

***AKRON/SUMMIT CONVENTION & VISITORS
BUREAU, INC.***

SUMMIT COUNTY, OHIO

Audit Report

For the Years Ended December 31, 2018 and 2017



OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Akron-Summit Convention & Visitors Bureau
77 E. Mill St.
Akron, OH 44308

We have reviewed the *Independent Auditor's Report* of the Akron-Summit Convention & Visitors Bureau, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 Akron-Summit Convention & Visitors Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 8, 2019

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Akron/Summit Convention & Visitors Bureau, Inc.
Summit County
For the Years Ended December 31, 2018 and 2017

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Akron/Summit Convention & Visitors Bureau, Inc.
Summit County
John S. Knight Center
77 East Mill Street
Akron, OH 44308

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio (the ASCVB), which comprise the statement of net position as of December 31, 2018 and 2017, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ASCVB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to for the purpose of expressing an opinion on the effectiveness of the ASCVB's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, Ohio, as of December 31, 2018 and 2017, and the changes in its financial position and its cash flows thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of expressing opinions on the financial statements that collectively comprise the ASCVB's basic financial statements. The schedules of revenues, expenses and changes in net position for the Bureau, John S. Knight Center, and Greystone Hall are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of revenues, expenses and changes in net position for the Bureau, John S. Knight Center, and Greystone Hall are the responsibility of management, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2019, on our consideration of the ASCVB'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ASCVB's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ASCVB's internal control over financial reporting and compliance.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
May 16, 2019

Akron/Summit Convention & Visitors Bureau, Inc.
Management’s Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

The following Management Discussion and Analysis (MD&A) provides a summary overview of the financial performance of the Akron/Summit Convention & Visitors Bureau, Inc. (herein referred to as the ASCVB) for the years ended December 31, 2018 and 2017. This information in the MD&A should be read in conjunction with the ASCVB’s financial statements and corresponding notes to the financial statements.

Financial Highlights and Outlook

The following information on the travel trends and booking pace for the Akron/Summit Convention & Visitors Bureau (Bureau), John S. Knight Center (Center) and Greystone Hall (Greystone) is based on analysis of past, existing and future initiatives as well as fundamental industry indicators.

A moderate growth pattern was experienced by the local hospitality economy throughout the county in 2018. Through a deep analysis of market trends and strategic budgeting, net proceeds and a positive cash flow for the organization were achieved.

The subsequent information is provided as a synopsis of main elements of this analysis:

With a continued fragmentation of travel habits and the hospitality sector, booking portals and e-commerce continues to have a significant impact on the habits of our visitors. A substantial effort in intentional, yet nimble, decision making consistently deliver the most up to date resources and products remain a top priority. Simultaneously, the awareness to anticipate and respond to turbulent business environments will be within a quick tactical pivot. All of this is to allow us to remain focused on energizing our core efforts of driving the Greater Akron & Summit County hospitality industry as a key economic generator for the region.

- Summit County Bed Tax Gross Collections showed an increase in 2018 of 2.7 % vs. 2017 collections
 - 2018 Total Gross Collections: \$5,158,375
 - 2017 Total Gross Collections: \$5,022,397
- Smith Travel Research reports (for the Summit County MSA through December 2018) indicate the following results for 2018 vs. 2017:

	<u>Summit MSA</u>	<u>Statewide</u>
▪ Occupancy:	55.5% = Increase of 0.5%	60.5% = Increase of 0.4%
▪ Average Daily Rate:	\$90.01 = Increase of 0.5%	\$99.27 = Increase of 1.9%
▪ RevPAR:	\$49.98 = Increase of 1.1%	\$60.10 = Increase of 2.2%

- The stabilization of the increased supply should mitigate rate weakening in turn driving movement in revenue generation
- Refined yield management within sales efforts with the current supply/inventory will play an impactful role with hotel revenue departments
- Hotel Development:
 - One new hotel is scheduled to open, late summer 2019, in the market
 - The BLU-tique Hotel on the corner of Main & Market in downtown Akron with 71 rooms
 - Efforts continue to analyze demand and options for hotel development in direct proximity to the Center

Akron/Summit Convention & Visitors Bureau, Inc.
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

