

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC.**  
**A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**  
Basic Financial Statements and Supplementary Information  
Year Ended December 31, 2018  
With Independent Auditors' Report



# OHIO AUDITOR OF STATE KEITH FABER



Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
401 Jefferson Avenue  
Toledo, Ohio 43604

We have reviewed the *Independent Auditors' Report* of the Toledo-Lucas County Convention and Visitors Bureau, Inc., Lucas County, prepared by Clark, Schaefer, Hackett & Co., 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 Toledo-Lucas County Convention and Visitors Bureau, Inc. 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

April 26, 2019

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**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
Toledo, Ohio:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### ***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.

### ***Auditors' 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 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such 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 respective financial position of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, as of December 31, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with 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 a 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 forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The combining schedules on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2019 on our consideration of the Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on 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 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 Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Toledo, Ohio  
April 11, 2019

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") provides a summary overview of the financial performance of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization") for the fiscal year ended December 31, 2018. This information in the MD&A should be read in conjunction with the Organization's financial statements and the corresponding notes to the financial statements.

### Financial Highlights

- The Huntington Center hosted 29 concerts, (15 of which were the ProMedica Park Concert Series), 15 family shows, 21 entertainment events, 5 meetings, and 40 Walleye games.
- The SeaGate Centre hosted 15 banquets, 9 sporting events, 33 consumer shows, 29 conventions, 9 concerts, 12 family shows, 20 assemblies and 31 meetings.

### Overview of the Financial Statements

The Organization's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board ("GASB"). Under GASB Statement No. 14, as amended, the County of Lucas, Ohio (the "County"), is defined as a "primary government" and the Organization is considered a component unit of the primary government. For purposes of the Organization financial statements, the TLCCVB is defined as a "primary government", and the DT is considered a blended component unit of the primary government; both entities utilize enterprise fund accounting.

The basic financial statements of the Organization 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 Organization's assets, liabilities and deferred inflows and outflows, with the difference reported as net position.
- Statement of Revenues, Expenses, and Changes in Net Position - This statement shows how the Organization'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 fiscal 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.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The table below provides a summary of the Organization's financial position and operations for 2018 and 2017, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

**Condensed statements of net position  
December 31  
(Amounts in thousands)**

	TLCCVB		Change
	2018	2017	
Current assets	\$ 9,792	\$ 9,181	\$ 611
Capital assets, net	<u>4,678</u>	<u>4,308</u>	<u>370</u>
Total assets	14,470	13,489	981
Current liabilities	5,562	5,732	(170)
Net investment in capital assets	4,678	4,309	369
Restricted	924	1,231	(307)
Unrestricted	<u>3,306</u>	<u>2,217</u>	<u>1,089</u>
<b>Total net position</b>	<b><u>\$ 8,908</u></b>	<b><u>\$ 7,757</u></b>	<b><u>\$ 1,151</u></b>

During 2018, net position increased by \$1,150,991 for the TLCCVB. The majority of these changes related to the TLCCVB and were due to the following:

- Current assets increased by \$611,116 primarily due to an increase in cash and cash equivalents.
- Capital assets increased by \$369,424 primarily due to improvements to the SeaGate Convention Centre.
- Current liabilities decreased by \$170,451 primarily due to less advance ticket sales.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table summarizes the changes in revenues and expenses for the Organization between 2018 and 2017 (certain prior year amounts have been reclassified for consistency with the current year presentation):

**Condensed statements of revenues, expenses, and changes in net position  
Years ended December 31  
(Amounts in thousands)**

