

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  

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**JIM PETRO, AUDITOR OF STATE**

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Board of Trustees

Toledo-Lucas County Convention and Visitor's Bureau, Inc.

Toledo, Ohio

We have reviewed the Independent Auditor's Report of the Toledo-Lucas County Convention and Visitor's Bureau, Inc., Lucas County, prepared by William Vaughan Company, for the audit period January 1, 2000 to December 31, 2000. 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 Visitor's Bureau, Inc. is responsible for compliance with these laws and regulations.

**JIM PETRO**  
Auditor of State

June 15, 2001

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## REPORT OF INDEPENDENT AUDITORS'

Board of Trustees  
Toledo-Lucas County Convention and  
Visitors Bureau, Inc. and Affiliate

We have audited the accompanying consolidated balance sheets of Toledo-Lucas County Convention and Visitors Bureau, Inc. and Affiliate (the Bureau) as of December 31, 2000 and 1999 and the related consolidated statements of revenues, expenses, and changes in fund balance 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toledo-Lucas County Convention and Visitors Bureau, Inc. and Affiliate at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with "Government Auditing Standards," we have also issued our report dated April 24, 2001 on our consideration of the Toledo-Lucas County Convention and Visitors Bureau, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report in considering the results of our audit.

*William Vaughan Company*

April 24, 2001

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
CONSOLIDATED BALANCE SHEETS  
December 31, 2000 and 1999**

**ASSETS**

	<b>2000</b>	<b>1999</b>
<b>Current assets</b>		
Cash and cash equivalents (Note 1)	\$ 1,705,165	\$ 1,226,653
Restricted cash and cash equivalents (Note 2)	1,198,606	724,266
Receivables:		
Hotel/motel tax receipts	461,516	828,510
Trade and other (net of allowance of \$2,500 in 2000 and \$10,000 in 1999)	191,755	151,749
Total receivables	653,271	980,259
Prepaid expenses	0	6,427
Total current assets	3,557,042	2,937,605
<b>Other assets</b>		
Assets whose use is limited:		
Trustee held investments (Notes 1 and 2)	1,714,257	1,700,383
Unamortized bond discount and financing costs, less accumulated amortization of \$125,644 in 2000 and \$96,081 in 1999	436,061	465,624
Total other assets	2,150,318	2,166,007
<b>Property and equipment</b>		
Convention center facilities	25,870,403	25,932,422
Equipment (Notes 1 and 5)	3,933,580	3,726,882
Deposit on software	84,230	126,500
	29,888,213	29,785,804
Less accumulated depreciation	15,603,893	14,541,614
Net property and equipment	14,284,320	15,244,190
Total assets	\$ 19,991,680	\$ 20,347,802



## LIABILITIES AND FUND BALANCE

	2000	1999
<b>Current liabilities</b>		
Accounts payable	\$ 280,885	\$ 365,508
Accrued liabilities:		
Interest	242,986	246,291
Real estate taxes and special assessments	36,640	11,964
Payroll and related taxes	180,770	153,894
Sales tax	0	1,670
Total accrued liabilities	460,396	413,819
Security deposits	82,283	34,621
Current portion of deferred revenue	179,544	57,971
Current maturities of long-term debt (Notes 2 and 5)	754,596	728,803
Current maturities of capital lease obligations (Notes 2 and 5)	16,960	0
Total current liabilities	1,774,664	1,600,722
<b>Deferred revenue</b>	45,000	55,000
<b>Long-term debt</b>		
Fixed rate special revenue refunding bonds,		
Series 1996 (Note 2)	16,884,684	17,624,684
Note payable to bank (Note 2)	45,209	58,845
Note payable - noninterest bearing, due October 2010	753,331	753,331
Capital lease obligations, varying amounts due annually through 2004 with interest of 7.5% in 2000 and 9.0% in 1999	11,917	12,494
Total long-term debt	17,695,141	18,449,354
Total liabilities	19,514,805	20,105,076
<b>Fund balance - unrestricted</b>	476,875	242,726
Total liabilities and fund balance	\$ 19,991,680	\$ 20,347,802

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

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN FUND BALANCE  
For the Years Ended December 31, 2000 and 1999**

