662.68
Professional fees	18,024.76	-	18,024.76	21,997.85
Public relations	16,118.56	-	16,118.56	9,344.85
Payroll taxes	15,368.28	-	15,368.28	14,579.62
Promotional feedback	13,593.05	-	13,593.05	16,545.78
Vehicle	13,354.18	-	13,354.18	5,836.16
Office supplies	11,281.53	-	11,281.53	11,079.79
Publications	8,141.00	-	8,141.00	6,015.19
Travel shows	7,574.59	-	7,574.59	3,038.65
Depreciation	6,325.44	-	6,325.44	6,114.12
Employee welfare	3,618.55	-	3,618.55	3,779.40
Meetings and seminars	3,164.07	-	3,164.07	6,469.64
Group sale expense	2,374.03	-	2,374.03	4,295.62
Office maintenance	1,154.67	-	1,154.67	1,327.53
Interest expense	346.89	-	346.89	-
TOTAL EXPENSES	<u>690,536.45</u>	<u>-</u>	<u>690,536.45</u>	<u>653,730.00</u>
<u>CHANGE IN NET ASSETS</u>	497,318.89	66,782.55	564,101.44	(54,041.10)
<u>NET ASSETS</u>, Beginning of year	<u>250,027.05</u>	<u>-</u>	<u>250,027.05</u>	<u>304,068.15</u>
<u>NET ASSETS</u>, End of year	<u>\$ 747,345.94</u>	<u>\$ 66,782.55</u>	<u>\$ 814,128.49</u>	<u>\$ 250,027.05</u>

See accompanying notes.

**OTTAWA COUNTY VISITORS BUREAU
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2002 AND 2001**

	<u>2002</u>	<u>2001</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 564,101.44	\$ (54,041.10)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,325.44	6,114.12
(Increase) decrease in:		
Receivables	(47,654.53)	26,865.79
Prepays	(2,055.05)	9.73
Increase (decrease) in:		
Accounts payable	(88,276.14)	95,691.93
Accrued wages and vacation	(1,675.48)	648.44
Accrued interest	346.89	-
Payroll taxes payable	(990.20)	1,103.96
Unearned revenue	<u>(507,737.91)</u>	<u>499,989.35</u>
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 (77,615.54)	 576,382.22
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of equipment	(5,911.45)	(3,674.11)
Construction in progress	(500,468.74)	(79,579.47)
Loan organizational costs	<u>(7,000.00)</u>	<u>-</u>
 CASH USED BY INVESTING ACTIVITIES	 <u>(513,380.19)</u>	 <u>(83,253.58)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Construction loan proceeds	<u>133,563.38</u>	<u>-</u>
 CASH PROVIDED BY FINANCING ACTIVITIES	 <u>133,563.38</u>	 <u>-</u>
 <u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	 (457,432.35)	 493,128.64
 <u>CASH AND CASH EQUIVALENTS</u>, Beginning of year	 <u>539,757.66</u>	 <u>46,629.02</u>
 <u>CASH AND CASH EQUIVALENTS</u>, End of year	 <u>\$ 82,325.31</u>	 <u>\$ 539,757.66</u>
 SUPPLEMENTARY DISCLOSURE		
Interest paid	-	-

See accompanying notes.

**OTTAWA COUNTY VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The purpose for which the Ottawa County Visitors Bureau (Bureau) is formed is to encourage economic development in Ottawa County, Ohio, through promotion of tourism and to encourage and promote, through advertisement and other educational and informational means, travel to and visitation in the entire County of Ottawa, Ohio by persons nonresident of said County, for pleasure, business and other purposes.

Accrual Basis Accounting - Assets and liabilities and revenue and expense are recognized on the accrual basis of accounting.

Income Taxes - Ottawa County Visitors Bureau is a nonprofit organization exempt from Federal income tax under Section 501(c)(6) the Internal Revenue Code.

Basis of Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its 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 net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Grant support is reported as an increase in temporarily restricted net assets. When a temporary restriction is satisfied or expires, temporarily restricted net assets are reclassified as unrestricted net assets. The bureau has no permanently restricted net assets at June 30, 2002.

Fixed Assets - Furniture, equipment and leasehold improvements are capitalized at cost. All property, equipment and leasehold improvements with a useful life greater than one year are capitalized. Furniture and equipment are being depreciated over estimated useful lives of five to seven years using the straight-line method for both financial reporting and income tax purposes. Leasehold improvements are being depreciated on a straight-line method over 31½ to 39 years. Depreciation expense for the period ended June 30, 2002 and 2001 is \$6,325.44 and \$6,114.12, respectively.

Revenue - The Bureau receives tax revenue from the Ottawa County bed tax. The tax is assessed and collected by the County Auditor and is ultimately remitted to the Ottawa County Visitors Bureau. The Bureau also sells advertising space in its annual visitor's guide, known as the GREAT LAKES ADVENTURE (GLA). In 1999, the Bureau added the LAKE ERIE ACTION PACK (LEAP) campaign to promote tourism during the week. This program sells travel packages that include accommodations, meals, ferry service, Cedar Point tickets, etc. It then remits the fees charged to the various hotels, restaurants, ferry services, Cedar Point and occasionally travel agent commissions. The net revenue earned is minimal.