	TLCCVB		Change
	2018	2017	
Operating revenues			
Event and related revenue	\$ 1,559	\$ 1,485	\$ 74
Food & beverage/novelty	1,209	996	213
Ticketing and sponsorship	746	840	(94)
Parking	746	782	(36)
Other	74	71	3
Total operating revenue	<u>4,334</u>	<u>4,174</u>	<u>160</u>
Operating expenses			
Payroll and benefits	2,696	2,488	208
Utilities	657	620	37
Convention, tourism	571	559	12
SMG management fees	494	499	(5)
Contracted services	329	314	15
Repairs and maintenance	304	271	33
Other	877	821	56
Total operating expense	<u>5,928</u>	<u>5,572</u>	<u>356</u>
Operating income (loss)			
before depreciation	(1,594)	(1,398)	(196)
Depreciation	<u>556</u>	<u>470</u>	<u>86</u>
Operating income (loss)			
after depreciation	(2,150)	(1,868)	(282)
Non-operating			
Lucas County	2,793	2,313	480
Other	(42)	(35)	(7)
Capital contributions	<u>550</u>	<u>631</u>	<u>(81)</u>
Net change in net position	<u>\$ 1,151</u>	<u>\$ 1,041</u>	<u>\$ 110</u>

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Revenues

- Due to increased bookings in 2018, TLCCVB event income increased by \$74,227 and food, beverage and novelty sales income increased by \$212,777.
- Parking income for the TLCCVB decreased by \$35,376 in 2018.
- Ticketing and sponsorship income decreased by \$93,240 in 2018.

### Operating Expenses

- Utilities increased for the TLCCVB by \$36,648 in 2018.
- Payroll and fringe benefits increased for the TLCCVB by \$207,971.
- Convention and Tourism costs for DT increased by \$12,150 due to efforts by DT to focus on advertising deemed effective and website design.
- Contracted services increased by \$15,160 due to increased security at events.

### Lucas County Revenues

TLCCVB receives lodging taxes from the County to fund operations and capital improvements. The amount of subsidies received by the TLCCVB was \$1,975,567 and by DT was \$1,367,287 for the year ended December 31, 2018. These amounts are reported as nonoperating revenue and capital contributions.

### Capital Assets

At the end of 2018, the TLCCVB had \$4,677,983 (net of accumulated depreciation) invested in capital assets. Current year depreciation expense was \$555,936. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method, based upon estimated useful lives of the assets. See Note 5 for additional information.

### Economic Factors

Economic factors have started to improve in the convention and travel industry nationwide. This is true in Toledo/Lucas County as well. Convention attendance, as well as bookings increased during this period of time. Bookings increased in 2018 and we are optimistic that they will be at the same level or increase in 2019. The good news was that over the past several years the hotel/motel market and booking began to improve. The operations of the Arena continue to be strong as well as are ticket sales for the events. The Convention Center has seen an increase in attendance at all types of events and bookings.

### **Contacting the Organization's Financial Management**

This financial report is designed to provide a general overview of the Organization's finance for all interested parties. Questions and requests for additional information regarding this report should be addressed to the Finance Director, Toledo Lucas County Convention and Visitor's Bureau, Inc., 401 Jefferson Avenue, Toledo, Ohio 43604.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 8,362,364
Receivables:	
Trade	851,814
Sponsorship	505,778
Prepaid expenses	72,053
<b>Total current assets</b>	<u>9,792,009</u>
<b>Noncurrent assets</b>	
Capital assets:	
Parking rights	1,175,000
Construction in progress	360,600
Depreciable capital assets, net	3,142,383
<b>Total capital assets</b>	<u>4,677,983</u>
<b>Total assets</b>	<u>14,469,992</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable - trade	746,341
Accrued payroll and payroll taxes	311,393
Accrued real estate taxes and special assessments	88,441
Other accrued liabilities	265
Advance ticket sales	2,696,944
Unearned revenue	1,632,580
Security deposits	85,805
<b>Total liabilities</b>	<u>5,561,769</u>
<b>NET POSITION</b>	
<b>Net position</b>	
Investment in capital assets	4,677,983
Restricted for capital improvements	923,973
Unrestricted	3,306,267
<b>Total net position</b>	<u>\$ 8,908,223</u>

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

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.**  
**A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2018**

