

Financial Statements
and
Independent Auditors' Report

**VISITORS AND CONVENTION BUREAU
ERIE COUNTY**

September 30, 2003



**Auditor of State
Betty Montgomery**

Board of Trustees
Sandusky-Erie County Convention and Visitor's Bureau
4424 Milan Road #A
Sandusky, Ohio 44870-5838

We have reviewed the Independent Auditor's Report of the Sandusky-Erie County Convention and Visitor's Bureau, Erie County, prepared by Kraus Hanck & Co., CPA's, for the audit period October 1, 2002 to September 30, 2003. 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 Sandusky-Erie County Convention and Visitor's Bureau is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 11, 2003

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Visitors and Convention Bureau – Erie County

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November 4, 2003

INDEPENDENT AUDITORS' REPORT

Visitors and Convention Bureau

– **Erie County**

4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the accompanying statement of financial position of the **Visitors and Convention Bureau – Erie County** (an Ohio nonprofit corporation), as of and for the years ended September 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the **Bureau's** management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Visitors and Convention Bureau – Erie County** as of September 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2003 on our consideration of the **Bureau's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of expressing an opinion on the basic financial statements taken as a whole. The Schedule of Allocated Program and Supporting Services Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 September 30, 2003 and 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Memo 2003</u>	<u>2002</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ - 0 -	\$ 38,644	\$ 38,644	\$ 230,919
Investment in mutual funds	499	- 0 -	499	409
Intergovernmental receivable	30,590	- 0 -	30,590	28,803
Accounts receivable–net of allowance for doubtful accounts of \$2,112 and \$2,112	37,858	- 0 -	37,858	19,681
Interclass receivable (payable)	(6,398)	6,398	- 0 -	- 0 -
Prepaid expenses	<u>10,036</u>	<u>- 0 -</u>	<u>10,036</u>	<u>8,196</u>
Total Current Assets	72,585	45,042	117,627	288,008
Deposits	303	- 0 -	303	303
Property and equipment – net	<u>39,739</u>	<u>- 0 -</u>	<u>39,739</u>	<u>48,085</u>
Total Assets	<u>112,627</u>	<u>45,042</u>	<u>157,669</u>	<u>336,396</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 22,489	\$ - 0 -	\$ 22,489	\$ 41,721
Salaries and wages payable	4,377	- 0 -	4,377	3,726
Payroll taxes, including employee withholding	3,766	- 0 -	3,766	3,964
Deferred revenue – advance advertising sales	<u>11,196</u>	<u>- 0 -</u>	<u>11,196</u>	<u>18,391</u>
Total Current Liabilities	41,828	- 0 -	41,828	67,802
Net Assets				
Unrestricted Net Assets	70,799	- 0 -	70,799	217,103
Temporarily Restricted Net Assets	<u>- 0 -</u>	<u>45,042</u>	<u>45,042</u>	<u>51,491</u>
Total Net Assets	<u>70,799</u>	<u>45,042</u>	<u>115,841</u>	<u>268,594</u>
Total Liabilities and Net Assets	<u>112,627</u>	<u>45,042</u>	<u>157,669</u>	<u>336,396</u>

See accompanying notes to the financial statements.

STATEMENTS OF ACTIVITIES
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 For the Years Ended September 30, 2003 and 2002

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total Memo</u>	
			<u>2003</u>	<u>2002</u>
Unrestricted Public Support & Revenue				
Erie County funding	\$ 718,239	\$ 100,000	\$ 818,239	\$ 803,650
Advertising revenue	273,216	- 0 -	273,216	251,562
Investment return	2,113	- 0 -	2,113	6,048
Other revenues	- 0 -	- 0 -	- 0 -	2,757
Satisfaction of Restrictions	<u>106,449</u>	(<u>106,449</u>)	<u>- 0 -</u>	<u>- 0 -</u>
 Total Unrestricted Support & Revenue	 1,100,017	 (6,449)	 1,093,568	 1,064,017
 Expenses and Losses				
Programs				
Travel and tourism promotion	1,060,428	- 0 -	1,060,428	1,013,010
Supporting services	<u>185,893</u>	<u>- 0 -</u>	<u>185,893</u>	<u>188,255</u>
 Total Expenses and Losses	 <u>1,246,321</u>	 <u>- 0 -</u>	 <u>1,246,321</u>	 <u>1,201,265</u>
 Change in net assets	 (146,304)	 (6,449)	 (152,753)	 (137,248)
 Net assets, beginning of year	 <u>217,103</u>	 <u>51,491</u>	 <u>268,594</u>	 <u>405,842</u>
 Net assets, end of year	 <u>70,799</u>	 <u>45,042</u>	 <u>115,841</u>	 <u>268,594</u>

