

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2005 AND 2004

ALAN V. JANUZZI
CERTIFIED PUBLIC ACCOUNTANT



**Auditor of State
Betty Montgomery**

Board of Trustees
Lorain County Visitor's Bureau, Inc.
Amherst, Ohio

We have reviewed the *Report of Independent Auditors* of the Lorain County Visitor's Bureau, Inc., Lorain County, prepared by Alan V. Januzzi, CPA, for the audit period April 1, 2004 through March 31, 2005. 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 Lorain County Visitor's Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

December 28, 2005

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LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of Lorain County
Visitor's Bureau, Inc.:

I have audited the accompanying statements of financial position of Lorain County Visitor's Bureau, Inc. (a non-profit organization) as of March 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Visitor's Bureau, Inc. as of March 31, 2005 and 2004, 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, I have also issued my report dated May 23, 2005, on my consideration of Lorain County Visitor's Bureau, Inc.'s internal control over financial reporting, and my 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 when considering the results of my audit.

ALAN V. JANUZZI, CPA

Amherst, Ohio
May 23, 2005

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF FINANCIAL POSITION
 MARCH 31, 2005 AND 2004

	<u>3/31/05</u>	<u>3/31/04</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 19,370	\$119,690
Lodging excise tax receivable (Note C)	33,398	59,284
Inventory - promotional material (Note A)	5,200	5,200
	-----	-----
TOTAL CURRENT ASSETS	57,968	184,174
PROPERTY AND EQUIPMENT (Note B)	1,453,018	1,318,573
Less accumulated depreciation	(89,851)	(50,893)
	-----	-----
NET PROPERTY AND EQUIPMENT	1,363,167	1,267,680
OTHER ASSETS		
Cash restricted for construction (Note I)		106,080
Cash restricted for payment of debt (Note I)	167,378	199,867
Bond issue costs (net of amortization)	108,255	114,269
	-----	-----
TOTAL OTHER ASSETS	275,633	420,216
	-----	-----
TOTAL ASSETS	1,696,768	1,872,070
	=====	=====
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	35,683	167,518
Current portion-bonds payable	35,000	10,000
	-----	-----
TOTAL CURRENT LIABILITIES	70,683	177,518
BONDS PAYABLE (Note H)	1,200,000	1,235,000
	-----	-----
TOTAL LIABILITIES	1,270,683	1,412,518
NET ASSETS - UNRESTRICTED	426,085	459,552
	-----	-----
TOTAL LIABILITIES AND NET ASSETS	\$1,696,768	\$1,872,070
	=====	=====

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED MARCH 31, 2005 AND 2004

	12 MONTHS 3/31/05	12 MONTHS 3/31/04	

UNRESTRICTED NET ASSETS			
SUPPORT AND REVENUE			
Lodging excise tax revenues (Note C)	\$ 388,227	\$ 369,098	
Investment income (Note E)	18,362	12,006	
Grants	20,276		
Events, sales & reimbursements	12,648	9,859	
	-----	-----	
TOTAL SUPPORT AND REVENUE	439,513	390,963	
EXPENSES			
ADVERTISING AND PROMOTION			
Media advertising	39,388	38,463	
Brochures	6,465	29,043	
Travel and conventions	1,955	1,735	
Promotion	16,279	4,143	
Trade shows & events	7,890	3,758	
Telephone, postage and supplies	16,408	15,895	
	-----	-----	
TOTAL ADVERTISING AND PROMOTION	88,385	93,037	
SALARIES AND WAGES	155,914	141,414	
COLLECTION EXPENSE	12,988	13,034	
OFFICE RENT		14,184	
DEPRECIATION (Note B)	38,958	7,779	
POSTAGE	2,230	2,002	
SUPPLIES	4,226	3,262	
PAYROLL TAXES	12,117	10,959	
TELEPHONE	3,996	4,622	
PROFESSIONAL FEES		4,996	3,480
EQUIPMENT EXPENSES	2,926	2,829	
TRAVEL	701	718	
DUES AND SUBSCRIPTIONS	4,028	2,751	
UTILITIES	9,968	4,616	
INSURANCE	27,700	33,431	
AUTOMOBILE EXPENSES	1,890	2,329	
MAINTENANCE AND REPAIRS	9,981	4,262	
CONVENTIONS, SEMINARS AND MEETINGS	2,539	1,157	
TRUSTEE AND BOND FEES	12,194	6,113	
AMORTIZATION OF BOND ISSUE COSTS	6,014	6,014	
INTEREST	71,229	95	
	-----	-----	
TOTAL EXPENSES	472,980	358,088	
	-----	-----	
INCREASE IN NET ASSETS	(33,467)	32,875	
NET ASSETS, BEGINNING OF YEAR	459,552	426,677	
	-----	-----	
NET ASSETS, END OF YEAR	\$ 426,085	\$459,552	
	=====	=====	