<b>Operating revenues</b>	
Event revenue (net of expenses)	\$ 256,475
Other ticketing and sponsorship revenue	746,386
Parking (net of expenses)	746,416
Food and beverage / novelty sales	1,208,991
Membership dues	73,520
Other event related	1,302,936
	<hr/>
<b>Total operating revenues</b>	<b>4,334,724</b>
	<hr/>
<b>Operating expenses</b>	
Payroll and benefits	2,696,122
Utilities	657,080
General and administrative	288,827
Contracted services	329,018
Miscellaneous	206,899
Operating	36,750
Insurance	187,214
SMG management fees	493,832
Repairs and maintenance	303,896
Real estate taxes and special assessments	96,012
Operational supplies	96,413
Membership expenses	8,525
Convention/Tourism/Community expenses	571,078
	<hr/>
<b>Total operating expenses</b>	<b>5,971,666</b>
	<hr/>
<b>Operating loss before depreciation and amortization</b>	<b>(1,636,942)</b>
Depreciation and amortization	555,936
	<hr/>
<b>Operating loss</b>	<b>(2,192,878)</b>
	<hr/>
<b>Nonoperating revenues (expenses)</b>	
Lucas County	2,792,854
Interest income	1,015
	<hr/>
<b>Net nonoperating (expenses)</b>	<b>2,793,869</b>
Capital contributions	550,000
	<hr/>
<b>Change in net position</b>	<b>1,150,991</b>
Net position, beginning of year	7,757,232
	<hr/>
<b>Net position, end of year</b>	<b>\$ 8,908,223</b>
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The accompanying notes are an integral part of these financial statements.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 3,863,690
Cash payments to suppliers for goods and services	(3,139,893)
Cash payments to employees for services	<u>(2,719,686)</u>
<b>Net cash flows used in operating activities</b>	<u><b>(1,995,889)</b></u>
<b>Cash flows from noncapital activities</b>	
Lucas County contributions	<u>2,792,854</u>
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(925,360)
Capital contributions	<u>550,000</u>
<b>Net cash flows used in capital and related financing activities</b>	<u><b>(375,360)</b></u>
<b>Cash flows provided by investing activities</b>	
Interest received	<u>1,015</u>
<b>Increase in cash and cash equivalents</b>	<b>422,620</b>
<b>Cash and cash equivalents, beginning of year</b>	<u><b>7,939,744</b></u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 8,362,364</b></u>
<b>Cash flows from operating activities</b>	
Operating loss	\$ (2,192,878)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation and amortization	555,936
Changes in operating assets and liabilities which used by cash:	
Accounts receivable	(114,329)
Sponsorship receivable	(91,056)
Other assets	(8,562)
Other accrued liabilities	(77)
Accrued real estate taxes	(7,068)
Accounts payable	151,358
Accrued payroll and payroll taxes	(23,564)
Unearned revenue	(294,110)
Security deposits	<u>28,461</u>
<b>Net cash flows used in operating activities</b>	<u><b>\$ (1,995,889)</b></u>

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

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### 1. DESCRIPTION OF THE REPORTING ENTITY

The Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), operates the SeaGate Centre (a convention center) and Huntington Center (an arena) in the City of Toledo, Ohio. The accompanying financial statements report all of the accounts of the SeaGate Centre and Huntington Center. The reporting entity is comprised of the TLCCVB, and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization"), which was established to encourage and promote the utilization of convention, restaurant, hotel, motel and entertainment facilities in Toledo, Ohio, and the surrounding areas. Upon the dissolution of DT, any remaining assets after payment of all obligations will be distributed to the TLCCVB. The Huntington Center is an 8,000 plus seat multi-purpose arena owned by the County which opened October 2009. TLCCVB and DT are supported primarily through event revenues, private contributions, and County subsidies.

For financial reporting purposes, the TLCCVB is a component unit of Lucas County as the County appoints the TLCCVB's Board of Trustees and the County is financially accountable for, and provides significant subsidies to, the TLCCVB and its component unit, DT.

