

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2003 AND 2002

ALAN V. JANUZZI
CERTIFIED PUBLIC ACCOUNTANT



**Auditor of State
Betty Montgomery**

Board of Trustees
Lorain County Visitor's Bureau, Inc.

We have reviewed the Independent Auditor's Report of the Lorain County Visitor's Bureau, Inc., Lorain County, prepared by Alan V. Januzzi, CPA for the audit period April 1, 2002 through March 31, 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 Lorain County Visitor's Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 18, 2003

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LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION
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ALAN V. JANUZZI
CERTIFIED PUBLIC ACCOUNTANT
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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of Lorain County
Visitor's Bureau, Inc.:

I have audited the accompanying statements of financial position of Lorain County Visitor's Bureau, Inc. (a non-profit organization) as of March 31, 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 Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lorain County Visitor's Bureau, Inc. as of March 31, 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, I have also issued my report dated May 15, 2003, on my consideration of Lorain County Visitor's Bureau, Inc.'s internal control over financial reporting, and my 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 when considering the results of my audit.

Alan V. Januzzi, CPA
Amherst, Ohio
May 15, 2003

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF FINANCIAL POSITION
 MARCH 31, 2003 AND 2002

	<u>3/31/03</u>	<u>3/31/02</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 160,024	\$183,080
Lodging excise tax receivable (Note C)	55,418	53,985
Inventory - promotional material (Note A)	5,200	4,134
	-----	-----
TOTAL CURRENT ASSETS	220,642	241,199
PROPERTY AND EQUIPMENT (Note B)		
Less accumulated depreciation	(151,529)	(148,463)
	-----	-----
NET PROPERTY AND EQUIPMENT	268,692	237,969
OTHER ASSETS		
Cash restricted for construction (Note I)	1,010,500	
Cash restricted for payment of debt (Note I)	124,500	
Bond issue costs	110,000	
Deposits	398	398
	-----	-----
TOTAL OTHER ASSETS	1,245,398	398
	-----	-----
TOTAL ASSETS	1,734,732	479,566
	=====	=====
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	13,055	11,484
Current portion-note payable	50,000	50,000
	-----	-----
TOTAL CURRENT LIABILITIES	63,055	61,484
NOTE PAYABLE (Note H)		50,000
BONDS PAYABLE (Note I)	1,245,000	
	-----	-----
TOTAL LIABILITIES	1,308,055	111,484
NET ASSETS - UNRESTRICTED		
	426,677	368,082
	-----	-----
TOTAL LIABILITIES AND NET ASSETS	\$1,734,732	\$479,566
	=====	=====

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED MARCH 31, 2003 AND 2002

	3/31/03	3/31/02
	-----	-----
SUPPORT AND REVENUE		
Lodging excise tax revenues (Note C)	\$ 365,501	\$ 368,898
Investment income (Note E)	2,738	7,711
Events, sales & reimbursements	10,325	838
	-----	-----
TOTAL SUPPORT AND REVENUE	378,564	377,447
EXPENSES		
ADVERTISING AND PROMOTION		
Media advertising	26,993	48,533
Brochures	19,750	27,032
Travel and conventions	2,201	3,367
Promotion	8,102	11,908
Trade shows & events	11,522	6,385
Telephone, postage and supplies	13,260	18,124
	-----	-----
TOTAL ADVERTISING AND PROMOTION	81,828	115,349
SALARIES AND WAGES	134,370	131,861
COLLECTION EXPENSE	13,173	13,414
OFFICE RENT	15,355	15,143
DEPRECIATION (Note B)	3,066	10,120
POSTAGE	1,469	1,895
SUPPLIES	2,278	2,278
PAYROLL TAXES	10,506	10,239
TELEPHONE	4,234	2,930
PROFESSIONAL FEES	8,354	5,450
EQUIPMENT EXPENSES	3,411	3,026
TRAVEL	658	979
DUES AND SUBSCRIPTIONS	3,694	3,707
UTILITIES	2,547	2,590
INSURANCE	22,627	18,121
AUTOMOBILE EXPENSES	894	1,129
OTHER TAXES	766	766
MAINTENANCE AND REPAIRS	3,502	2,242
CONVENTIONS, SEMINARS AND MEETINGS	1,543	2,388
BANK CHARGES AND INTEREST	5,694	6,444
	-----	-----
TOTAL EXPENSES	319,969	350,071
	-----	-----
INCREASE IN NET ASSETS	58,595	27,376
NET ASSETS, BEGINNING OF YEAR	368,082	340,706
	-----	-----
NET ASSETS, END OF YEAR	\$ 426,677	\$ 368,082
	=====	=====