- Number of Events:
 - In 2018 the Center hosted:
 - 166 Events in 2018 vs. 168 in 2017
 - 358,000 Visitors in 2018 vs. 361,000 in 2017
 - In 2017 Greystone Hall hosted:
 - 114 Events in 2018 vs. 119 in 2017
 - 22,150 Visitors in 2018 vs. 24,308 in 2017
- The on-going downtown street renovation and infrastructure enhancement projects have created challenges in driving building use and event attendance
- Enhanced energy for Sales, Promotion, Social Media and Advertising will be executed
- Continuing expansion of connections and on-line access to tool-kits for our external hospitality partners through our CRM system further creates efficiencies and further engagements
- The continuation of the eSports initiative has provided opportunity to expand our offerings to the rapidly growing and high profile eSports market and further ascend our market penetration
- Our DEFY Convention Campaign continues to have an impact and access to local “champions” to assist extending the messaging of authentic experiences resulting in drawing groups/events to the area
- High performance results in the ever-growing space of social media, brand management and user directed content is creating channels to communicate in a low cost high impact sector
- The Partnerships in Motion activities continue to coalesce and provide impactful connections for our hospitality partners with mutually beneficial effects
- Art, cultural and community events and attendance at activities continues with moderate growth
- Iconic events and attractions have demonstrated growth complementing their stability through evolving of additional activities
 - Stan Hywet Hall & Gardens, Akron Art Museum, Akron Civic Theatre, All-American Soap Box Derby, Hale Farm & Village, Akron Marathon, Akron Zoo, MGM Grand Casino (Hard Rock Rocksino) and the Cuyahoga Valley National Park
- The Bridgestone Senior Players Championship has committed to a (4) four year package to host the event in Akron at Firestone Country Club in early-mid July
- Akron-Canton Airport has mitigated the challenges of number of passenger and flight reductions and is setting the table for future growth with a significant gate expansion project that commenced in 2019
- Once again, the Bureau's Destination Development Grant program continued in an effort to infuse funding in local hospitality partners to enable progress and growth of products and offerings
- State, Regional and National events, Convention Center based Trade Shows and Corporate activities continue to be an part of our overall business mix
- Greystone's management agreement with the City of Akron continues to pay dividends allowing for increase activities, revenue and impact on the downtown community
- Persistent enhancement and a forward-thinking posture in all business units will result in operational, cost control and customer service proficiencies

Overview of the Financial Statements

ASCVB's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America, promulgated by the Government Accounting Standards Board (GASB).

Akron/Summit Convention & Visitors Bureau, Inc.
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

The basic financial statements of the ASCVB together with the notes, which are essential to a full understanding of the data contained in the financial statements, are the following:

- Statement of Net Position – This statement presents information on all the ASCVB's assets and liabilities, with the difference between the two reported as net position.
- Statement of Revenues, Expenses and Changes in Net Position – This statement shows how the ASCVB's net position has changed during the most recent year. Revenue is reported generally when earned, and expenses are reported when incurred.
- Statement of Cash Flows – This statement reports cash and cash equivalent activities for the year resulting from operating, capital and related financing activities, and investing activities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

Financial Analysis of the ASCVB's Net Position and Revenues, Expenses and Changes in Net Position

The tables below provide a summary of the ASCVB's financial position and operations for 2018, 2017 and 2016. Certain amounts may vary slightly due to differences caused by rounding to thousands.

Condensed Statements of Net Position
December 31

(Amounts in thousands)

	2018	Change	2017	Change	2016
Current assets	\$ 4,888	-2%	\$ 5,008	7%	\$ 4,683
Capital assets, net of accumulated depreciation and amortization	570	35%	422	-12%	478
Long-term assets	192	33%	144	19%	121
Total assets	5,650	1%	5,574	14%	5,282
Current liabilities	1,321	-16%	1,568	5%	1,488
Long-term liabilities	239	48%	162	-15%	190
Total liabilities	1,560	-10%	1,730	3%	1,678
Net investment in capital assets	548	42%	387	-10%	432
Restricted for capital assets	1,733	-3%	1,780	-3%	1,841
Unrestricted (deficit)	1,809	8%	1,677	-26%	1,331
Total net position	4,090	6%	3,844	7%	3,604
Total liabilities and net position	\$ 5,650	1%	\$ 5,574	6%	\$ 5,282

During 2018 and 2017, net position increased by approximately \$246,000 and \$240,000, respectively.