The TLCCVB is affiliated with DT by virtue of being the sole member of DT, as provided under DT's code of regulations. Consequently, TLCCVB has controlling interest in DT, and is responsible for appointing and removing DT's Board of Trustees.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. Based on this criteria, TLCCVB is determined to be a component unit of Lucas County and DT is determined to be a component unit of TLCCVB.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in single enterprise funds.

Enterprise funds are used to account for the costs of providing goods and services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government intends to fully recover the cost of the goods or services provided.

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

■ NOTES TO FINANCIAL STATEMENTS

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Organization are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenue) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Organization finances and meets the cash flow needs of its enterprise activity.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash is held at one financial institution.

E. Accounts Receivable - Trade

A reserve for uncollectible accounts is determined based on prior history and individual account status. An account is delinquent at 30 days past due. The Organization does not accrue interest on past due accounts.

F. Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Contributed assets are stated at fair value at the time of contribution. The Organization maintains a capitalization threshold of five thousand dollars.

Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets.

Intangible assets with an indefinite life are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset should be tested for impairment because a change in the expected duration of use of the asset has occurred.

G. Revenues

Operating revenues are those revenues generated directly from the Organization's primary business activities. These revenues include Organization's portion of the County's hotel/lodging tax, event revenue, food and beverage, and sponsorships. The amount of hotel/lodging tax received by the Organization from the County was \$2,792,854 for the year ended December 31, 2018.

H. Compensated Absences

The Organization follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued if it is probable that the employee will be compensated through cash payment upon termination of employment.

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

NOTES TO FINANCIAL STATEMENTS

I. Unearned Revenue

Income from suite rentals received in advance is recognized over the term of the lease agreement. Preferred seating rights are recognized over the term of the agreement. Sponsorship income received in advance is recognized over the term of the agreement. These revenues are recognized monthly over the term of their agreements using the straight-line method. Capital contributions from the food and beverage manager and facilities management company are recognized over the period when the scheduled events take place. Other unearned revenue for DT consists of membership dues which are recognized over the period to which the dues relate.

J. Income Taxes

TLCCVB and DT are both incorporated under the laws of the State of Ohio as not-for-profit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined TLCCVB and DT to be exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(6), respectively, of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose may be subject to taxation as unrelated business income. TLCCVB and DT believe that they have no liability for unrelated business income and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

K. Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Items are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position for the Organization as of December 31, 2018 is \$923,973, which consists of capital contributions from management agreements to be spent on future capital improvements.

The Board of Trustees (the "Board") of Organization has designated unrestricted net position aggregating for capital improvements and expansions. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board. Unrestricted net position at December 31, 2018 for the Organization is \$3,306,267.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### 3. CASH AND INVESTMENTS

#### Deposits

Protection of the Organization's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC"), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. As a non-profit organization, there are no Ohio Revised Code statutory requirements regarding the investment of funds held by the Organization.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Organization will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2018, the carrying amount of the Organization's deposits were \$8,362,364. At year-end, none of the Organization's bank balance of \$8,587,037 was exposed to custodial credit risk because they were uninsured and collateralized by the financial institution's collateral pool.

Demand notes are collateralized at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporation. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

#### Investments

In accordance with the investment policy of the organization, authorized investments include: zero coupon treasury notes, zero coupon corporate bonds, certificates of deposit, sweep accounts and FDIC insured savings accounts with maturities less than one year. The Organization had no investments as of December 31, 2018.

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

NOTES TO FINANCIAL STATEMENTS

4. PARKING RIGHTS

During 2007, the Organization purchased the rights to a portion of the parking spaces in the SeaGate Centre Parking Garage for \$1,175,000. The parking rights purchased were recorded as a capital asset in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes standards of accounting and financial reporting for intangible assets. As these rights have an indefinite life, they are not amortized.