		Unrestricted	
		2000	1999
<b>Revenues</b>			
Hotel/motel tax receipts		\$ 3,783,366	\$ 3,681,891
Lucas County subsidy		250,000	250,000
City of Toledo grant		50,000	50,000
Earnings from sale of exclusive rights		65,000	30,000
Contributions - other		20,000	0
Convention facility		1,435,681	1,249,247
Parking, net of expenses		295,678	252,275
Interest		215,315	184,466
Membership dues		71,687	71,805
Cooperative projects		13,305	10,155
SAC subsidy		403,779	468,959
Other		10,306	10,326
Gain on sale of property and equipment		351	0
	Total revenues	<u>6,614,468</u>	<u>6,259,124</u>
<b>Expenses</b>			
Convention facility costs:			
Payroll and fringe benefits		1,987,732	1,769,812
Utilities		502,026	526,603
Supplies, maintenance and other		410,269	373,786
Security		158,038	119,469
Miscellaneous		49,471	41,596
	Total convention facility cost	<u>3,107,536</u>	<u>2,831,266</u>
Professional fees:			
Trustee		2,925	3,900
Legal/accounting		33,196	23,955
Other		0	29,465
	Total professional fees	<u>36,121</u>	<u>57,320</u>
Depreciation		1,117,256	1,258,898
Interest and amortization of bond discount and financing costs		1,025,911	1,053,675
Real estate taxes and special assessments		36,640	30,205
Provision for losses on accounts receivable		2,600	30,183
Marketing and advertising		797,514	722,801
Insurance		114,636	80,990
Photography, printing and publications		47,081	55,078
Postage		39,419	50,708
Travel and entertainment		67,245	48,244
Dues, memberships and subscriptions		8,146	8,199
Building and equipment rent		175,990	156,885
Miscellaneous		46,457	47,052
Sales tax expense		6,028	10,360
Loss on sale of securities		0	17,722
Loss on demolition of parking lot		70,819	0
Less expenses reimbursed by The University of Toledo and other co-tenants		(319,080)	(278,668)
	Total expenses	<u>6,380,319</u>	<u>6,180,918</u>
	Excess of revenues over expenses	234,149	78,206
Fund balance at beginning of year		<u>242,726</u>	<u>164,520</u>
Fund balance at end of year		<u>\$ 476,875</u>	<u>\$ 242,726</u>

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

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2000 and 1999**

	<b>2000</b>	<b>1999</b>
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 234,149	\$ 78,206
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation	1,117,256	1,258,898
Net amortization of bond discount and financing costs	29,563	29,564
Allowance for doubtful accounts	(7,500)	0
Gain on sale of property and equipment	(351)	0
Loss on demolition of parking lot	70,819	0
Changes in operating assets and liabilities:		
Accounts receivable	334,488	(276,148)
Deferred revenue	111,573	(32,799)
Prepaid expenses	6,427	(265)
Accounts payable and accrued and other liabilities	9,616	128,402
Net cash provided by operating activities	1,906,040	1,185,858
 <b>Cash flows from investing activities</b>		
Cash deposits into trustee-held investments and restricted cash equivalents	(3,041,092)	(2,443,478)
Cash withdrawals from trustee-held investments and restricted cash equivalents	2,552,878	2,533,616
Realized loss on sales of investments	0	17,722
Net cash provided by (used in) investing activities	(488,214)	107,860
 <b>Cash flows from capital and related financing activities</b>		
Payments on long-term debt	(729,050)	(703,567)
Purchases of property and equipment	(210,615)	(188,617)
Proceeds from sales of property and equipment	351	0
Net cash used in capital and related financing activities	(939,314)	(892,184)
 Increase in cash	478,512	401,534
Cash and cash equivalents at beginning of year	1,226,653	825,119
Cash and cash equivalents at end of year	\$ 1,705,165	\$ 1,226,653
 <b>Supplemental cash flow disclosures:</b>		
Interest paid	\$ 990,450	\$ 1,016,232

**Supplemental schedule of non-cash capital and related financing activities:**

The Company had non-cash financing transactions relating to the acquisition of capital assets of \$17,025 in 2000 and \$77,500 in 1999.

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

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2000 and 1999**

**Note 1 - Significant accounting policies**

**Basis of consolidation**

The accompanying financial statements present the consolidated financial position and results of operations and cash flows of Toledo-Lucas County Convention and Visitors Bureau, Inc. (TLCCVB) and its affiliate, Greater Toledo Convention and Visitors Bureau (GTCVB). TLCCVB is affiliated with GTCVB by virtue of being the sole member of GTCVB, as provided under GTCVB's code of regulations. Consequently, TLCCVB has controlling interest in GTCVB, and is responsible for appointing and removing GTCVB's Board of Trustees. As a result, as required by AICPA Statement of Position Number 94-3, GTCVB's financial statements have been consolidated with TLCCVB's financial statements. The consolidated entity is heretofore called "the Bureau."