Akron/Summit Convention & Visitors Bureau, Inc.
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

The following tables summarize the changes in revenue and expenses for the ASCVB between 2018, 2017 and 2016.

Condensed Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended December 31
(Amounts in thousands)

	2018	Change	2017	Change	2016
<u>Operating Revenues</u>					
Hotel/motel tax	\$ 3,840	3%	\$ 3,733	-5%	\$ 3,933
Space, food and ancillary service	3,386	4%	3,267	-9%	3,602
<i>Total operating revenue</i>	7,226	3%	7,000	-14%	7,535
<u>Operating Expenses</u>					
Payroll and benefits	3,700	5%	3,539	1%	3,519
Property insurance	101	0%	101	-2%	103
Utilities	378	9%	346	-14%	400
Advertising and promotion	662	4%	635	-8%	688
Supplies	71	4%	68	-4%	71
Maintenance and repairs	283	3%	275	-21%	346
Contracted services	448	19%	375	-24%	492
Food services	936	-8%	1,019	-1%	1,032
Depreciation and amortization	170	8%	158	6%	149
Other	221	10%	201	-7%	217
<i>Total operating expenses</i>	6,970	4%	6,717	-4%	7,017
<u>Nonoperating Revenues (Expenses)</u>					
Investment and other income (loss)	(10)	-77%	(43)	30%	(33)
<i>Total nonoperating revenue and expense</i>	(10)	-77%	(43)	30%	(33)
<i>Change in net position</i>	\$ 246	3%	\$ 240	-51%	\$ 485

Operating Revenues

Operating revenues consist of a portion of hotel/motel taxes collected on rooms occupied. These revenues are a function of price and occupancy. A hotel/motel tax is levied by Summit County and the City of Akron; these taxes are collected by the County and distributed as revenue to the ASCVB for operations. The remaining revenues largely come from convention facility sales.

Operating Expenses

Operating expenses increased by approximately \$253,000 primarily from increases in utilities and contracted services.

Akron/Summit Convention & Visitors Bureau, Inc.
Management's Discussion and Analysis
For the Years Ended December 31, 2018 and 2017
(Unaudited)

Capital Assets

At the end of 2018, the ASCVB has approximately \$547,000 invested in capital assets. The net investment in capital assets includes improvements to the John S. Knight Convention Center.

Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method, based upon estimated useful lives of the assets.

Economic Factors

Despite strained economic factors, the ASCVB has been able to contain costs. The ASCVB anticipates a flat revenue stream and will continue to contain costs to stay within the operating budget.

Contacting the ASCVB's Financial Management

This report is designed to provide a general overview of the ASCVB's finances for all interested parties. Questions and requests for additional information regarding this report should be addressed to the President, Akron/Summit Convention & Visitors Bureau, Inc., 77 E. Mill Street, Akron, OH 44308.

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Net Position
Proprietary Fund Type
December 31, 2018 and 2017

<u>Assets</u>	2018	2017
Current Assets		
Cash and cash equivalents	\$ 1,253,337	\$ 748,363
Short-term investments	1,515,337	2,040,757
Accounts receivable less allowance for doubtful accounts of \$10,000 in 2018 and 2017	683,007	939,030
Accounts receivable:		
Summit County	1,068,192	939,418
City of Akron	173,945	146,672
Inventory	67,937	69,607
Prepaid expenses	126,549	123,990
Total Current Assets	4,888,304	5,007,837
Noncurrent Assets		
Property and equipment, net of depreciation and amortization	570,380	422,290
Accounts receivable, net of current	192,125	144,149
Total Noncurrent Assets	762,505	566,439
Total Assets	5,650,809	5,574,276
 <u>Liabilities</u>		
Current Liabilities		
Capital lease obligation, current portion	12,328	11,947
Accounts payable	149,894	167,472
Accrued expenses	325,527	300,609
Unearned revenue and customer deposits, current portion	833,584	1,088,059
Total Current Liabilities	1,321,333	1,568,087
Long-term Liabilities		
Capital lease obligation, net of current	10,632	22,991
Unearned revenue and customer deposits, net of current	228,845	138,865
Total Long-term Liabilities	239,477	161,856
Total Liabilities	1,560,810	1,729,943
 <u>Net Position</u>		
Net investment in capital assets	547,420	387,352
Restricted for capital assets	1,733,347	1,780,454
Unrestricted	1,809,232	1,676,527
Total Net Position	\$ 4,089,999	\$ 3,844,333