5. CAPITAL ASSETS AND DEPRECIATION

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

TLCCVB	Balance at January 1, 2018	Additions	Dispositions	Balance at December 31, 2018
Nondepreciable capital assets				
Parking rights	\$ 1,175,000	\$ -	\$ -	\$ 1,175,000
Construction in progress	-	360,600	-	360,600
Total nondepreciable assets	<u>1,175,000</u>	<u>360,600</u>	<u>-</u>	<u>1,535,600</u>
Depreciable capital assets				
Building improvements	3,739,112	354,129	-	4,093,241
Leasehold improvements	8,471	-	-	8,471
Furniture and fixtures	801,658	43,120	-	844,778
Machinery and equipment	751,837	27,725	-	779,562
Computer equipment	352,593	95,900	-	448,493
Other capital assets	<u>2,683</u>	<u>43,886</u>	<u>-</u>	<u>46,569</u>
Total depreciable assets	<u>5,656,354</u>	<u>564,760</u>	<u>-</u>	<u>6,221,114</u>
Accumulated depreciation:				
Building improvements	1,521,425	273,213	-	1,794,638
Leasehold improvements	5,082	1,694	-	6,776
Furniture and fixtures	497,306	89,233	-	586,539
Machinery and equipment	386,505	121,608	-	508,113
Computer equipment	109,794	66,165	-	175,959
Other capital assets	<u>2,683</u>	<u>4,023</u>	<u>-</u>	<u>6,706</u>
Total accumulated depreciation	<u>2,522,795</u>	<u>555,936</u>	<u>-</u>	<u>3,078,731</u>
Capital assets being depreciated, net	<u>3,133,559</u>	<u>369,424</u>	<u>-</u>	<u>3,142,383</u>
Capital assets, net	<u>\$ 4,308,559</u>	<u>\$ 369,424</u>	<u>\$ -</u>	<u>\$ 4,677,983</u>
Depreciation expense charged to operating activities		<u>\$ 555,936</u>		

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### 6. RELATED PARTY TRANSACTIONS

TLCCVB, under an operating lease agreement, leases the convention center and arena from the Lucas County Commissioners for a nominal annual fee. The agreement commenced on February 1, 2009 and extends through January 31, 2039.

TLCCVB retains a law firm of which a partner is a trustee of the TLCCVB. The TLCCVB incurred fees from this firm amounting to \$31,025 for 2018.

DT reimburses TLCCVB for various personnel and administrative services provided. Total reimbursements for the year ended December 31, 2018 were approximately \$29,520.

DT leases office space from TLCCVB on a month-to-month basis for \$750 per month. Total rental expense under the month-to-month lease was \$9,000 for 2018.

TLCCVB and DT receive operating revenues in the form of lodging tax collections from Lucas County. Amounts received from the County by TLCCVB and DT during 2018 was \$1,425,567 and \$1,367,287, respectively. TLCCVB also received \$550,000 in capital contributions from the County.

### 7. RETIREMENT AND OTHER BENEFIT PLANS

TLCCVB has a retirement and savings plan for hourly and salaried employees under the SMG retirement and savings plan, which is administered by Fidelity. Contributions by TLCCVB are discretionary based on employees' deferral contribution on an annual basis. Employer contributions to the plan were \$21,343 in 2018. DT has a defined contribution retirement plan for eligible employees, created under the authority of a resolution of the governing board. DT employee plan is administered by John Hancock Retirement Plan Services. Under the provisions of the DT 401(k) plan, DT contributes an amount equal to 4% of its employees' gross salaries. In addition, DT makes matching contributions at a rate of 75% of employee contributions up to a maximum of 1% of an employee's gross salary. Employer contributions to the plans were \$37,704 for 2018.

TLCCVB participates in an industry-wide, defined contribution, multi-employer pension plan for its union stage employees that provides for pension benefits. Contributions are based on 10% of gross wages earned. Pension expense under the plan amounted to \$28,523. As of the date of this report, management is not aware of any unfunded pension expense or withdrawal liability.

### 8. INSURANCE

The Organization maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage from the prior year and settled claims were not in excess of coverage in any of the past three years. The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and injuries to employees.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

The Organization also maintains Directors' and Officers' liability insurance with an aggregate limit of insurance of \$2,000,000.