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
 STATEMENTS OF CASH FLOWS
 YEARS ENDED MARCH 31, 2003 AND 2002

	12 MONTHS 3/31/03	12 MONTHS 3/31/02
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 58,595	\$ 27,376
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,066	10,120
Realized loss on sale of investments		
Changes in operating assets & liabilities:		
Decrease (increase) in receivables	(1,433)	6,843
Decrease (increase) in inventory	(1,066)	22,898
Increase (decrease) in accounts payable	1,570	6,384
	-----	-----
INCREASE (DECREASE) IN CASH FROM OPERATIONS	60,732	73,621
INVESTING ACTIVITIES		
Decrease in deposits		2,000
Increase in restricted cash	(1,135,000)	
Bond issue costs	(110,000)	
Purchase of property & equipment	(33,788)	(135,406)
	-----	-----
CASH USED IN INVESTING ACTIVITIES	(1,278,788)	(133,406)
FINANCING ACTIVITIES		
Issuance of bonds payable	1,245,000	
Repayment on note payable	(50,000)	
	-----	-----
NET INCREASE (DECREASE) IN CASH	(23,056)	(59,785)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	183,080	242,865
	-----	-----
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 160,024	\$ 183,080
	=====	=====

Significant Noncash Investing and Financing Activities

Note issues for land \$ 100,000

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.
(A NON-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2003 AND 2002

A. NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF ACTIVITIES

Lorain County Visitor's Bureau, Inc. is an Ohio non-profit corporation exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. The corporation was formed to use funds generated in Lorain County from the Hotel Lodging Excise Tax enacted under Resolution 83-492 on April 29, 1982. The corporation's purpose is to promote travel and tourism in Lorain County.

The organization promotes travel and tourism in Lorain County by undertaking numerous activities throughout the year. It spends a substantial amount of its resources in media advertising promoting Lorain County, and in developing brochures promoting the activities and points of interest in the county. Each year, Lorain County Visitor's Bureau, Inc. publishes a Lorain County Visitor's Guide available to those who are interested in visiting Lorain County. The organization also works with other non-profit organizations in other area visitor's bureaus to further its efforts.

Lorain County Visitor's Bureau, Inc. contracts with the Board of Commissioners of Lorain County, Ohio. This contract provides that as long as the bed tax exists, and as long as Lorain County Visitor's Bureau, Inc. maintains its existence, it will be the recipient of the bed tax proceeds, after allocations to localities and the collection fee charged by the County Commissioners. The existence of the Lorain County Visitor's Bureau, Inc. does depend on the collection of the lodging excise tax and its contract with the Lorain County Commissioners.

2. BASIS OF ACCOUNTING

The financial statements for Lorain County Visitor's Bureau, Inc. for the years ended March 31, 2003 and 2002 were prepared on the accrual method of accounting.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 2

3. DONATED SERVICES

Periodically, volunteers provide services to Lorain County Visitor's Bureau, Inc. The value of these services is not recorded in the financial statements since there is no objective method for assigning a monetary value to those services, and they are not considered material in relation to the overall financial operations of the corporation.

4. INVENTORY

Inventory consists of promotional materials such as brochures and guides. Inventory is carried at cost and is relieved on a first-in, first-out basis.

5. CLASSIFICATION

The costs of collecting the Lodging Excise Tax is reflected in the financial statements as "Collection Expense". This represents the cost incurred by the County of Lorain in collecting and distributing the tax.

6. 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.

7. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Office furniture and fixtures are depreciated over a useful life of 7 years. Other equipment is depreciated over 10 years. Leasehold improvements are depreciated over 10 years. Computer equipment is depreciated over 7 years, and automobiles are depreciated over 5 years. Expenses for repairs and maintenance that do not add to the useful life of assets or contribute to their betterment are expensed as repairs and maintenance in the period incurred. The organization capitalizes and depreciates all assets that exceed \$1,000 if they have a useful life that extends beyond one year.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 3

8. FINANCIAL STATEMENT PRESENTATION

The organization follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the organization is required to present a statement of cash flows. As permitted by this new statement, the organization does not use fund accounting, and has, accordingly, classified its financial statements to present three of the classes of net assets, where required. At March 31, 2003 and 2002, the organization did not have any temporarily or permanently restricted net assets.

9. INCOME TAXES

The organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The organization is not classified as a private foundation. As such, the organization is exempt from certain federal, state and local income taxes.

B. FIXED ASSETS AND DEPRECIATION

Fixed assets are recorded at cost. The basis of the fixed assets are being depreciated over their estimated useful lives using the straight line method of depreciation. The costs and accumulated depreciation of fixed assets at March 31, 2003 and 2002 were as follows:

LORAIN COUNTY VISITOR'S BUREAU, INC.
 NOTES TO FINANCIAL STATEMENTS
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	<u>MARCH 31, 2003</u>	<u>MARCH 31, 2002</u>
Furniture	\$ 21,185	\$ 21,185
Office Equipment	51,198	51,198
Vehicles	36,479	17,190
Signs	3,116	3,116
Radio Station	9,009	9,009
Leasehold Improvements	39,830	39,830
Show Equipment	10,058	10,058
Construction in Progress	23,405	8,905
Land	225,941	225,941
	-----	-----
Totals	420,221	386,432
Less: Accumulated Depreciation	(151,529)	(148,463)
	-----	-----
Net Fixed Assets	\$268,692	\$237,969
	=====	=====

Depreciation expense for the years ended March 31, 2003 and 2002 is \$3,066 and \$10,120, respectively.