The accompanying notes are an integral part of the financial statements.

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund Type
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>Operating Revenues:</u>		
Summit County	\$ 3,702,422	\$ 3,595,298
City of Akron	138,000	138,000
Space income	462,482	397,676
Rental income	96,000	97,600
Food service	2,008,474	2,052,641
Ancillary service	818,851	719,423
Total Operating Revenue	7,226,229	7,000,638
<u>Operating Expenses:</u>		
Salaries and wages	2,997,598	2,994,620
Payroll taxes and employee benefits	702,324	544,194
Property insurance	101,413	101,199
Utilities	377,586	346,246
Promotion	448,721	437,710
Bad debt expense - net of recoveries	-	587
Advertising and printing	212,991	197,660
Office supplies and accessories	35,610	32,018
Postage	19,153	19,434
Dues and subscriptions	16,650	16,892
Professional fees	71,603	75,091
Travel	45,934	41,598
Maintenance and repairs	283,467	274,994
Contracted services	376,371	300,015
Food services	935,564	1,018,732
Lease	5,705	5,033
Audiovisual	64,646	63,861
Trade shows	12,277	10,705
Miscellaneous	92,798	78,474
Depreciation and amortization	169,881	158,324
Total Operating Expenses	6,970,292	6,717,387
Operating Income (Loss)	255,937	283,251
<u>Non-Operating Revenues (Expenses):</u>		
Utility reimbursement to City of Akron	(47,107)	(60,934)
Loss on disposal of assets	-	(6,044)
Interest income (expense)	(990)	(1,760)
Investment and other income	37,826	25,403
Total Non-Operating Revenues (Expenses)	(10,271)	(43,335)
Change in Net Position	245,666	239,916
Net Position, Beginning of Year	3,844,333	3,604,417
Net Position, End of Year	\$ 4,089,999	\$ 3,844,333

The accompanying notes are an integral part of the financial statements.

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Cash Flows
Proprietary Fund Type
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>Cash Flows from Operating Activities:</u>		
Cash received from customers, taxes and subsidies	\$ 7,113,734	\$ 6,937,634
Cash payments to suppliers for goods and services	(3,118,935)	(3,065,247)
Cash payments to employees for services	(3,675,004)	(3,534,516)
Net cash provided (used) by operating activities	319,795	337,871
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Cash refunds (payments) of interest	(990)	(1,760)
Purchases of capital assets	(317,971)	(108,311)
Payments on capital lease obligations	(11,579)	(11,579)
Payments of utility reimbursements	(47,107)	(60,934)
Net cash provided (used) by operating activities	(377,647)	(182,584)
<u>Cash Flows from Investing Activities:</u>		
Interest on investments	37,826	25,403
Redemption of investments	2,042,000	2,527,602
Purchase of investments	(1,517,000)	(2,292,000)
Net cash provided (used) by investing activities	562,826	261,005
Increase (decrease) in cash and cash equivalents	504,974	416,292
Cash and Cash Equivalents, Beginning of Year	748,363	332,071
Cash and Cash Equivalents, End of Year	\$ 1,253,337	\$ 748,363
<u>Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities</u>		
Operating income	\$ 255,937	\$ 283,251
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	169,881	158,324
Increase/decrease in operating assets and liabilities		
Accounts receivable	208,047	(44,877)
Accounts receivable - Summit County	(128,774)	(10,717)
Accounts receivable - City of Akron	(27,273)	(113,612)
Inventory	1,670	3,373
Prepaid expenses	(2,559)	(1,573)
Accounts payable	(17,557)	(46,798)
Accrued expenses	24,918	4,298
Unearned revenue and customer deposits	(164,495)	106,202
Total adjustments	63,858	54,620
Net cash provided (used) by operating activities	\$ 319,795	\$ 337,871

The accompanying notes are an integral part of the financial statements.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 1 – Description of the Entity

The Akron Summit Convention & Visitors Bureau, Inc. (the ASCVB) is a non-profit organization governed by a Board of Directors composed of fifteen (15) members. Appointments are made to the Board of Directors by the City of Akron (7), Summit County (7) and the Tri County Labor Council (1).