### 9. MANAGEMENT AGREEMENTS

TLCCVB entered into management agreements with SMG during 2007 and 2009 to manage its facilities. The agreements were originally amended and consolidated on January 1, 2013 and expired on December 31, 2017 with an option for TLCCVB to extend for an additional five-year term. The agreements were amended and the extension was approved on December 13, 2016 and will expire December 31, 2022. The management agreement provides for a current annual fixed fee of approximately \$255,317, with additional compensation based on achieving predetermined revenue goals. Total fees paid to SMG were \$493,832 for 2018.

TLCCVB entered into a management agreement late in 2001, renewed in 2012, with the Board of Lucas County Commissioners to manage the County owned parking lots for an annual fee that increases by the preceding years Consumer Price Index through 2021, with the fee to be received by March 1. The fee is being paid to TLCCVB to cover all costs including labor, repair and maintenance, taxes and utilities of the lots. Management income for 2018 was \$100,881 and is included in parking revenue.

The parking receipts from these lots are to replace the receipts from the lots lost resulting from the construction of a new ballpark. Stated in the agreement is a clause that if net parking receipts are less than \$50,000 annually, then the owner will pay the balance up to \$50,000 to TLCCVB. Conversely, if net parking receipts exceed \$50,000, the first \$15,000 will be kept by the manager for a restricted capital reserve account for the lots. Any excess over the \$15,000 will be allocated 75% to TLCCVB and 25% to the owner. Net parking receipts to the Organization for 2018 under the above arrangement were \$99,005.

TLCCVB has entered into an agreement with AVI Foodsystems, Inc. ("AVI") to manage its food and beverage operations. The agreement expires June 30, 2019. Under this agreement, AVI retains the proceeds of food and beverage sales at TLCCVB facilities and pays TLCCVB a guaranteed annual amount and additional compensation if facility sales exceed certain target amounts. If facility food and beverage sales exceed certain targets, TLCCVB may be obligated to pay an incentive management fees to AVI. TLCCVB received approximately \$2,467,447 under this agreement in 2018. The total management fee, including incentive, paid to AVI during 2018 under this agreement was \$308,856.

### 10. CONTINGENCIES

In connection with the consolidation and amendment of the management agreement with SMG in 2013, SMG made a capital contribution to TLCCVB in the amount of \$400,000 and an additional \$300,000 in 2016 at the contract renewal to be used to fund mutually agreed-upon projects at the arena and convention center. The remaining unspent amount as of December 31, 2018 of \$555,751 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of the TLCCVB's management agreement with SMG, the TLCCVB may be required to re-pay certain amounts of the contribution to SMG.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**■ NOTES TO FINANCIAL STATEMENTS**

In connection with the management agreement with AVI, AVI made a capital contribution to TLCCVB in the amount of \$500,000 to be used to acquire certain fixtures and equipment and fund mutually agreed-upon projects at the arena and convention center. The unspent amount as of December 31, 2018 of \$33,178 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of TLCCVB's management agreement with AVI, TLCCVB may be required to re-pay certain amounts of the contribution to AVI.

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**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**COMBINING SCHEDULE OF TLCCVB NET POSITION  
DECEMBER 31, 2018**

