



**LORAIN COUNTY VISITOR'S BUREAU, INC.
LORAIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED MARCH 31, 2007



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY VISITOR'S BUREAU, INC.
LORAIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lorain County Visitor's Bureau, Inc.
Lorain County
5025 Leavitt Rd.
Amherst, Ohio 44001

To the Board of Trustees:

We have audited the accompanying statement of financial position of the Lorain County Visitor's Bureau, Inc., (the Bureau) as of and for the year ended March 31, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Lorain County Visitor's Bureau, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Lorain County Visitor's Bureau, Inc. as of and for the year ended March 31, 2006, were audited by other auditors whose report dated June 26, 2006, expressed an unqualified opinion on those statements.

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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

In our opinion, the March 31, 2007 financial statements referred to above present fairly, in all material respects, the financial position of the Lorain County Visitor's Bureau, Inc. as of March 31, 2007, and the changes in its net assets and its cash flows for the year 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 16, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 16, 2008

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LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF FINANCIAL POSITION
 MARCH 31, 2007 AND 2006

	<u>3/31/07</u>	<u>3/31/06</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$17,768	\$21,964
Lodging excise tax receivable (Note C)	23,844	25,644
Other receivables	15,250	8,350
Inventory - promotional material (Note A)	5,200	5,200
TOTAL CURRENT ASSETS	62,062	61,158
PROPERTY AND EQUIPMENT (Note B)	1,467,526	1,477,502
Less accumulated depreciation	(158,356)	(132,464)
NET PROPERTY AND EQUIPMENT	1,309,170	1,345,038
OTHER ASSETS		
Cash restricted for payment of debt (Note I)	172,734	172,925
Bond issue costs (net of amortization)	96,229	102,241
TOTAL OTHER ASSETS	268,963	275,166
TOTAL ASSETS	<u>1,640,195</u>	<u>1,681,362</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	33,370	37,275
Line of credit (Note K)		3,882
Current portion-bonds payable	40,000	40,000
TOTAL CURRENT LIABILITIES	73,370	81,157
BONDS PAYABLE (Note H)	1,120,000	1,160,000
TOTAL LIABILITIES	1,193,370	1,241,157
NET ASSETS - UNRESTRICTED	274,091	267,280
NET ASSETS - TEMPORARILY RESTRICTED	172,734	172,925
TOTAL NET ASSETS	446,825	440,205
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,640,195</u>	<u>\$1,681,362</u>

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED MARCH 31, 2007 AND 2006

	12 MONTHS 3/31/07	12 MONTHS 3/31/06
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Lodging excise tax revenues (Note C)	\$404,669	\$404,929
Investment income (Note E)	4,831	3,081
Grants	25,000	28,623
Rental income	19,149	12,019
Advertising, sales & reimbursements	26,525	17,613
TOTAL SUPPORT AND REVENUE	480,174	466,265
EXPENSES		
ADVERTISING AND PROMOTION		
Media advertising	20,145	22,931
Printing & publications	63,259	14,133
Travel and conventions	1,097	2,516
Promotion	8,333	13,352
Trade shows & events	5,045	6,750
Telephone, postage and supplies	11,893	12,927
TOTAL ADVERTISING AND PROMOTION	109,772	72,609
SALARIES AND WAGES	146,436	146,481
COLLECTION EXPENSE	11,964	13,529
DEPRECIATION (Note B)	43,083	42,613
POSTAGE	4,140	2,512
SUPPLIES	1,811	1,816
PAYROLL TAXES	11,542	11,635
TELEPHONE	3,063	2,020
PROFESSIONAL FEES	6,568	7,319
TRAVEL	238	601
DUES AND SUBSCRIPTIONS	4,874	4,756
UTILITIES	10,346	11,472
INSURANCE	19,704	25,176
AUTOMOBILE EXPENSES	3,430	4,219
MAINTENANCE AND REPAIRS	18,363	15,670
CONVENTIONS, SEMINARS AND MEETINGS	469	1,076
TRUSTEE AND BOND FEES	2,875	12,106
AMORTIZATION OF BOND ISSUE COSTS	6,014	6,014
INTEREST	68,862	70,521
TOTAL EXPENSES	473,554	452,145
CHANGE IN NET ASSETS	6,620	14,120
NET ASSETS, BEGINNING OF YEAR	440,205	426,085
NET ASSETS, END OF YEAR	446,825	440,205

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED MARCH 31, 2007 AND 2006

	12 MONTHS 3/31/07	12 MONTHS 3/31/06
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$6,620	\$14,120
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	49,097	48,627
Changes in operating assets & liabilities:		
Decrease (increase) in receivables	(5,099)	(596)
Increase (decrease) in accounts payable	(3,905)	1,590
INCREASE (DECREASE) IN CASH FROM OPERATIONS	46,713	63,741
INVESTING ACTIVITIES		
Change in restricted cash	191	(5,547)
Purchase of property & equipment	(7,218)	(24,482)
CASH USED IN INVESTING ACTIVITIES	(7,027)	(30,029)
FINANCING ACTIVITIES		
Advances on line of credit	17,000	30,882
Repayments on line of credit	(20,882)	(27,000)
Repayment on bonds payable	(40,000)	(35,000)
CASH USED IN FINANCING ACTIVITIES	(43,882)	(31,118)
NET INCREASE (DECREASE) IN CASH	(4,196)	2,594
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	21,964	19,370
CASH & CASH EQUIVALENTS, END OF YEAR	17,768	21,964
INTEREST COSTS EXPENSED	68,862	70,521

See accompanying notes to financial statements.