The Board of Directors governs the operation of the ASCVB, including the John S. Knight Center (JSK), and Greystone Hall (Greystone). It is the purpose of the ASCVB to actively promote the Akron/Summit County area as an ideal location for conventions of all sizes, plus tourism for the area's various points of interest. It is the purpose of the ASCVB to completely manage and maintain the John S. Knight Center and Greystone Hall - convention centers (owned by the City of Akron) located in downtown Akron.

Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus and Amendment of GASB Statements No. 14 and No. 34*. The reporting entity is composed of the primary government. The primary government consists of all organizations, activities, and functions that are not legally separate from the ASCVB. For the ASCVB, this includes general operations.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the ASCVB have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance*, the Authority follows GASB guidance as applicable to proprietary funds.

The ASCVB's financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The ASCVB uses a single proprietary fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Proprietary fund reporting focuses on the determination of the changes in net position, financial position and cash flows. A proprietary fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Measurement Focus and Basis of Accounting

The proprietary fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and deferred inflows of resources and all liabilities and deferred outflows of resources associated with the operation of the ASCVB are included on the statement of net position. The statement of changes in net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the ASCVB finances and meets the cash flow needs of its enterprise activity.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the ASCVB's proprietary fund are bed tax revenues collected by the County Fiscal Officer and food service revenue. Operating expenses for the proprietary fund include the costs of facility maintenance, operation of the John S. Knight Center and Greystone Hall, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash and cash equivalents include investments with original maturities of three months or less at the time of purchase. Cash equivalents are carried at fair value. Investments with an initial maturity of more than three months are reported as investments. An analysis of the ASCVB's investment account at year end is provided in Note 3.

Capital Assets

All capital assets (including land, structures and equipment) are capitalized at cost and updated for additions and retirements during the fiscal period. Donated capital assets are recorded at their acquisition values as of the date received. The ASCVB maintains a capitalization threshold of \$2,500. The ASCVB does not possess any infrastructure. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated using the straight-line method over the estimated useful lives of the respective assets:

Furniture, fixtures and equipment	5-10 years
Computer software	5 years
Vehicles	5 years
Leasehold improvements	5-10 years
Equipment under capital leases	5-10 years

Recognition of Revenues and Expenses

The ASCVB accounts for transactions using the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

The ASCVB recognizes revenues at the time persuasive evidence of an arrangement exists, the service is provided or prices are fixed or determinable and collection is reasonably assured. Income from space, food and ancillary services for scheduled events is deferred and recognized in the period in which the event takes place.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Inventory

Inventory consists of food, beverages and related supplies and is carried at the lower of cost (first in, first out) or market. The expenses are recorded upon consumption.

Use of Estimates

The preparation of the financial statements in accordance with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable represents amounts due from customers for events held at the John S. Knight Center and Greystone Hall; credit is extended based on an evaluation of a business or individual's financial condition and generally, collateral is not required. Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Amounts due on events taking place in excess of one year are classified as long-term. Management determines the allowance for doubtful accounts by identifying delinquent accounts for events that have taken place during the year and using historical experience. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Accounts receivable – Summit County represents amounts due from Summit County for bed tax collected in the final quarter of the calendar year.

Accounts receivable – City of Akron represents amounts due from the City of Akron per the ASCVB's management agreement with the city.