See accompanying notes to financial statements. PAGE 3

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED MARCH 31, 2005 AND 2004

	12 MONTHS 3/31/05	12 MONTHS 3/31/04
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ (33,467)	\$ 32,875
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	44,972	13,793
Gain on sale of assets		(1,463)
Changes in operating assets & liabilities:		
Decrease (increase) in receivables	25,886	(3,867)
Increase (decrease) in accounts payable	(131,834)	154,464
	-----	-----
INCREASE(DECREASE)IN CASH FROM OPERATIONS	(94,443)	195,802
INVESTING ACTIVITIES		
Proceeds from sale of assets		1,463
Decrease in deposits		398
Increase in restricted cash	138,568	829,053
Bond issue costs		(10,284)
Purchase of property & equipment	(134,445)	(1,006,766)
	-----	-----
CASH USED IN INVESTING ACTIVITIES	4,123	(186,136)
FINANCING ACTIVITIES		
Repayment on note payable	(10,000)	(50,000)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(100,320)	(40,334)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	119,690	160,024
	-----	-----
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 19,370	\$119,690
	=====	=====
INTEREST COSTS CAPITALIZED		\$73,775
INTEREST COSTS EXPENSED	\$ 71,229	

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

A. NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF ACTIVITIES

Lorain County Visitor's Bureau, Inc. is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The corporation was formed to use funds generated in Lorain County from the Hotel Lodging Excise Tax enacted under Resolution 83-492 on April 29, 1982. The corporation's purpose is to promote travel and tourism in Lorain County.

The organization promotes travel and tourism in Lorain County by undertaking numerous activities throughout the year. It spends a substantial amount of its resources in media advertising promoting Lorain County, and in developing brochures promoting the activities and points of interest in the county. Each year, Lorain County Visitor's Bureau, Inc. publishes a Lorain County Visitor's Guide available to those who are interested in visiting Lorain County. The organization also works with other non-profit organizations in other area visitor's bureaus to further its efforts.

Lorain County Visitor's Bureau, Inc. contracts with the Board of Commissioners of Lorain County, Ohio. This contract provides that as long as the bed tax exists, and as long as Lorain County Visitor's Bureau, Inc. maintains its existence, it will be the recipient of the bed tax proceeds, after allocations to localities and the collection fee charged by the County Commissioners. The existence of the Lorain County Visitor's Bureau, Inc. does depend on the collection of the lodging excise tax and its contract with the Lorain County Commissioners.

2. BASIS OF ACCOUNTING

The financial statements for Lorain County Visitor's Bureau, Inc. for the years ended March 31, 2005 and 2004 were prepared on the accrual method of accounting.

LORAIN COUNTY VISITOR'S BUREAU, INC.

NOTES TO FINANCIAL STATEMENTS

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3. DONATED SERVICES
Periodically, volunteers provide services to Lorain County Visitor's Bureau, Inc. The value of these services is not recorded in the financial statements since there is no objective method for assigning a monetary value to those services, and they are not considered material in relation to the overall financial operations of the corporation.
4. INVENTORY
Inventory consists of promotional materials such as brochures and guides. Inventory is carried at cost and is relieved on a first-in, first-out basis.
5. CLASSIFICATION
The costs of collecting the Lodging Excise Tax is reflected in the financial statements as "Collection Expense". This represents the cost incurred by the County of Lorain in collecting and distributing the tax.
6. 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.
7. PROPERTY AND EQUIPMENT
Property and equipment are recorded at cost. Office furniture and fixtures are depreciated over a useful life of 7 years. Other equipment is depreciated over 10 years. The building is being depreciated over 40 years. Computer equipment is depreciated over 7 years, and automobiles are depreciated over 5 years. Expenses for repairs and maintenance that do not add to the useful life of assets or contribute to their betterment are expensed as repairs and maintenance in the period incurred. The organization capitalizes and depreciates all assets that exceed \$1,000 if they have a useful life that extends beyond one year.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 3

8. FINANCIAL STATEMENT PRESENTATION

The organization follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the organization 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. In addition, the organization is required to present a statement of cash flows. As permitted by this statement, the organization does not use fund accounting, and has, accordingly, classified its financial statements to present three of the classes of net assets, where required. At March 31, 2005 and 2004, the organization did not have any temporarily or permanently restricted net assets.

9. INCOME TAXES

The organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The organization is not classified as a private foundation. As such, the organization is exempt from certain federal, state and local income taxes.

B. FIXED ASSETS AND DEPRECIATION

Fixed assets are recorded at cost. The basis of the fixed assets are being depreciated over their estimated useful lives using the straight line method of depreciation. The costs and accumulated depreciation of fixed assets at March 31, 2005 and 2004 were as follows:

LORAIN COUNTY VISITOR'S BUREAU, INC.
 NOTES TO FINANCIAL STATEMENTS
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	<u>MARCH 31, 2005</u>	<u>MARCH 31, 2004</u>
Furniture & Equipment	\$ 97,323	\$ 31,026
Vehicles	36,479	36,479
Leasehold Improvements		-0-
Land	225,941	225,941
Building	1,093,275	1,025,127
	-----	-----
Totals	1,453,018	1,318,573
Less: Accumulated Depreciation	(89,851)	(50,893)
	-----	-----
Net Fixed Assets	\$ 1,363,167	\$1,267,680
	=====	=====

Depreciation expense for the years ended March 31, 2005 and 2004 is \$38,958 and \$7,779, respectively.