In the Spring of 2001, the Bureau received a \$7,500 grant from the Ohio Sea Grant to conduct a demographic study of visitors in Erie and Ottawa counties. In the fall of 2001 the Bureau along with the Erie and Lorain County Visitors Bureaus received a \$92,500 grant from the Ohio Department of Development for an advertising campaign, "Discover Lake Erie," to set up a website and do advertising in out-of-state publications. The Bureau also received a \$500,000 grant from the State of Ohio toward the construction of the Lake Erie Islands Regional Welcome Center. A grant of \$66,783 was received from the Ohio Coastal Management Program for exhibit design in the new Welcome Center.

Monies received in advance of services provided are classified as deferred revenue.

**OTTAWA COUNTY VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2002 AND 2001**

NOTE A - (CONTINUED)

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Bureau considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - OPERATING LEASES

On February 28, 1999 the Ottawa County Visitors Bureau entered into a four year lease commencing on that same date, for a 1997 Pontiac Transport. The monthly lease payments are \$375.53. The Bureau cancelled this lease on June 28, 2002 for a payoff of \$5,231.60. On the same date they entered into a three year lease for a 2002 Pontiac Montana with monthly payments of \$479.73. The lease expense for the years ended June 30, 2002 and 2001 totaled \$5,071.11 and \$4,506.36, respectively.

The Ottawa County Visitors Bureau is party to a month to month lease for office space in Port Clinton, Ohio with a three month notice of termination. The Bureau will be moving to the New Welcome Center Facility as described in note C. The lease calls for monthly rental payments of \$1,225. Rent expense for each of the years ended June 30, 2002 and 2001 was \$14,700.

The Bureau formalized a 45 year land lease in August 2001 for land located on State Route 53 on which to build its new facility as described in Note C. The lease calls for a payment representing rent retroactive to January 2000. The Bureau was reimbursed by Ottawa County for part of this retroactive payment. The net amount of this retroactive payment is in accounts payable at June 30, 2001. The lease expense for the years ended June 30, 2002 and 2001 was \$10,500 and \$15,360, respectively.

In June 2002 the Bureau entered into a 5 year lease for a copy machine. The lease calls for monthly rental payments of \$248 plus a per copy charge.

The future minimum rental payments on the above mentioned leases are:

Year Ended June 30	Pontiac Lease	Office Lease	Land Lease	Copier Lease
2003	\$ 5,756.76	\$ 3,675.00	\$ 15,720.00	\$ 2,976.00
2004	5,756.76		16,140.00	2,976.00
2005	5,756.76		16,560.00	2,976.00
2006			16,980.00	2,976.00
2007			17,400.00	2,976.00
Thereafter			1,150,620.00	
TOTAL	\$17,270.28	\$ 3,675.00	\$ 1,233,420.00	\$ 14,880.00

OTTAWA COUNTY VISITORS BUREAU
NOTES TO FINANCIAL STATEMENTS (continued)
JUNE 30, 2002 AND 2001

NOTE C - NEW BUILDING

The Bureau is in the process of completing the Lake Erie Islands Regional Welcome Center. The construction is being financed through a construction loan as described in Note E.

NOTE D - SIMPLE IRA

On June 1, 2000 the Bureau established a Simple IRA for all employees who have earned at least \$5,000 in the previous two years and are expected to earn at least \$5,000 in the current year. The Bureau will match employee's salary deferral up to 3% of employee's compensation. The pension expense for the years ended June 30, 2002 and 2001 was \$2,219.63 and \$2,666.88.

NOTE E - CONSTRUCTION LOAN

First National Bank of Bellevue, secured by all assets, interest of 5.5% payable quarterly, due March 14, 2003	<u>2002</u>	<u>2001</u>
	\$133,563.38	-

The construction loan of \$2,225,000 was signed on March 28, 2002. The Bureau will draw on this loan until construction is completed. The Construction loan is to be paid in full on March 14, 2003, by a mortgage from First National Bank, guaranteed by the USDA, and by a direct loan from USDA.

NOTE F - RESTRICTIONS ON NET ASSETS

Substantially all of the restrictions on net assets for the years ended June 30, 2002 and 2001 are related to grants received for various projects.

Two of the grants, the Building grant for \$500,000 and the Exhibit Design grant for \$66,783, temporarily restrict funds until the costs are incurred. The building grant was totally expended in the year ended June 30, 2002. The exhibit grant is not yet complete so its funds are temporarily restricted at June 30, 2002.

The other two grants, the Ohio Sea grant for \$7,500 and the "Discover Lake Erie" grant for \$92,500 are also temporarily restricted until they are expended. Both projects were complete by June 30, 2002.

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

Board of Trustees
Ottawa County Visitors Bureau
Port Clinton, OH 43452

We have audited the financial statements of Ottawa County Visitors Bureau as of and for the year ended June 30, 2002, and have issued our report thereon dated November 15, 2002. We conducted our audit in accordance with U.S. 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 Ottawa County Visitors Bureau's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts 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 an Ottawa County Visitors 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 of the audit committee, management and Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specific parties.

Soderberg and Schafer CPAs, LLC
November 15, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

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OTTAWA COUNTY VISITOR'S BUREAU

OTTAWA 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
DECEMBER 10, 2002**