Income Taxes

The ASCVB is exempt from income taxes under the current provisions of the Internal Revenue Code, Section 501(c)(6). With few exceptions, the ASCVB is no longer subject to income tax examinations by tax authorities for years before 2011.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 2 – Summary of Significant Accounting Policies (continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. The ASCVB applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 3 – Deposits and Investments

State statutes classify monies held by the ASCVB into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the ASCVB treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the ASCVB can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 3 – Deposits and Investments (continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investment at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the ASCVB and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand

At December 31, 2018 and 2017, the ASCVB had \$24,901 and \$16,255, respectively, in undeposited cash on hand, which is included on the Statement of Net Position as part of "Cash and Cash Equivalents".

Deposits

At December 31, 2018 and 2017, the carrying amount of the ASCVB's deposits was \$2,743,773 and \$2,772,865, respectively (including \$1,515,337 and \$2,040,757, respectively, of non-negotiable certificates of deposit), and the bank balance was \$2,759,621 and \$2,839,255, respectively. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2018 and 2017, none of the ASCVB's bank balance was exposed to custodial credit risk as discussed below.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 3 – Deposits and Investments (continued)

Custodial credit risk is the risk that, in the event of bank failure, the ASCVB's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the ASCVB. The ASCVB has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the Federal Reserve Bank of Boston and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the ASCVB to a successful claim by the FDIC.

Investments

The ASCVB has no formal investment policy however, the ASCVB's investments were limited to certificates of deposit at December 31, 2018 and 2017.

Interest Rate Risk: The ASCVB has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the ASCVB, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The ASCVB has no investment policy that specifically addresses credit risk beyond requiring the ASCVB to invest in securities authorized by State statute.

Concentration of Credit Risk: The ASCVB places no limit on the amount that may be invested in any one issuer.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 4 – Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
<u>Historical Cost</u>				
Furniture, fixtures and equipment	\$ 1,184,526	\$ 118,071	\$ -	\$ 1,302,597
Computer software	499	-	-	499
Vehicles	13,314	-	-	13,314
Leasehold improvements	1,531,627	199,900	-	1,731,527
Equipment under capital leases	59,640	-	-	59,640
<i>Total historical cost</i>	<u>2,789,606</u>	<u>317,971</u>	<u>-</u>	<u>3,107,577</u>
<u>Accumulated Depreciation and Amortization</u>				
Furniture, fixtures and equipment	(931,862)	(99,368)	-	(1,031,230)
Computer software	(499)	-	-	(499)
Vehicles	(13,314)	-	-	(13,314)
Leasehold improvements	(1,408,719)	(64,549)	-	(1,473,268)
Equipment under capital leases	(12,922)	(5,964)	-	(18,886)
<i>Total accumulated depreciation and amortization</i>	<u>(2,367,316)</u>	<u>(169,881)</u>	<u>-</u>	<u>(2,537,197)</u>
Capital Assets, Net	<u>\$ 422,290</u>	<u>\$ 148,090</u>	<u>\$ -</u>	<u>\$ 570,380</u>

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017
<u>Historical Cost</u>				
Furniture, fixtures and equipment	\$ 1,605,147	\$ 108,311	\$ (528,932)	\$ 1,184,526
Computer software	9,814	-	(9,315)	499
Vehicles	13,314	-	-	13,314
Leasehold improvements	1,660,411	-	(128,784)	1,531,627
Equipment under capital leases	59,640	-	-	59,640
<i>Total historical cost</i>	<u>3,348,326</u>	<u>108,311</u>	<u>(667,031)</u>	<u>2,789,606</u>
<u>Accumulated Depreciation and Amortization</u>				
Furniture, fixtures and equipment	(1,357,096)	(97,908)	523,142	(931,862)
Computer software	(9,814)	-	9,315	(499)
Vehicles	(13,314)	-	-	(13,314)
Leasehold improvements	(1,482,798)	(54,451)	128,530	(1,408,719)
Equipment under capital leases	(6,958)	(5,964)	-	(12,922)
<i>Total accumulated depreciation and amortization</i>	<u>(2,869,980)</u>	<u>(158,323)</u>	<u>660,987</u>	<u>(2,367,316)</u>
Capital Assets, Net	<u>\$ 478,346</u>	<u>\$ (50,012)</u>	<u>\$ (6,044)</u>	<u>\$ 422,290</u>

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 5 – Capital Lease

In 2015, the ASCVB entered into a capitalized lease agreement for the acquisition of copiers. The terms of the agreement provide an option to purchase the item. The lease meets the criteria of a capital lease as one which transfers all benefits and risks of ownership to the lessee. Capital assets acquired by lease have been capitalized as equipment in the amount of \$59,640 equal to the present value of the future minimum lease payments at the time of acquisition.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments at December 31, 2018.

