

**Youngstown/Mahoning County
Convention & Visitor's Bureau**

Youngstown, Ohio

**Report on Audit of Financial Statements
and Supplemental Information**

For the Years Ended December 31, 2002 and 2001



**Auditor of State
Betty Montgomery**

Board of Directors
Youngstown/Mahoning County Convention and Visitor's Bureau

We have reviewed the Independent Auditor's Report of the Youngstown/Mahoning County Convention and Visitor's Bureau, Mahoning County, prepared by Reali, Giampetro & Scott for the audit period January 1, 2002 through December 31, 2002. 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 Youngstown/Mahoning County Convention and Visitor's Bureau is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

August 18, 2003

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TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT.....	PAGE	1
STATEMENTS OF FINANCIAL POSITION		2
STATEMENTS OF ACTIVITIES		3
STATEMENTS OF CASH FLOWS.....		4
NOTES TO FINANCIAL STATEMENTS.....		5
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.....		9
SUPPLEMENTAL INFORMATION		
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION.....		11
SCHEDULE OF OPERATING EXPENSES.....		12

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Youngstown/Mahoning County Convention and Visitor's Bureau
Youngstown, Ohio

We have audited the accompanying Statements of Financial Position of Youngstown/Mahoning County Convention and Visitor's Bureau, (a Not-for-Profit Corporation) as of December 31, 2002 and 2001 and the related Statements of Activities and Cash Flows for the years then ended. These financial statements are the responsibility of Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide 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 Youngstown/Mahoning County Convention and Visitor's Bureau, as of December 31, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated May 5, 2003, on our consideration of Youngstown/Mahoning County Convention and Visitor's Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Reali, Giampetro & Scott

May 5, 2003

STATEMENTS OF FINANCIAL POSITION

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

	December 31,	
	2002	2001
ASSETS		
Cash and cash equivalents	\$ 118,643	\$ 166,839
Certificates of deposit	349,960	366,906
Prepaid expenses	2,334	1,979
Investments	229,882	69,228
Property and equipment	19,855	6,694
	<u>720,674</u>	<u>611,646</u>
TOTAL ASSETS	<u>\$ 720,674</u>	<u>\$ 611,646</u>
LIABILITIES		
Accounts payable	\$ 21,710	\$ 1,227
Accrued payroll and related liabilities	2,958	7,553
	<u>24,668</u>	<u>8,780</u>
TOTAL LIABILITIES	24,668	8,780
NET ASSETS		
Unrestricted	<u>696,006</u>	<u>602,866</u>
TOTAL NET ASSETS	<u>696,006</u>	<u>602,866</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 720,674</u>	<u>\$ 611,646</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF ACTIVITIES

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

	Year Ended December 31,	
	2002	2001
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES		
Transient occupancy tax	\$ 446,955	\$ 441,963
Earnings on investments	40,332	26,219
Miscellaneous Income	-	7,018
TOTAL UNRESTRICTED REVENUES	487,287	475,200
 EXPENSES		
Program	303,777	376,129
Management, General and Support Services	90,370	88,268
TOTAL EXPENSES	394,147	464,397
CHANGE IN UNRESTRICTED NET ASSETS	93,140	10,803
 NET ASSETS AT BEGINNING OF YEAR	 602,866	 592,063
 NET ASSETS AT END OF YEAR	 \$ 696,006	 \$ 602,866

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

	Year Ended December 31,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 93,140	\$ 10,803
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,880	2,958
Unrealized (gain) on investments	(15,094)	(2,524)
(Increase) decrease in operating assets:		
Prepaid expenses	(355)	1,036
Increase (decrease) in operating liabilities:		
Accounts payable	20,483	(966)
Accrued payroll and related liabilities	(4,595)	2,579
	2,319	3,083
TOTAL ADJUSTMENTS		
NET CASH PROVIDED BY OPERATING ACTIVITIES	95,459	13,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(15,041)	-
Net redemption of certificates of deposit	16,946	32,003
Net purchase of investments	(145,560)	-
	(143,655)	32,003
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(48,196)	45,889
BEGINNING CASH AND CASH EQUIVALENTS	166,839	120,950
ENDING CASH AND CASH EQUIVALENTS	\$ 118,643	\$ 166,839
CASH WAS PAID FOR		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
	-	-

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

December 31, 2002 and 2001

A. ACCOUNTING POLICIES

Nature of Activities

The Youngstown/Mahoning County Convention and Visitor's Bureau (Bureau) is a nonprofit organization established by the Mahoning County Board of Commissioners to promote and encourage tourism in Mahoning County.

The authority to form the Bureau is provided under the Ohio Revised Code which permits the County to levy an excise tax on lodgings furnished to transient guests and expend the receipts of the tax on a convention and visitor's bureau.

Program Services

For financial statement purposes, the Corporation has one program service which is to promote and encourage tourism in the Mahoning County.