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 6,309,838	\$ 1,793,523	\$ -	\$ 259,003	\$ 8,362,364
Accounts receivable trade	765,222	165,822	(87,987)	8,757	851,814
Sponsorship receivable	505,778	-	-	-	505,778
Prepaid expenses	28,084	43,969	-	-	72,053
<b>Total current assets</b>	<b>7,608,922</b>	<b>2,003,314</b>	<b>(87,987)</b>	<b>267,760</b>	<b>9,792,009</b>
<b>Noncurrent assets</b>					
<b>Capital assets:</b>					
Parking rights	-	1,175,000	-	-	1,175,000
Construction in progress	360,600	-	-	-	360,600
Capital assets, net	568,319	2,569,864	-	4,200	3,142,383
<b>Total capital assets</b>	<b>928,919</b>	<b>3,744,864</b>	<b>-</b>	<b>4,200</b>	<b>4,677,983</b>
<b>Total assets</b>	<b>8,537,841</b>	<b>5,748,178</b>	<b>(87,987)</b>	<b>271,960</b>	<b>14,469,992</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable - trade	646,127	158,248	(87,987)	29,953	746,341
Accrued payroll and payroll taxes	133,967	167,109	-	10,317	311,393
Accrued real estate taxes and special assessments	-	88,441	-	-	88,441
Other accrued liabilities	55	210	-	-	265
Advance ticket sales	2,667,916	29,028	-	-	2,696,944
Unearned income	938,938	664,294	-	29,348	1,632,580
Security deposits	33,061	52,744	-	-	85,805
<b>Total current liabilities</b>	<b>4,420,064</b>	<b>1,160,074</b>	<b>(87,987)</b>	<b>69,618</b>	<b>5,561,769</b>
<b>NET POSITION</b>					
<b>Net position</b>					
Net investment in capital assets	928,919	3,744,864	-	4,200	4,677,983
Restricted for capital improvements	923,973	-	-	-	923,973
Unrestricted	2,264,885	843,240	-	198,142	3,306,267
<b>Total net position</b>	<b>\$ 4,117,777</b>	<b>\$ 4,588,104</b>	<b>\$ -</b>	<b>\$ 202,342</b>	<b>\$ 8,908,223</b>

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**COMBINING SCHEDULE OF TLCCVB REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2018**

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>Operating revenues</b>					
Event revenue (net of expenses)	\$ (232,816)	\$ 489,291	\$ -	\$ -	\$ 256,475
Other ticketing and sponsorship revenue	664,767	51,694	-	29,925	746,386
Parking (net of expenses)	-	746,416	-	-	746,416
Food and beverage / novelty sales	927,086	281,905	-	-	1,208,991
Membership dues	-	-	-	73,520	73,520
Other event related	1,239,704	63,232	-	-	1,302,936
<b>Total Operating Revenues</b>	<b>2,598,741</b>	<b>1,632,538</b>	<b>-</b>	<b>103,445</b>	<b>4,334,724</b>
<b>Operating expenses</b>					
Payroll and benefits	980,791	1,089,785	-	625,546	2,696,122
Utilities	336,957	319,402	-	721	657,080
General and administrative	99,706	86,206	-	102,915	288,827
Contracted services	119,037	164,084	-	45,897	329,018
Miscellaneous	200,139	153	-	6,607	206,899
Operating	15,434	21,316	-	-	36,750
Insurance	102,200	81,936	-	3,078	187,214
SMG management fees	342,612	151,220	-	-	493,832
Repairs and maintenance	173,677	121,136	-	9,083	303,896
Real estate taxes and special assessments	-	96,012	-	-	96,012
Operational supplies	61,740	34,673	-	-	96,413
Membership expenses	-	-	-	8,525	8,525
Convention/Tourism/Community expenses	-	-	-	571,078	571,078
<b>Total operating expenses</b>	<b>2,432,293</b>	<b>2,165,923</b>	<b>-</b>	<b>1,373,450</b>	<b>5,971,666</b>
<b>Operating income (loss) before depreciation and amortization</b>	<b>166,448</b>	<b>(533,385)</b>	<b>-</b>	<b>(1,270,005)</b>	<b>(1,636,942)</b>
Depreciation and amortization	88,845	464,188	-	2,903	555,936
<b>Operating income (loss)</b>	<b>77,603</b>	<b>(997,573)</b>	<b>-</b>	<b>(1,272,908)</b>	<b>(2,192,878)</b>
<b>Nonoperating revenues (expenses)</b>					
Lucas County	588,600	836,967	-	1,367,287	2,792,854
Interest income	65	950	-	-	1,015
<b>Net nonoperating (expenses)</b>	<b>588,665</b>	<b>837,917</b>	<b>-</b>	<b>1,367,287</b>	<b>2,793,869</b>
Capital contributions	100,000	450,000	-	-	550,000
<b>Change in net position</b>	<b>766,268</b>	<b>290,344</b>	<b>-</b>	<b>94,379</b>	<b>1,150,991</b>
Net position, beginning of year	3,351,509	4,297,760	-	107,963	7,757,232
<b>Net position, ending of year</b>	<b>\$ 4,117,777</b>	<b>\$ 4,588,104</b>	<b>\$ -</b>	<b>\$ 202,342</b>	<b>\$ 8,908,223</b>