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LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006

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 and 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, 2007 and 2006 were prepared on the accrual method of accounting.

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.

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006

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 5-7 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.

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, 2007 and 2006, the organization did not have any 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, 2007 and 2006 were as follows:

	2007	2006
Furniture and Equipment	114,228	109,417
Vehicles	19,288	36,479
Land	225,941	225,941
Building	1,108,069	1,105,665
Total	1,467,526	1,477,502
Less: Accumulated Depreciation	(158,356)	(132,464)
Net Fixed Assets	\$1,309,170	\$1,345,038

Depreciation expense for the years ended March 31, 2007 and 2006 was \$43,083 and \$42,613, respectively.

**LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006**

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 monthly. Taxes collected in a given month are remitted to Lorain County Visitor's Bureau, Inc. approximately 60 days after the end of the month. The amount due to the corporation for the month ended March 31, 2007 and 2006 was \$23,844 and \$25,644, 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.

E. INVESTMENTS AND INVESTMENT INCOME

The organization generated interest income in the amount of \$4,831 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, 2007 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:

		<u>2006</u>
Program expenses	\$ 431,794	\$415,888
Supportive services	35,635	32,007
Fundraising expense	6,125	4,250
	-----	-----
TOTAL EXPENSES:	<u>\$ 473,554</u>	<u>\$452,145</u>

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, 2007 and 2006 represented amounts due for March 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 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

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006

H. BONDS PAYABLE (Continued)

National City Bank, began 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:

Year Ending March 31	Amount
2008	\$ 117,531
2009	111,542
2010	117,271
2011	115,865
2012	112,740

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:

Year Ending March 31	Amount
2008	\$ 40,000
2009	45,000
2010	50,000
2011	50,000
2012	55,000

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.

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 \$40,602 in them as of March 31, 2007. Both of these accounts were invested in government money market funds.

The note also requires the establishment of a reserve fund. At March 31, 2007, \$132,132 was in a reserve fund and invested in money market funds. For March 31, 2006, the amounts were \$45,661 and \$127,264 respectively.

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, 2007 year, Lorain County Heritage, Inc. maintained its offices in facilities rented or owned by Lorain County Visitor's Bureau, Inc.

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007 AND 2006

K. LINE-OF-CREDIT

The organization had available a revolving line-of-credit approved in the amount of \$75,000. The line-of-credit is secured by the real estate on Leavitt Road in Amherst, Ohio, and requires monthly payments of interest at an annual rate of 8.75% plus an adjustable index. There was no outstanding balance on the line at March 31, 2007.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lorain County Visitor's Bureau, Inc.
Lorain County
5025 Leavitt Rd.
Amherst, Ohio 44001

To the Board of Trustees:

We have audited the financial statements of the Lorain County Visitor's Bureau, Inc., (the Bureau) as of and for the year ended March 31, 2007, and have issued our report thereon dated April 16, 2008, wherein we noted the prior year was audited by other auditors. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Bureau's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bureau's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Bureau's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Bureau's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Bureau's management in a separate letter dated April 16, 2008.

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Compliance and Other Matters

As part of reasonably assuring whether the Bureau's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted a noncompliance or other matter not requiring inclusion in this report that we reported to the Bureau's management in a separate letter dated April 16, 2008.

The Bureau's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Bureau's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 16, 2008

**LORAIN COUNTY VISITOR'S BUREAU, INC.
LORAIN COUNTY**

**SCHEDULE OF FINDINGS
MARCH 31, 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007- 001

Finding for Recovery Repaid Under Audit

Ohio Attorney General Opinion No. 82-006 addresses the expenditure of funds for public purposes. This opinion, citing the Ohio Supreme Court case of *State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that the primary object of an expenditure of public funds should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect and in addition states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co., 120 Ohio St. 47 (1929)*; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228*.

On January 19, 2007, the Visitor's Bureau expended \$374.00 for the purchase of alcohol for an employee's retirement party.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended has been issued against Barb Bickel, Executive Director, and Board Members, Rex Engle, Chuck Fye, Mitch Zurich, Catherine Catanzarite, Patti Rebman, Len DeLuca and Patti Young, jointly and severally, in the amount of three hundred and seventy four dollars (\$374.00) in favor of the Bureau.

On February 29, 2008, Lorain County Heritage, Inc. issued check number 1372 in the amount of \$374.00 to reimburse the Bureau for the cost of the alcohol.

Official's Response: The Board of Directors of the LCVB planned a retirement party without the knowledge that alcohol could not be purchased out of an account that included public and private funds. In the future, if any similar purchases are to be made, they will be out of a separate account that holds only private funds.



Mary Taylor, CPA
Auditor of State

LORAIN COUNTY VISITOR'S 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
MAY 20, 2008**