



Dave Yost • Auditor of State

**ERIE COUNTY VISITORS AND CONVENTION BUREAU
ERIE COUNTY
SEPTEMBER 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Erie County Visitors and Convention Bureau, Erie County, Ohio (the Bureau), (a not-for-profit corporation), which comprise the statement of financial position and the related statements of activities and cash flows, as of and for the year ended September 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing those risks of financial statement material misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Bureau's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Bureau's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Erie County Visitors and Convention Bureau, Erie County, Ohio as of September 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

Other Matters

Report on Summarized Comparative Information

We have previously audited the Bureau's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary and Other Information

Our audit was conducted to opine on the Bureau's financial statements taken as a whole.

The Schedule of Allocated Program and Supporting Services Expenses presents additional analysis and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2017, on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Bureau's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2017

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Statement of Financial Position
September 30, 2016
with Comparative Totals at September 30, 2015**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total Funds</u> 2016	<u>2015</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 58,178	\$ -	\$ 58,178	\$ 212,161
Investments	405,931	-	405,931	178,797
Intergovernmental receivable - Erie County	46,679	-	46,679	60,935
Accounts receivable	277,408	-	277,408	268,650
Prepaid expenses	33,084	-	33,084	11,401
Total current assets	<u>821,280</u>	<u>-</u>	<u>821,280</u>	<u>731,944</u>
Property and equipment - net	<u>413,963</u>	<u>-</u>	<u>413,963</u>	<u>330,376</u>
Total assets	<u><u>\$ 1,235,243</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,235,243</u></u>	<u><u>\$ 1,062,320</u></u>
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 199,857	\$ -	\$ 199,857	\$ 100,214
Salaries and wages payable	16,184	-	16,184	12,902
Payroll taxes, including employee withholding	4,356	-	4,356	3,678
Unearned income	11,208	-	11,208	18,428
Total current liabilities	<u>231,605</u>	<u>-</u>	<u>231,605</u>	<u>135,222</u>
Net assets:				
Unrestricted net assets	<u>1,003,638</u>	<u>-</u>	<u>1,003,638</u>	<u>927,098</u>
Total liabilities and net assets	<u><u>\$ 1,235,243</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,235,243</u></u>	<u><u>\$ 1,062,320</u></u>

The notes to the financial statements are an integral part of this statement.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Statement of Activities
For the fiscal year ended September 30, 2016
with Comparative Totals for the fiscal year ended September 30, 2015**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2016</u>	<u>2015</u>
Support and revenue:				
Erie County funding	\$ 2,464,125	\$ 170,000	\$ 2,634,125	\$ 2,535,647
Advertising revenue	634,391	-	634,391	598,613
Investment income	12,795	-	12,795	6,450
Unrealized gain (loss) on investments	14,638	-	14,638	(6,572)
Realized loss on sale of assets	(7,036)	-	(7,036)	-
Satisfaction of restrictions	170,000	(170,000)	-	-
Total support and revenue	<u>3,288,913</u>	<u>-</u>	<u>3,288,913</u>	<u>3,134,138</u>
Expenses:				
Program services	2,876,297	-	2,876,297	2,816,587
Supporting services	336,076	-	336,076	317,273
Total expenses	<u>3,212,373</u>	<u>-</u>	<u>3,212,373</u>	<u>3,133,860</u>
Change in net assets	76,540	-	76,540	278
Net assets, beginning of year	<u>927,098</u>	<u>-</u>	<u>927,098</u>	<u>926,820</u>
Net assets, end of year	<u>\$ 1,003,638</u>	<u>\$ -</u>	<u>\$ 1,003,638</u>	<u>\$ 927,098</u>

The notes to the financial statements are an integral part of this statement.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Statement of Cash Flows
For the fiscal year ended September 30, 2016
with Comparative Totals for the fiscal year ended September 30, 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 76,540	\$ 278
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	68,302	68,255
Unrealized (gain) loss on investments	(14,638)	6,572
Realized loss on sale of investments	1,327	1,397
Realized loss on sale of assets	7,036	-
Non-cash contributions	6,335	-
Bad debt expense	1,200	1,270
(Increase) decrease in assets:		
Accounts receivable	4,298	22,705
Deposits	-	297
Prepaid expenses	(21,683)	14,288
Increase (decrease) in liabilities:		
Accounts payable	99,643	(60,535)
Accrued salaries and wages	3,282	2,364
Accrued payroll taxes	678	(4,124)
Unearned income	(7,220)	10,178
Net cash provided by operating activities	225,100	62,945
Cash flows from investing activities:		
Purchases of equipment	(165,260)	(55,866)
Purchases of investments	(713,823)	(457,548)
Proceeds from sale of mutual funds investments	500,000	500,000
Net cash used in investing activities	(379,083)	(13,414)
Net increase (decrease) in cash and cash equivalents	(153,983)	49,531
Cash and cash equivalents, beginning of year	212,161	162,630
Cash and cash equivalents, end of year	<u>\$ 58,178</u>	<u>\$ 212,161</u>

The notes to the financial statements are an integral part of this statement.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

Notes to Financial Statements For the fiscal year ended September 30, 2016

1. Nature of activities

The Erie County Visitors and Convention Bureau (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.

2. Summary of significant accounting policies

Use of 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 these estimates.

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.

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.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Notes to Financial Statements
For the fiscal year ended September 30, 2016**

2. Summary of significant accounting policies - continued

Advertising revenue

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 costs

Advertising costs are expensed as incurred. Total advertising expenses, including the costs to encourage and promote travel to and visitation in Erie County, Ohio, were \$1,715,152 and are included in program service expenses.

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.