C. RECEIVABLES AND LODGING EXCISE TAX COLLECTIONS

The operations of Lorain County Visitor's Bureau, Inc. are dependent on the collection of the Lodging Excise Tax. The tax is collected and remitted quarterly. Taxes collected in a given quarter are remitted to Lorain County Visitor's Bureau, Inc. approximately 60 days after the quarter. The amount due to the corporation for the quarter ended March 31, 2003 and 2002 was \$55,418 for 2003 and \$53,985 for 2002.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the organization considers all unrestricted, highly liquid investments with an initial maturity of 120 days or less to be cash equivalents.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
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E. INVESTMENTS AND INVESTMENT INCOME

The organization generated interest and dividend income in the amount of \$2,738 on its cash equivalents and various investments held throughout the March 31, 2003 year.

F. PROGRAM COSTS

During the March 31, 2003 year, the organization spent a majority of its costs on its program of promoting tourism in Lorain County. Some of its resources were allocated to administration and supportive services, as follows:

Program expenses	\$ 293,270
Supportive services	21,257
Fundraising expense	5,442

TOTAL EXPENSES:	\$ 319,969
	=====

G. CONCENTRATIONS AND CREDIT RISK

The organization is dependent upon the collection of the lodging excise tax for the majority of its revenues. In addition, all of its accounts receivable as of March 31, 2003 represented amounts due for the first quarter of 2003 from this lodging excise tax.

The organization maintains its cash and savings accounts and periodic short-term investments at local financial institutions. Periodically, balances at these three institutions exceed federally insured limits of \$100,000.

H. NOTE PAYABLE

In March, 2001, Lorain County Visitor's Bureau, Inc. entered into an agreement to purchase property on State Route 58 in Amherst Township for the purpose of constructing a facility. In June, 2001, the organization purchased the property. Lorain County Visitor's Bureau, Inc. put \$125,000 down toward the purchase of this property, and issued a note to the seller in the amount of \$100,000 to be paid over a two-year period bearing interest at a rate of 8% per annum. At March 31, 2003, the organization had a balance of \$50,000 due on this note that was payable within one year.

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
PAGE 6

I. BONDS PAYABLE

On March 20, 2003, Lorain County Visitor's Bureau, Inc. entered into a loan agreement with the Lorain County Port Authority agreeing to pay \$1,245,000 of taxable development revenue bonds. Proceeds from the note and issuance of bonds are to be used for the construction of a new facility to house the Lorain County Visitor's Bureau, Inc. on Route 58 in Lorain County, Ohio. The note requires mandatory sinking fund requirements for the purpose of redeeming the bonds on a semi-annual basis beginning May 15, 2004. The note bears interest at a rate of 5.75% per year. Debt service payments into the sinking fund, including a fee to the Lorain County Port Authority and a trustee fee to National City Bank, begin on November 1, 2003. Required deposits into the sinking fund over the next five years, including the Port fee and the trustee fee, are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2004	\$ 67,611
2005	108,774
2006	117,323
2007	113,208
2008	117,531

Actual principal payments on the note for the purpose of redeeming the bonds through the Port Authority over the next five years are as follows:

<u>Year ending March 31</u>	<u>Amount</u>
2004	\$ -0-
2005	10,000
2006	35,000
2007	40,000
2008	40,000

The note will be secured by the new facility and includes prepayment penalties.

J. RESTRICTED CASH

The loan agreement between the Lorain County Port Authority and the Lorain County Visitor's Bureau, Inc. required the initial proceeds from the issuance of the bonds, less the bond

LORAIN COUNTY VISITOR'S BUREAU, INC.
NOTES TO FINANCIAL STATEMENTS
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financing expenses, to be deposited into two accounts. As of March 31, 2003, \$1,010,500 was deposited in a project account.

Funds in the project account can only be used for the purpose of constructing the facility for which the bonds and note were issued. At March 31, 2003, funds in the project account consisted of a corporate note and a government money market fund.

The note also requires the establishment of a reserve fund. At March 31, 2003, \$124,500 was in a reserve fund and invested in corporate notes maturing within one year.

ALAN V. JANUZZI
CERTIFIED PUBLIC ACCOUNTANT
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AMHERST, OHIO 44001

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROLS OF
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Lorain County Visitor's Bureau, Inc.

I have audited the financial statements of Lorain County Visitor's Bureau, Inc. (a non-profit organization) as of and for the years ended March 31, 2003 and 2002, and have issued my report hereon dated May 15, 2003. I conducted my 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 Lorain County Visitor's Bureau, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclose no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lorain County Visitor's Bureau, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on internal control over financial reporting. My 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 and amounts

LORAIN COUNTY VISITOR'S BUREAU, INC.
REPORT ON COMPLIANCE AND INTERNAL CONTROLS
PAGE 2

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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of management and the board of trustees of Lorain County Visitor's Bureau, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Alan V. Januzzi, CPA

Amherst, Ohio
May 15, 2003



**Auditor of State
Betty Montgomery**

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LORAIN COUNTY VISITOR'S BUREAU, INC.

LORAIN 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 12, 2003**