**Organization**

TLCCVB operates the SeaGate Centre (a convention and convocation center) in the City of Toledo. The SeaGate Centre is comprised of two components: (1) a convention facility which is owned by TLCCVB, and (2) convocation space (classrooms and meeting rooms) which is owned by The University of Toledo. GTCVB was established to encourage and promote the utilization of convention, restaurant, hotel, motel and entertainment facilities in Toledo and the surrounding areas. Upon the dissolution of GTCVB, any remaining assets after payment of all obligations will be distributed to the TLCCVB. The Bureau is supported primarily through hotel/motel taxes and subsidies from Lucas County. Approximately 61% and 63% of the Bureau's total revenues for 2000 and 1999 were derived from this source.

**Basis of presentation**

As provided by GASB Staff Paper "Applicability of GASB Standards" and the AICPA Audit and Accounting Guide for Not-For-Profit Organizations, the Bureau is classified as a governmental not-for-profit entity because government officials appoint or approve the appointment of a controlling majority of the Bureau's officers. Consequently, the Bureau is permitted by these guides to continue the application of fund accounting and reporting standards under SOP 78-10, which has been superceded by the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*.

The accounting policies followed by the Bureau under the AICPA Audit and Accounting Guide *Not-for-Profit Organizations*, and the methods of applying those policies which materially affect the determination of financial position, results of operations, and cash flows of general funds are summarized below.

**Fund accounting**

The accounts of the Bureau are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements the unrestricted fund is used to account for all the Bureau's resources, since the governing board has discretionary control over all such resources.

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
December 31, 2000 and 1999**

**Note 1 - Significant accounting policies - Continued**

**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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Revenue**

A hotel/motel tax of three percent is levied by Lucas County, Ohio and an additional three percent is levied by the City of Toledo; these taxes are collected by the County and distributed as revenue to TLCCVB. Effective September, 1997, a one percent hotel/motel tax was enacted by Lucas County, Ohio, to be collected by the County and distributed as revenue to GTCVB and is to be used for marketing purposes. In February 1998, the rate was increased to one and a half percent through June, 1998, and two percent thereafter. This revenue is recognized in the period in which the underlying hotel/motel tax revenue is generated. Approximately 57% and 58% of the Bureau's total revenues for 2000 and 1999 were derived from this source. Accounts receivable from this source are considered to be fully collectible; accordingly, no allowance for uncollectible balance is required.

**Cash and cash equivalents**

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents. The excess of annual hotel/motel tax receipts over certain nonoperating expenses is restricted primarily for debt service payments.

The Bureau maintains cash balances at several financial institutions located in Ohio. Cash balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2000 and 1999, the Bureau's uninsured cash balances totaled \$1,396,975 and \$1,052,698, respectively.

Furthermore, the Bureau's short-term investments (shown under restricted cash and cash equivalents on the accompanying balance sheets) held at such financial institutions aggregated to \$1,198,606 and \$724,266 at December 31, 2000 and 1999, respectively. These balances are not insured by the Federal Deposit Insurance Corporation. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

**Property and equipment**

Property and equipment are recorded at cost or fair value if acquired by donation. Depreciation is computed by the straight-line method based upon estimated useful lives of the assets. Costs incurred to maintain the properties are charged to expense.

**Unamortized bond discount and financing costs**

Bond discount and related bond financing costs are amortized over the life of the related indebtedness on the straight-line basis.

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
December 31, 2000 and 1999**

**Note 1 - Significant accounting policies - Continued**

**Assets whose use is limited**

Certain funds are held and controlled by a trustee for the retirement of the outstanding revenue bonds. These assets have been classified as noncurrent since the fund is to be maintained until the bonds are repaid.

**Income taxes**

The Bureau is incorporated under the laws of the State of Ohio as a not-for-profit corporation and is exempt from state and local income taxes. The Internal Revenue Service has determined TLCCVB and GTCVB to be exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(6), respectively, of the Internal Revenue Code. Accordingly, no provision for federal income taxes has been made in the accompanying consolidated financial statements.

**Investments**

The Bureau carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated balance sheets. Unrealized and realized gains and losses are included in the consolidated statements of revenues, expenses and changes in fund balance.

**Grant revenue**

Toledo-Lucas County Convention and Visitors Bureau, Inc.'s affiliate, GTCVB, receives grants from the City of Toledo. Grant revenue is recognized in the period in which the related expenditures are incurred. Excess of grant receipts over expenditures is recorded as deferred revenue, while the excess of grant expenditures over receipts is recorded as grant receivable.

**Advertising, marketing and promotion**

Advertising, marketing and promotion costs are charged to operations when incurred. Advertising, marketing and promotion expense for 2000 and 1999 was \$797,514 and \$722,801 respectively.

**Deferred revenue**

Income from membership dues and scheduled events is deferred and recognized over the periods to which the dues and scheduled events relate and take place.