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 For the Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$(152,753)	\$(137,248)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	14,026	13,824
Loss (gain) on sale of assets	75	- 0 -
Unrealized (gain) loss on investments	(87)	63
Increase (decrease) in allowance for doubtful accounts	- 0 -	(3,649)
(Increase) decrease in accounts receivable	(18,177)	(5,126)
(Increase) decrease in prepaid expenses	(1,840)	(2,447)
(Increase) decrease in Erie County funding receivable	(1,787)	179,541
Increase (decrease) in accounts payable	(19,232)	37,081
Increase (decrease) in accrued salaries and wages	651	553
Increase (decrease) in accrued payroll taxes	(198)	(137)
Increase (decrease) in deferred revenue	(<u>7,195</u>)	(<u>11,674</u>)
Net cash provided (used) by operating activities	(<u>186,517</u>)	(<u>70,781</u>)
<u>Cash Flows from Investing Activities:</u>		
Purchase of equipment	(5,755)	(3,913)
Net investing proceeds from (increase) decrease in mutual funds investment	(<u>3</u>)	(<u>3,008</u>)
Net cash used in investing activities	(<u>5,758</u>)	(<u>905</u>)
<u>Cash Flows from Financing Activities:</u>	<u>None</u>	<u>None</u>
Net increase (decrease) in cash and cash equivalents	(192,275)	69,876
Cash and cash equivalents, beginning of year	<u>230,919</u>	<u>161,043</u>
Cash and cash equivalents, end of year	<u>38,644</u>	<u>230,919</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The **Visitors and Convention Bureau – Erie County** (the **Bureau**) was formed in 1985 as an Ohio not-for-profit corporation. Its stated purposes are to encourage economic development of Erie County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational means, travel to and visitation in Erie County, Ohio by nonresidents, for pleasure, business and other purposes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The **Bureau** currently follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the **Bureau** is required to report information regarding its financial position and activities according to three classes of assets: unrestricted net assets, temporarily restricted net assets and restricted net assets. In addition, the **Bureau** is required to present a statement of cash flows.

Accordingly, net assets of the **Bureau** and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the **Bureau** or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently. Currently the **Bureau** has no permanently restricted net assets.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The **Bureau** also follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Major expenditures and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are charged to operations when incurred. When property is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss in support, revenue, gains, or expenses. Once placed in service, depreciable assets are depreciated over their estimated useful lives using the straight-line method.

Tax-exempt Status

The **Bureau** is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6) and therefore has made no provision for Federal income taxes. In addition, the **Bureau** has been determined by the Internal Revenue Service not to be a “private foundation” and is treated as a publicly supported foundation.

Deferred Revenue

Income from advance advertising sales is deferred and recognized during the period in which the advertising publication is released.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the **Bureau** considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

See independent auditors’ report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Investments

The **Bureau** carries investments in mutual funds at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Comparative Data

The financial information included for the year ended September 30, 2002 is presented in total but not by function. This information is presented for comparative purposes and is not intended to be a complete financial presentation. Accordingly, such information should be read in conjunction with the September 30, 2002 financial statements from which this information was derived.

NOTE 2 – RESTRICTIONS ON ASSETS

The **Bureau** reports contributions of cash or other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a temporary donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of restrictions.

Temporarily restricted net assets at September 30, 2003 and 2002 are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Promoting Local Arts & Cultural Institutions	\$ 45,042	\$ 51,491

NOTE 3 – PROPERTY AND EQUIPMENT

As of September 30, 2003 and 2002, property and equipment consisted of:

	<u>2003</u>	<u>2002</u>
Furniture and fixtures	\$ 50,235	\$ 63,667
Leasehold improvements	21,937	21,937
Vehicles	<u>24,854</u>	<u>24,854</u>
Total	97,026	110,458
Less: Accumulated depreciation	<u>57,287</u>	<u>62,373</u>
Net Property and Equipment	<u>39,739</u>	<u>48,085</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
 September 30, 2003

NOTE 4 – OPERATING LEASES

The **Bureau** leases office equipment under a noncancellable operating lease with a term in excess of one year. Total rent expense under all equipment leases for the years ended September 30, 2003 and 2002 was \$6,842 and \$6,642, respectively. Future minimum office equipment lease payments for the next five years and in the aggregate are as follows:

2004	\$ 4,877
2005	406
2006	- 0 -
2007	- 0 -
2008	<u>- 0 -</u>
Total	<u>5,283</u>

The **Bureau** leases its facility under a ten-year noncancellable operating lease that expires in 2008. The lease provides for rent, payable monthly, at an amount adjusted annually for changes in the consumer price index. The lease also requires the **Bureau** to pay a portion of common building costs. The lease agreement grants the **Bureau** three options to renew the lease for additional five-year terms. Total building rent expense for the years ended September 30, 2003 and 2002 was \$51,310 and \$47,720, respectively. Future minimum lease payments plus common building costs under this agreement are as follows:

2004	\$ 50,542
2005	50,542
2006	50,542
2007	50,542
2008	<u>33,694</u>
Total	<u>235,862</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2003

NOTE 5 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program services consist of travel and tourism. The **Bureau** encourages and stimulates interest in Erie County, Ohio through advertisement and other educational and informational means. It fosters knowledge and facilitates participation in travel to Erie County through the publication and distribution of the **Bureau's** publication, *Buckeye North*.