The following is a summary of cash and cash equivalents at September 30, 2016:

Petty cash on hand	\$ 118
Cash on deposit at banks	<u>58,060</u>
Total	<u>\$ 58,178</u>

Comparative data

The financial information included for the year ended September 30, 2015 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, 2015 financial statements from which this information was derived.

Financial instruments – concentration of credit risk

The Bureau places its temporary cash investments with financial institutions in amounts that may exceed the federally insured deposit limits or in accounts that are not covered by federal deposit insurance. The Bureau has not experienced any loss in such accounts.

Subsequent events

Management has evaluated subsequent events through July 14, 2017, the date the financial statements were available to be issued.

3. 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, 2016 were \$0.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Notes to Financial Statements
For the fiscal year ended September 30, 2016**

4. Investments

At September 30, 2016, the investments held by the Bureau consist of cash and mutual funds.

Investments are recorded at fair value which is estimated based on quoted market prices for those investments. U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). Level 2 inputs are inputs other than quoted prices within the Level 1 that are observable either directly or indirectly. Level 3 includes unobservable inputs.

The following table sets forth, by level, within the fair value hierarchy, the Bureau's investments at fair value at September 30, 2016.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash *	\$ 10,055	\$ -	\$ -	\$ 10,055
Mutual funds				
Fixed income	<u>395,876</u>	<u>-</u>	<u>-</u>	<u>395,876</u>
Total fair market value	<u>\$ 405,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,931</u>

*Categories include cash held tactically by underlying investment managers.

The Bureau invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment income and total net assets.

5. Accounts receivable

Accounts receivable includes advertising fees and is 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, 2016:

Trade accounts receivable	\$284,908
Allowance for doubtful accounts receivable	(7,500)
Net accounts receivable	<u>\$277,408</u>

Intergovernmental receivable – Erie County represents the unremitted portion of the bed tax collected during the year.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Notes to Financial Statements
For the fiscal year ended September 30, 2016**

6. Property and equipment

Property and equipment is recorded at cost at date of purchase 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, 2016:

Furniture and fixtures	\$ 540,474
Leasehold improvements	88,552
Construction in progress	170,000
Software	6,281
Vehicles	<u>42,368</u>
Total	\$ 847,675
Less: accumulated depreciation	<u>(433,712)</u>
Net property and equipment	<u>\$ 413,963</u>

7. Operating leases

The Bureau leases various office equipment under non-cancelable operating leases that expire in various years through 2017. Total equipment rent expense for the year ended September 30, 2016 was \$9,679.

The Bureau leases its facility under a ten-year non-cancelable operating lease that expires in 2018. 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 options to renew the lease for additional five-year terms. Total building rent expense for the year ended September 30, 2016 was \$100,447.

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, 2016 are:

<u>Year ended September 30</u>	<u>Amount</u>
2017	\$ 104,468
2018	<u>65,872</u>
Total future minimum rental payments	<u>\$ 170,340</u>

8. 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 and distribution of the Bureau's publication, *Lake Erie Shores & Islands*.

Supporting services consist of general and management services. The 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 Trustees and manage the financial and budgetary responsibility of the Bureau.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

Notes to Financial Statements For the fiscal year ended September 30, 2016

9. Retirement plan

The Bureau sponsors a defined contribution pension plan for all eligible employees. During the year ended September 30, 2016, the Bureau's contribution to the plan totaled \$9,933.

10. 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 related companies purchase advertising services from the Bureau and benefit from other promotional activities of the Bureau. These related companies purchased \$73,450 of advertising services from the Bureau during the year ended September 30, 2016.

11. 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 year ended September 30, 2016 the amount of support from these taxes was \$2,634,125. Because a majority of the Bureau's support is from these taxes, any unanticipated loss of these taxes could adversely affect operations.

ERIE COUNTY VISITORS AND CONVENTION BUREAU

**Schedule I -Schedule of Allocated Program and Supporting Services Expenses
For the fiscal year ended September 30, 2016
with Comparative Totals for the fiscal year ended September 30, 2015**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Totals 2016</u>	<u>2015</u>
Tourism promotion (ODOT)	\$ 170,000	\$ -	\$ 170,000	\$ 170,000
Printing and publications	292,848	-	292,848	284,009
Advertising and promotions	1,715,152	-	1,715,152	1,703,365
Postage and shipping	77,993	8,666	86,659	91,609
Salaries and wages	355,147	121,049	476,196	437,937
Payroll taxes	29,003	9,885	38,888	36,230
Employee benefits	58,705	20,009	78,714	76,745
Contract service	24,000	24,000	48,000	20,000
Bad debt expense	-	1,200	1,200	1,270
Office supplies and expense	5,297	2,852	8,149	6,792
Equipment rent and maintenance	22,685	17,494	40,179	54,197
Occupancy	91,923	19,418	111,341	110,427
Telephone	10,864	1,917	12,781	11,943
Depreciation	-	68,302	68,302	68,255
Professional fees	-	15,805	15,805	18,497
Seminars and meetings	8,277	8,278	16,555	12,585
Insurance	-	6,965	6,965	7,068
Dues and subscriptions	12,500	8,333	20,833	18,030
Travel expenses	1,903	1,903	3,806	4,901
Total expenses	\$ 2,876,297	\$ 336,076	\$ 3,212,373	\$ 3,133,860

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Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Erie County Visitors and Convention Bureau, Erie County, Ohio (the Bureau) as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2017.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Bureau's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Bureau's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Bureau's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Bureau's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Bureau's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bureau's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

July 14, 2017



Dave Yost • Auditor of State

ERIE COUNTY VISITORS AND CONVENTION 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
AUGUST 1, 2017**