**Reclassification**

Certain reclassifications have been made to the 1999 balance sheet, statement of revenues, expenses and changes in fund balance, and statement of cash flows to conform to the 2000 presentation.

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
December 31, 2000 and 1999**

**Note 2 - Long-term debt**

During 1996 the Bureau issued \$20,290,000 Fixed Rate Special Revenue Refunding Bonds Series 1996 and refunded the Series 1988 and 1991 Variable Rate Demand Special Revenue Bonds. A non-interest bearing obligation on the 1991 Variable Rate Demand and Special Revenue bond of \$753,331 still exists and is payable in October, 2010.

Interest on the Series 1996 Bonds is payable on April 1 and October 1 of each year, with the interest rates fixed at a rate that is adjusted on a yearly basis. The interest rate on the Series 1996 Bonds range from 3.8% - 5.70% through 2015. Annual principal retirements are payable October 1 of each year.

The Bureau has pledged all present and future receipts at the 6% level consisting of the hotel/motel tax receipts and any deposit accounts, along with investment income, held by the trustee for debt service payments on the Series 1996 Bonds. The Bureau agreed, among other things, to not create any debt against pledged receipts and to maintain a reserve fund and a bond fund to provide for payments relating to principal and interest on the bonds.

The funds held by the trustee under the bond indenture agreements consist of cash and cash equivalents and are classified in the balance sheets as trustee-held funds.

In 1999, the Bureau borrowed \$77,500 from Mid Am Bank for building improvements. Monthly installments of \$1,576, including interest at 8% are due through August 2004.

Annual maturities on long-term debt (including capital lease commitments detailed in Note 5) for each of the five years subsequent to December 31, 2000 are approximately as follows: 2001 - \$771,556; 2002 - \$790,077; 2003 - \$831,721; 2004 - \$860,327; 2005 - \$890,000, and thereafter - \$14,323,331.

**Note 3 - Related party transactions**

The Bureau, under an operating lease agreement, leases the land of the convention center site from the Lucas County Commissioners for a nominal annual fee. Representatives of Lucas County are presently serving as Trustees of the Bureau.

The Bureau retains a law firm of which a Trustee of the Bureau is a partner. The Bureau incurred fees from this firm amounting to \$8,236 and \$13,293 in 2000 and 1999, respectively.

**Note 4 - Pension plan**

The Bureau has a defined contribution retirement plan for all eligible employees. Under the provisions of the plan, the Bureau contributes an amount equal to 4% of employees' compensation. In addition, the Bureau makes a matching contribution at a rate of 75% of employee contributions up to a maximum of 1% of gross salary. Pension expense for 2000 and 1999 was \$58,440 and \$56,767, respectively.

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC. AND AFFILIATE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
December 31, 2000 and 1999**

**Note 5 - Capital lease commitments**

The Bureau received certain equipment under capital leases. The annual payments on the obligation are funded through receipts of cash from various advertising, parking receipts and other sponsors. The advertising sponsors are contractually obligated to support the obligation for \$350,000 of the leased equipment through 2001. The equipment under capital lease obligations is included in property and equipment at December 31, 2000 and 1999 as follows:

	<u>2000</u>	<u>1999</u>
Equipment	\$ 407,424	\$ 390,399
Less accumulated depreciation	<u>347,611</u>	<u>291,890</u>
	<u>\$ 59,813</u>	<u>\$ 98,509</u>

Future minimum payments, by year and in the aggregate, under the capitalized leases consist of the following at December 31, 2000:

2001	\$ 18,826
2002	4,944
2003	4,944
2004	<u>3,296</u>
Total minimum lease payments	32,010
Less: amount representing interest	<u>3,133</u>
Present value of minimum lease payments	<u>\$ 28,877</u>

**Note 6 - Long-term leases**

The Bureau leases certain equipment under long-term leases. These leases are operating leases, mostly extending over a period of five years.

During the years ended December 31, 2000 and 1999, rentals under long-term lease obligations were \$0 and \$23,150, respectively.

Rentals related to operating agreements for room rentals and trade show space amounted to \$155,984 and \$133,735 for the years ending December 31, 2000 and 1999, respectively.



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

Board of Trustees  
Toledo-Lucas County Convention and  
Visitors Bureau, Inc. and Affiliate

We have audited the financial statements of Toledo-Lucas County Convention and Visitors Bureau, Inc. and Affiliate, (the Bureau) as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated April 24, 2001. We conducted our audit in accordance with generally accepted auditing standards 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, contracts 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. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Bureau in a separate letter dated April 24, 2001.

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*William Vaughan Company*

April 24, 2001





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**TOLEDO-LUCAS COUNTY CONVENTION AND VISITOR'S 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  
JUNE 26, 2001**