

Financial Statements
and
Independent Auditors' Report

**ERIE COUNTY VISITORS AND
CONVENTION BUREAU, INC.**

September 30, 2006



Mary Taylor, CPA

Auditor of State

Board of Trustees
Erie County Visitors and Convention Bureau, Inc.
4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

We have reviewed the *Independent Auditors' Report* of the Erie County Visitors and Convention Bureau, Inc., prepared by Kraus, Hanck & Co., for the audit period October 1, 2005 through September 30, 2006. 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 Erie County Visitors and Convention Bureau, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 7, 2007

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Erie County Visitors and Convention Bureau, Inc.

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November 21, 2006

INDEPENDENT AUDITORS' REPORT

**Erie County Visitors and
Convention Bureau, Inc.**
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 **Erie County Visitors and Convention Bureau, Inc.** (an Ohio nonprofit corporation), as of September 30, 2006, and the related statements of activities and cash flows for the year 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 **Erie County Visitors and Convention Bureau, Inc.** as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2006 on our consideration of the **Bureau's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 internal control over financial reporting or on compliance. 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

STATEMENT OF FINANCIAL POSITION
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 September 30, 2006
 With Comparative Totals at September 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Memo</u>	
			<u>2006</u>	<u>2005</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 232,611	\$ 119,671	\$ 352,282	\$ 142,006
Investments	767	- 0 -	767	690
Intergovernmental receivable	- 0 -	- 0 -	- 0 -	24,270
Accounts receivable	96,392	- 0 -	96,392	64,307
Interclass receivable (payable)	- 0 -	- 0 -	- 0 -	- 0 -
Prepaid expenses	<u>4,450</u>	<u>- 0 -</u>	<u>4,450</u>	<u>75,688</u>
Total Current Assets	334,220	119,671	453,891	306,961
Deposits	297	- 0 -	297	297
Property and equipment – net	<u>29,534</u>	<u>- 0 -</u>	<u>29,534</u>	<u>37,054</u>
Total Assets	<u>364,051</u>	<u>119,671</u>	<u>483,722</u>	<u>344,312</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts payable	\$ 14,263	\$ - 0 -	\$ 14,263	\$ 120,935
Salaries and wages payable	7,481	- 0 -	7,481	6,739
Payroll taxes, including employee withholding	5,598	- 0 -	5,598	4,845
Deferred revenue	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Total Current Liabilities	27,342	- 0 -	27,342	132,519
Net Assets				
Unrestricted Net Assets	336,709	- 0 -	336,709	111,380
Temporarily Restricted Net Assets	<u>- 0 -</u>	<u>119,671</u>	<u>119,671</u>	<u>100,413</u>
Total Net Assets	<u>336,709</u>	<u>119,671</u>	<u>456,380</u>	<u>211,793</u>
Total Liabilities and Net Assets	<u>364,051</u>	<u>119,671</u>	<u>483,722</u>	<u>344,312</u>

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 For the Year Ended September 30, 2006
 With Comparative Totals for the Year Ended September 30, 2005

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total Memo</u>	
			2006	2005
Support & Revenue				
Erie County funding	\$ 943,282	\$ 1,378,250	\$ 2,321,532	\$ 2,842,087
Advertising revenue	418,331	- 0 -	418,331	373,008
Investment income	6,723	- 0 -	6,723	2,988
Gain (loss) on sale of assets	- 0 -	- 0 -	- 0 -	947
Other revenues	- 0 -	- 0 -	- 0 -	- 0 -
Satisfaction of Restrictions	<u>1,358,992</u>	<u>(1,358,992)</u>	<u>- 0 -</u>	<u>- 0 -</u>
 Total Support & Revenue	 2,727,328	 19,258	 2,746,586	 3,219,030
 Expenses				
Program services	2,298,540	- 0 -	2,298,540	2,928,340
Supporting services	<u>203,459</u>	<u>- 0 -</u>	<u>203,459</u>	<u>184,780</u>
 Total Expenses and Losses	 <u>2,501,999</u>	 <u>- 0 -</u>	 <u>2,501,999</u>	 <u>3,113,120</u>
 Change in net assets	 225,329	 19,258	 244,587	 105,910
 Net assets, beginning of year	 <u>111,380</u>	 <u>100,413</u>	 <u>211,793</u>	 <u>105,883</u>
 Net assets, end of year	 <u>336,709</u>	 <u>119,671</u>	 <u>456,380</u>	 <u>211,793</u>

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 For the Year Ended September 30, 2006
 With Comparative Totals for the Year Ended September 30, 2005