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

COMBINING SCHEDULE OF TLCCVB CASH FLOWS  
YEAR ENDED DECEMBER 31, 2018

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>Cash flows from operating activities</b>					
Cash received from customers	\$ 2,095,571	\$ 1,724,557	\$ (87,987)	\$ 131,549	\$ 3,863,690
Cash payments to suppliers for goods and services	(1,400,298)	(1,048,012)	87,987	(779,570)	(3,139,893)
Cash payments to employees for services	(978,477)	(1,083,470)	-	(657,739)	(2,719,686)
<b>Net cash used in operating activities</b>	<b>(283,204)</b>	<b>(406,925)</b>	<b>-</b>	<b>(1,305,760)</b>	<b>(1,995,889)</b>
<b>Cash flows from noncapital financing activities</b>					
Lucas County contributions	588,600	836,967	-	1,367,287	2,792,854
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(418,691)	(505,534)	-	(1,135)	(925,360)
Capital contributions	100,000	450,000	-	-	550,000
<b>Net cash used in capital and related financing activities</b>	<b>(318,691)</b>	<b>(55,534)</b>	<b>-</b>	<b>(1,135)</b>	<b>(375,360)</b>
<b>Cash flows provided by investing activities</b>					
Interest received	65	950	-	-	1,015
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(13,230)</b>	<b>375,458</b>	<b>-</b>	<b>60,392</b>	<b>422,620</b>
Cash and cash equivalents, beginning of year	6,323,068	1,418,065	-	198,611	7,939,744
<b>Cash and cash equivalents, ending of year</b>	<b>\$ 6,309,838</b>	<b>\$ 1,793,523</b>	<b>\$ -</b>	<b>\$ 259,003</b>	<b>\$ 8,362,364</b>
<b>Cash flows from operating activities</b>					
Operating income (loss)	\$ 77,603	\$ (997,573)	\$ -	\$ (1,272,908)	\$ (2,192,878)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation and amortization	88,845	464,188	-	2,903	555,936
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	(142,455)	86,269	(87,987)	29,844	(114,329)
Sponsorship receivable	(91,056)	-	-	-	(91,056)
Other assets	(4,216)	(4,346)	-	-	(8,562)
Other accrued liabilities	(78)	1	-	-	(77)
Accrued real estate taxes	-	(7,068)	-	-	(7,068)
Accounts payable	55,498	39,539	87,987	(31,666)	151,358
Accrued payroll and payroll taxes	2,314	6,315	-	(32,193)	(23,564)
Unearned revenue	(289,051)	(3,319)	-	(1,740)	(294,110)
Security Deposits	19,392	9,069	-	-	28,461
<b>Net cash used in operating activities</b>	<b>\$ (283,204)</b>	<b>\$ (406,925)</b>	<b>\$ -</b>	<b>\$ (1,305,760)</b>	<b>\$ (1,995,889)</b>

**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*****INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
Toledo, Ohio:

We have audited, in accordance with the 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, the financial statements of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated April 11, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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 Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Toledo, Ohio  
April 11, 2019



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# OHIO AUDITOR OF STATE KEITH FABER



**TOLEDO – LUCAS – COUNTY CONVENTION AND VISITORS BUREAU, INC.**

**LUCAS 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 9, 2019**