Supporting services consist of general and management services. These services include the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the **Bureau's** program strategy through the Executive Director, secure proper administrative functioning of the Board of Directors and manage the financial and budgetary responsibility of the **Bureau**.

NOTE 6 – RETIREMENT PLAN

Employees of the **Bureau** who are reasonably expected to receive at least \$5,000 in compensation for the calendar year or who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year participate in a defined contribution retirement plan. The employees can elect to contribute and defer up to \$7,000 of their calendar year compensation. The **Bureau's** contributions are equal to 3% of calendar year compensation for each eligible employee. During the years ended September 30, 2003 and 2002, the **Bureau's** contribution to the plan totaled \$1,231 and \$3,976, respectively.

NOTE 7 – RELATED PARTY TRANSACTIONS

Several of the **Bureau's** Trustees are related to companies that collect a portion of the bed tax that supports the **Bureau**. These same companies purchase advertising services from the **Bureau** and benefit from other promotional activities of the **Bureau**.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
September 30, 2003

NOTE 8 – SUPPORT AND REVENUE

The **Bureau** receives the majority of its support and revenue from two sources. The **Bureau** has an agreement with the Board of County Commissioners of Erie County, Ohio, whereas the **Bureau** is the sole recipient of a 1% County hotel lodging excise tax. The **Bureau** also receives a portion of a second 1% hotel lodging excise tax. For the years ended September 30, 2003 and 2002, the amount of support from this tax was \$818,239 and \$803,650, representing 75% of the **Bureau's** total support and revenue of these amounts \$100,000 was received from the second 1% tax for each year. The **Bureau** also receives a substantial amount of its revenue from advertisement sales for the publication, *Buckeye North*. For the years ended September 30, 2003 and 2002, the amount of revenue received from advertisement sales was \$178,216 and \$171,562, representing 16% of the **Bureau's** total support and revenue.

NOTE 9 – OTHER INFORMATION

During November 1996, the Board of County Commissioners of Erie County authorized an additional 1% countywide lodging excise tax to be used to defray the local share debt of approximately \$4,300,000, plus interest, needed for the U. S. Route 250 Project. This additional tax will be in effect until such time as the local share debt, plus interest, is repaid by the County to the State of Ohio, Department of Transportation. The **Bureau** has agreed to act as a conduit in order that the additional tax may be used for this purpose. The **Bureau's** responsibility in this arrangement is to remit the additional 1% tax to the County in order for them to pay the local share debt of this project. The **Bureau** is not indebted for this project and this arrangement is not expected to affect the normal operations of the **Bureau**.

See independent auditors' report.

SCHEDULE OF ALLOCATED PROGRAM AND SUPPORTING SERVICES EXPENSE
VISITORS AND CONVENTION BUREAU – ERIE COUNTY
For the Year Ended September 30, 2003

	<u>Program Services</u>	<u>Supporting Services</u>	<u>2003 Total</u>	<u>2002 Total</u>
Printing and publications	\$ 249,665	\$ - 0 -	\$ 249,665	\$ 217,280
Salaries and wages	135,114	42,846	177,960	181,778
Advertising and promotions	581,228	- 0 -	581,228	531,065
Postage and shipping	58,542	6,504	65,046	95,600
Payroll taxes	12,910	1,845	14,755	14,930
Office supplies and expense	6,567	- 0 -	6,567	7,483
Employee benefits	11,794	1,685	13,479	13,933
Bad debt expense	- 0 -	- 0 -	- 0 -	3,738
Equipment rent and maintenance	4,608	9,216	13,824	14,012
Telephone	- 0 -	23,301	23,301	19,329
Depreciation	- 0 -	14,026	14,026	14,072
Occupancy	- 0 -	57,691	57,691	53,935
Professional fees	- 0 -	6,191	6,191	8,331
Seminars and meetings	- 0 -	11,057	11,057	11,507
General insurance	- 0 -	4,243	4,243	3,889
Dues and subscriptions	- 0 -	3,724	3,724	3,703
Travel expenses	- 0 -	3,255	3,255	3,045
Equipment	- 0 -	309	309	2,396
Interest	- 0 -	- 0 -	- 0 -	103
Miscellaneous	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>1,136</u>
 Total Expenses	 <u>1,060,428</u>	 <u>185,893</u>	 <u>1,246,321</u>	 <u>1,201,265</u>

See independent auditors' report.

KRAUS, HANCK & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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November 4, 2003

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

Visitors and Convention Bureau

– Erie County

4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the financial statements of the **Visitors and Convention Bureau – Erie County** (an Ohio nonprofit corporation) as of and for the years ended September 30, 2003 and 2002, and issued our report thereon dated November 4, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the **Bureau's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Bureau's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants



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Betty Montgomery**

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SANDUSKY ERIE COUNTY CONVENTION AND VISITOR'S BUREAU

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2003**