	<u>2006</u>	<u>2005</u>
<u>Cash Flows from Operating Activities:</u>		
Change in net assets	\$ 244,587	\$ 105,910
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Depreciation	10,686	11,656
Loss (gain) on sale of assets	- 0 -	(947)
Unrealized (gain) loss on investments	(71)	(93)
Increase (decrease) in allowance for doubtful accounts	- 0 -	- 0 -
(Increase) decrease in accounts receivable	(7,815)	(18,290)
(Increase) decrease in prepaid expenses	71,238	(62,456)
Increase (decrease) in accounts payable	(106,672)	87,484
Increase (decrease) in accrued salaries and wages	742	1,230
Increase (decrease) in accrued payroll taxes	753	(351)
Increase (decrease) in deferred revenue	<u>- 0 -</u>	<u>(735)</u>
Net cash provided (used) by operating activities	<u>213,448</u>	<u>123,408</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of equipment	(3,166)	(25,232)
Proceeds from sale of equipment	- 0 -	4,675
Net purchase of mutual funds investments	(6)	(5)
Net cash used in investing activities	<u>(3,172)</u>	<u>(20,562)</u>
<u>Cash Flows from Financing Activities:</u>	<u>None</u>	<u>None</u>
Net increase (decrease) in cash and cash equivalents	210,276	102,846
Cash and cash equivalents, beginning of year	<u>142,006</u>	<u>39,160</u>
Cash and cash equivalents, end of year	<u>352,282</u>	<u>142,006</u>

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

The **Bureau** is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(6). In addition, the **Bureau** has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

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.

Donations

Donations are recorded as unrestricted unless specifically restricted by the donor.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2006

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (Continued)

Donated Noncash Assets

Donated noncash assets, are recorded as contributions at their estimated fair values at the time of receipt.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Revenue Recognition

Advertising revenue is recognized in the period in which the advertising is provided. Advertising revenue received in advance of the period that it is provided is recorded as deferred revenue.

Advertising

Advertising costs are expensed as incurred.

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.

Estimates

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

Comparative Data

The financial information included for the year ended September 30, 2005 is presented in total but not by class or 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, 2005 financial statements from which this information was derived.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 September 30, 2006

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, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Promoting Local Arts & Cultural Institutions	\$ 109,671	\$ 90,413
Feasibility Study	<u>10,000</u>	<u>10,000</u>
Total	<u>119,671</u>	<u>100,413</u>

NOTE 3 – INVESTMENTS

Investments are recorded at their fair values on the statement of financial position. Income from investments, including changes in fair values, are recorded in the statement of activities.

The following is a summary of investments at September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Mutual Funds	\$ <u>767</u>	\$ <u>690</u>

Income from investments consisted of the following for the years ended September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Dividend Income	\$ 6	\$ 5
Unrealized Gain (Loss)	<u>71</u>	<u>93</u>
Total Income from Investments	77	98
Interest Income from Cash and Cash Equivalents	<u>6,646</u>	<u>2,890</u>
Total Investment Income	<u>6,723</u>	<u>2,988</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2006

NOTE 4 – ACCOUNTS RECEIVABLE

Trade accounts receivable are carried at their estimated collectable amounts. Trade credit is generally extended on a short-term basis; thus trade accounts receivable do not bear interest, although finance charges may be applied to past due receivables. Trade accounts receivable are periodically evaluated for collectability. An allowance for doubtful accounts receivable is determined on the basis of loss experience, known and inherent risks, and current economic conditions. Trade accounts receivable deemed to be uncollectible are charged against the allowance for doubtful accounts when such receivables are deemed to be uncollectible.

The following is a summary of accounts receivable at September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Trade accounts receivable	\$ 96,392	\$ 64,307
Allowance for doubtful accounts receivable	<u>- 0 -</u>	<u>- 0 -</u>
Net Accounts Receivable	<u>96,392</u>	<u>64,307</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost or at estimated fair value at date of gift. Expenditures which increase useful lives are capitalized while maintenance and repairs are charged to expense. Assets are depreciated over their estimated useful lives using the straight-line method.

The following is a summary of property and equipment at September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Furniture and fixtures	\$ 53,003	\$ 51,893
Leasehold improvements	21,937	21,937
Vehicles	<u>23,574</u>	<u>23,574</u>
Total	98,514	97,404
Less: Accumulated depreciation	<u>68,980</u>	<u>60,350</u>
Net Property and Equipment	<u>29,534</u>	<u>37,054</u>

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
 September 30, 2006

NOTE 6 – OPERATING LEASES

The **Bureau** leases office equipment under a noncancellable operating lease that expires in 2011. Total rent expense under all equipment leases for the years ended September 30, 2006 and 2005 was \$4,689 and \$5,223, respectively.