C. RECEIVABLES AND LODGING EXCISE TAX COLLECTIONS

The operations of Lorain County Visitor's Bureau, Inc. are dependent upon the collection of the Lodging Excise Tax. The tax is collected and remitted quarterly. Taxes collected in a given quarter are remitted to Lorain County Visitor's Bureau, Inc. approximately 60 days after the quarter. The amount due to the corporation for the quarter ended March 31, 2005 and 2004 was \$33,398 and \$59,284, respectively .

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all unrestricted, highly liquid investments with an initial maturity of 120 days or less to be cash equivalents.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
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E. INVESTMENTS AND INVESTMENT INCOME

The organization generated interest income in the amount of \$4,162 on its cash equivalents, including interest earned on project, reserve and sinking fund accounts related to the revenue bonds.

F. PROGRAM COSTS

During the March 31, 2005 year, the organization spent a majority of its costs on its program of promoting tourism in Lorain County. Some of its resources were allocated to administration and supportive services as follows:

Program expenses	\$ 435,142
Supportive services	33,588
Fundraising expense	4,250

TOTAL EXPENSES:	\$ 472,980
	=====

G. CONCENTRATIONS AND CREDIT RISK

The organization is dependent upon the collection of the lodging excise tax for the majority of its revenues. In addition, all of its accounts receivable as of March 31, 2005 represented amounts due for the first quarter of 2005 from this lodging excise tax.

The organization maintains its cash and savings accounts and periodic short-term investments at local financial institutions. Periodically, balances at these institutions exceed federally insured limits of \$100,000.

H. BONDS PAYABLE

On March 20, 2003, Lorain County Visitor's Bureau, Inc. entered into a loan agreement with the Lorain County Port Authority agreeing to pay \$1,245,000 of taxable development revenue bonds. Proceeds from the note and issuance of bonds were used for the construction of the organization's new facility on Route 58 in Lorain County, Ohio. The note requires mandatory sinking fund requirements for the purpose

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 6

of redeeming the bonds on a semi-annual basis beginning May 15, 2004. The note bears interest at a rate of 5.75% per year and matures in November, 2023. Debt service payments into the sinking fund, including a fee to the Lorain County Port Authority and a trustee fee to National City Bank, begin on November 1, 2003. Required deposits into the sinking fund over the next five years, including the Port fee and the trustee fee, are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2006	\$ 117,323
2007	113,208
2008	117,531
2009	111,542
2010	117,271

Actual principal payments on the note for the purpose of redeeming the bonds through the Port Authority over the next five years are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2006	\$ 35,000
2007	40,000
2008	40,000
2009	45,000
2010	50,000

The note is secured by the new facility and includes prepayment penalties.

The costs associated with the issuance of the bonds are capitalized as bond issue costs on the statement of financial position. These costs are being amortized over the life of the note.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 7

I. RESTRICTED CASH

Bond sinking fund accounts, as required by the loan agreement between the Lorain County Port Authority and the Lorain County Visitor's Bureau, Inc., consisted of a principal account and an interest account. These accounts had \$42,184 in them as of March 31, 2005. Both of these accounts were invested in government money market funds.

The note also requires the establishment of a reserve fund. At March 31, 2005, \$125,194 was in a reserve fund and invested in money market funds.

J. RELATED PARTY TRANSACTIONS

Lorain County Visitor's Bureau, Inc. is related to Lorain County Heritage, Inc. through common board membership. Lorain County Heritage, Inc. is a charitable organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. During the March 31, 2005 year, Lorain County Heritage, Inc. maintained its offices in facilities rented or owned by Lorain County Visitor's Bureau, Inc., and reimbursed Lorain County Visitor's Bureau, Inc. \$3,398 during the year for various expenses incurred by Lorain County Visitor's Bureau, Inc. on behalf of Lorain County Heritage, Inc.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OF
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Lorain County Visitor's Bureau, Inc.

I have audited the financial statements of Lorain County Visitor's Bureau, Inc. (a non-profit organization) as of and for the years ended March 31, 2005 and 2004, and have issued my report hereon dated May 23, 2005. I conducted my 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 Lorain County Visitor's Bureau, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lorain County Visitor's Bureau, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on internal control over financial reporting. My 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

LORAIN COUNTY VISITOR'S BUREAU, INC.
REPORT ON COMPLIANCE AND INTERNAL CONTROLS
PAGE 2

of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements and 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of management and the board of trustees of Lorain County Visitor's Bureau, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

ALAN V. JANUZZI, CPA

Amherst, Ohio
May 23, 2005



**Auditor of State
Betty Montgomery**

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LORAIN COUNTY VISITORS BUREAU, INC.

LORAIN 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 30, 2005**