Year Ending December 31:	<u>Copiers</u>
2019	\$ 12,904
2020	<u>10,752</u>
Less: Interest	<u>(696)</u>
Total Minimum Lease Payment	<u><u>\$ 22,960</u></u>

Note 6 – Operating Leases

The ASCVB leases the John S. Knight Center from the City of Akron for a nominal rental of \$1 per year.

The ASCVB also leases certain equipment and vehicles under noncancelable leases expiring in various years through 2020. The following is a schedule of the future minimum lease payments required under the operating leases.

Year Ending December 31:	<u>Payment</u>
2019	\$ 8,514
2020	<u>7,697</u>
Total Minimum Lease Payment	<u><u>\$ 16,211</u></u>

Note 7 – Retirement Plan

The ASCVB sponsors an employee benefit plan, which qualifies under Section 401(k) of the Internal Revenue Code. The plan covers all employees including those covered by the collective bargaining union agreement that choose to participate and meet certain age and service requirements. The plan allows the employees to defer up to 15% of their annual compensation. At its discretion, the ASCVB may elect to match employee contributions or make non-elective contributions. There were no employer contributions to the plan during 2018 and 2017.

Akron Summit Convention & Visitors Bureau, Inc.
Summit County
Notes to the Financial Statements
For the Years Ended December 31, 2018 and 2017

Note 8 – Short-term Borrowings

The ASCVB has a line of credit borrowing agreement with PNC bank. Under the terms of this agreement, the ASCVB has available a \$500,000 line of credit. Interest is payable monthly at the bank's prime lending rate (3.50% at December 31, 2018) and is collateralized by the ASCVB's investment account. There were no borrowings under this agreement at December 31, 2018 and 2017.

Note 9 – Collective Bargaining Agreement

The two full-time and the majority of the part-time employees of the John S. Knight Center are covered by a collective bargaining agreement. An agreement was negotiated during 2017. The agreement covers the period beginning July 1, 2017 and expiring June 30, 2020.

Note 10 – Risk Management

The ASCVB is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended December 31, 2018 and 2017, the ASCVB contracted with SeibertKeck to obtain coverage for the risks listed below.

The ASCVB is covered for property damage, general liability, automobile liability, and other crime liabilities through the purchased coverage provided by SeibertKeck.

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Note 11 – Restricted Net Position

Under the terms of the lease agreement with the City of Akron discussed in Note 6, the ASCVB is required to "establish and fund a recurring capital cost fund to pay for repairs and maintenance" of the John S. Knight Center and related improvements. The amount of restricted funds was \$1,733,347 and \$1,780,454, respectively, at December 31, 2018 and 2017.

Note 12 – Contingencies

The ASCVB may be party to various legal proceedings. In the opinion of the ASCVB, the ultimate disposition of these proceedings will not have a materially adverse effect on the ASCVB's financial position. No provision has been made in the financial statements for the effect, if any, of such contingencies.

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Convention & Visitors Bureau
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>OPERATING REVENUES:</u>		
Summit County	\$ 3,702,422	\$ 3,595,298
City of Akron	138,000	138,000
Total Operating Revenue	3,840,422	3,733,298
<u>OPERATING EXPENSES:</u>		
Salaries and wages	562,401	550,914
Payroll taxes and employee benefits	154,589	106,236
Property insurance	10,141	10,114
Utilities	12,808	13,362
Promotion	402,673	401,592
Advertising and printing	175,718	155,355
Office supplies and accessories	5,333	6,206
Postage	11,851	12,226
Dues and subscriptions	13,993	15,996
Professional fees	36,635	30,372
Travel	31,679	36,297
Maintenance and repairs	4,108	4,177
Lease	2,853	2,517
Trade shows	12,277	9,735
Miscellaneous	6,608	7,933
Total Operating Expenses	1,443,667	1,363,032
Operating Income (Loss)	2,396,755	2,370,266
<u>NON-OPERATING REVENUES (EXPENSE):</u>		
Management Fee	47,107	60,934
Investment and other income	37,826	25,403
Total Non-Operating Revenues (Expenses)	84,933	86,337
Change in Net Position	\$ 2,481,688	\$ 2,456,603