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 area 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, 2006 and 2005 was \$54,946 and \$53,138, respectively.

Future minimum lease payments plus common area costs under non-cancelable operating leases with remaining terms in excess of one year as of September 30, 2006 for each of the next five years and in the aggregate are:

2007	\$ 57,631
2008	38,841
2009	1,262
2010	1,262
2011	<u>631</u>
Total	<u>99,627</u>

NOTE 7 – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Program services consist of travel and tourism promotion. The **Bureau** encourages and stimulates interest in Erie County, Ohio through advertisement and other educational and informational means. It fosters knowledge of 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 8 – RETIREMENT PLAN

The **Bureau** sponsors a defined contribution pension plan. During the years ended September 30, 2006 and 2005, the **Bureau's** contribution to the plan totaled \$4,125 and \$3,192, respectively.

See independent auditors' report.

NOTES TO FINANCIAL STATEMENTS
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.
September 30, 2006

NOTE 9 – 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**.

NOTE 10 – SUPPORT AND REVENUE – CONCENTRATION

The **Bureau** receives the majority of its support from Erie County, Ohio. Under agreements with Erie County, Ohio, the **Bureau** is the sole recipient of a 1% County hotel lodging excise tax and receives a portion of a second 1% hotel lodging excise tax. For the years ended September 30, 2006 and 2005, the amount of support from these taxes was \$2,321,532 and \$2,842,087, respectively. Because a majority of the **Bureau's** support is from these taxes, any unanticipated loss of these taxes could adversely affect operations.

NOTE 11 – 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 \$4,350,000, 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**.

The following is a summary of the local share debt during the years ended September 30, 2006 and 2005:

4-30-04 Balance of Local Share Debt	\$ 4,350,000
Principal Payment remitted June 2005	<u>(2,000,000)</u>
9-30-05 Balance of Local Share Debt	2,350,000
Principal Payment remitted June 2006	<u>(1,200,000)</u>
9-30-06 Balance of Local Share Debt	<u>1,150,000</u>

See independent auditors' report.

SCHEDULE OF ALLOCATED PROGRAM AND SUPPORTING SERVICES EXPENSES
ERIE COUNTY VISITORS AND CONVENTION BUREAU, INC.

For the Year Ended September 30, 2006

With Comparative Totals for the Year Ended September 30, 2005

	Program Services	Supporting Services	2006 Total	2005 Total
Tourism promotion (ODOT)	\$ 1,278,725	\$ - 0 -	\$ 1,278,725	\$ 2,000,000
Printing and publications	225,454	- 0 -	225,454	239,932
Advertising and promotions	549,956	- 0 -	549,956	450,842
Postage and shipping	52,988	5,888	58,876	68,963
Salaries and wages	153,244	49,265	202,509	184,850
Payroll taxes	14,710	2,101	16,811	15,137
Employee benefits	11,947	1,880	13,827	13,363
Bad debt expense	- 0 -	15,125	15,125	1,929
Office supplies and expense	7,638	- 0 -	7,638	6,224
Equipment rent and maintenance	3,878	7,756	11,634	12,610
Occupancy	- 0 -	60,939	60,939	59,139
Telephone	- 0 -	17,224	17,224	17,839
Depreciation	- 0 -	10,686	10,686	11,656
Professional fees	- 0 -	9,399	9,399	9,105
Seminars and meetings	- 0 -	9,349	9,349	9,251
General insurance	- 0 -	4,538	4,538	4,234
Dues and subscriptions	- 0 -	4,374	4,374	3,694
Travel expenses	- 0 -	3,686	3,686	3,441
Equipment	- 0 -	1,200	1,200	847
Interest	- 0 -	49	49	64
Miscellaneous	- 0 -	- 0 -	- 0 -	- 0 -
 Total Expenses	 <u>2,298,540</u>	 <u>203,459</u>	 <u>2,501,999</u>	 <u>3,113,120</u>

See independent auditors' report.

KRAUS, HANCK & CO.

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November 21, 2006

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

**Erie County Visitors and
Convention Bureau, Inc.**
4424 Milan Road, Suite A
Sandusky, Ohio 44870-5838

To the Board of Trustees:

We have audited the financial statements of the **Erie County Visitors and Convention Bureau, Inc.** (an Ohio nonprofit corporation) as of and for the year ended September 30, 2006, and have issued our report thereon dated November 21, 2006. 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.

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.

Compliance and Other Matters

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 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 that are required to be reported under *Government Auditing Standards*.

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



Mary Taylor, CPA
Auditor of State

VISITORS BUREAU AND CONVENTION BUREAU, INC.

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
MARCH 20, 2007**