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Revenues, Expenses and Changes in Net Position
John S. Knight Center
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>OPERATING REVENUES:</u>		
Space income	\$ 426,897	\$ 362,301
Food service	1,287,430	1,164,299
Ancillary service	788,331	682,140
Total Operating Revenue	2,502,658	2,208,740
<u>OPERATING EXPENSES:</u>		
Salaries and wages	2,035,264	1,988,820
Payroll taxes and employee benefits	510,043	404,013
Property insurance	80,519	80,150
Utilities	361,168	329,147
Promotion	34,271	29,150
Bad debt expense - net of recoveries	-	587
Advertising and printing	31,522	37,808
Office supplies and accessories	18,248	13,173
Postage	7,302	7,208
Dues and subscriptions	2,657	896
Professional fees	28,487	40,317
Travel	13,652	4,768
Maintenance and repairs	272,966	257,875
Contracted services	371,569	295,200
Food services	648,751	634,283
Lease	2,852	2,516
Audiovisual	62,347	61,876
Trade shows	-	970
Miscellaneous	86,190	70,541
Depreciation and amortization	164,906	154,804
Total Operating Expenses	4,732,714	4,414,102
Operating Income (Loss)	(2,230,056)	(2,205,362)
<u>NON-OPERATING REVENUES (EXPENSE):</u>		
Loss on disposal of assets	-	(6,044)
Interest income (expense)	(990)	(1,760)
Total Non-Operating Revenues (Expenses)	(990)	(7,804)
Change in Net Position	\$ (2,231,046)	\$ (2,213,166)

Akron/Summit Convention & Visitors Bureau, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Greystone Hall
For the Years Ended December 31, 2018 and 2017

	2018	2017
<u>OPERATING REVENUES:</u>		
Space income	\$ 35,585	\$ 35,375
Rental income	96,000	97,600
Food service	721,044	888,342
Ancillary service	30,520	37,283
Total Operating Revenue	883,149	1,058,600
<u>OPERATING EXPENSES:</u>		
Salaries and wages	399,933	454,886
Payroll taxes and employee benefits	37,692	33,945
Property insurance	10,753	10,935
Utilities	3,610	3,737
Promotion	11,777	6,968
Advertising and printing	5,751	4,497
Office supplies and accessories	12,029	12,639
Professional fees	6,481	4,402
Travel	603	533
Maintenance and repairs	6,393	12,942
Contracted services	4,802	4,815
Food services	286,813	384,449
Audiovisual	2,299	1,985
Depreciation and amortization	4,975	3,520
Total Operating Expenses	793,911	940,253
Operating Income (Loss)	89,238	118,347
<u>NON-OPERATING REVENUES (EXPENSE):</u>		
Utility reimbursement to City of Akron	(47,107)	(60,934)
Management Fee	(47,107)	(60,934)
Total Non-Operating Revenues (Expenses)	(94,214)	(121,868)
Change in Net Position	\$ (4,976)	\$ (3,521)

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Akron/Summit Convention & Visitors Bureau, Inc.
Summit County
77 East Mill Street
Akron, OH 44308

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Akron/Summit Convention & Visitors Bureau, Inc., Summit County, (the ASCVB) which comprise the statement of net position as of December 31, 2018 and 2017, and the statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated May 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the ASCVB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ASCVB's internal control. Accordingly, we do not express an opinion on the effectiveness of the ASCVB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the ASCVB's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

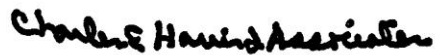
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ASCVB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ASCVB's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ASCVB's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
May 16, 2019

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OHIO AUDITOR OF STATE
KEITH FABER



AKRON SUMMIT CONVENTION AND VISITORS BUREAU

SUMMIT 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
JULY 23, 2019**