Program Revenue and Restriction Policies

A majority of revenues are received from Mahoning County through excise taxes levied on lodgings furnished to transient guests of Mahoning County hotels and motels. These monies are treated as unrestricted net assets because the monies are to be used at the discretion of the Corporation, as long as it's to be used to promote tourism in the Mahoning County as required by state law. The Corporation receives no monies which need to be classified as temporary or permanently restricted net assets.

The Corporation recognizes revenues at the point the Mahoning County receives the excise tax from the Mahoning County hotels and motels. At both year-ends, the County submitted all monies due to the Corporation; therefore no amounts were due from the County.

Accounting Method

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

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.

Financial Statement Presentation

The Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Corporation 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.

NOTES TO FINANCIAL STATEMENTS

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

December 31, 2002 and 2001

A. ACCOUNTING POLICIES (CONTINUED)

Liquidity of Assets and Liabilities

The presentation of assets and liabilities in the Statement of Financial Position is generally in the order of liquidity.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Marketable Investments

The Corporation has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments with readily determinable fair values are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Market value at the end of the year is based on the quoted stock exchange values.

Property and Equipment

It is the Corporation's policy to capitalize all expenditures for property and equipment over \$500. The equipment is being depreciated using the straight-line method over years ranging from three to ten years.

Income Taxes

The Corporation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code.

Expense Allocations

For financial statement purposes, the Corporation charges to program services only expenses that can be directly related to the program services. Management, general and support services expenses include those expenses that provide overall support and direction of the Corporation.

Advertising and Promotion

The Corporation uses advertising to promote and encourage tourism in the Mahoning County. The costs of advertising and promotion are charged to expense at the time of the expenditures, since the Bureau does not know what period the expenditures will benefit.

NOTES TO FINANCIAL STATEMENTS

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

December 31, 2002 and 2001

B. CERTIFICATES OF DEPOSIT

The Corporation has five certificates of deposit at December 31, 2002 with interest rates ranging from 3.50% to 5.25% and maturity dates ranging from March 2003 to July 2005. At December 31 2001, the Corporation had six certificates of deposit with interest rates ranging from 3.50% to 6.79% and maturity dates ranging from February 2002 to June 2004. Because the maturity dates are in excess of three months from the dates of purchase, the certificates do not meet the criteria of cash equivalents.

C. INVESTMENTS

The Corporation's investments, recorded at market value are summarized as follows:

	<u>Market Value December 31, 2001</u>	<u>Purchases</u>	<u>Unrealized Gain</u>	<u>Market Value December 31, 2002</u>
Stock - United Community Financial Corp.	\$ 69,228	\$ -	\$ 13,942	\$ 83,170
Federal Home Loan Mortgage Corp. Bonds, 5.25%, due 11/19/2015	-	49,810	395	50,205
Ford Motor Credit Bonds, 6.125%, due 4/28/2003	-	25,744	(597)	25,147
Capital One Bonds, 4.25%, due 2/14/2005	-	70,006	1,354	71,360
TOTAL	<u>\$ 69,228</u>	<u>\$ 145,560</u>	<u>\$ 15,094</u>	<u>\$ 229,882</u>

	<u>Market Value December 31, 2000</u>	<u>Purchases</u>	<u>Unrealized Gain</u>	<u>Market Value December 31, 2001</u>
Stock - United Community Financial Corp.	<u>\$ 66,704</u>	<u>\$ -</u>	<u>\$ 2,524</u>	<u>\$ 69,228</u>

Earnings on investments plus cash accounts and the certificates of deposits consisted of \$15,094 of unrealized gain and \$25,238 of dividends and interest income in 2002 and \$2,524 of unrealized gain and \$23,695 of dividends and interest income in 2001. All earnings from investments are considered operating returns for financial statement purposes.

NOTES TO FINANCIAL STATEMENTS

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

December 31, 2002 and 2001

D. EQUIPMENT

Property and equipment consist of the following:

	<u>December 31,</u>	
	<u>2002</u>	<u>2001</u>
Furniture, fixtures, and equipment	\$ 121,497	\$ 106,456
Accumulated depreciation	<u>(101,642)</u>	<u>(99,762)</u>
	<u>\$ 19,855</u>	<u>\$ 6,694</u>

Depreciation expense amounted to \$1,880 for 2002 and \$2,958 for 2001.

E. LEASES

The Corporation leases office space for use in its operations. Monthly payments are \$2,479 for 2002 and were \$2,425 in 2001. The end of the lease is December 2002 at which time the lease is currently month to month. Per the lease agreement, the lessor can increase the lease in 2001 subject to a consumer price index formula. Total expense amounted to \$29,760 in 2002 and \$29,097 in 2001.

F. CONCENTRATION OF CREDIT RISK

The Corporation has cash and certificates of deposits in two banks totaling \$308,566 of which \$200,000 is insured by the Federal Deposit Insurance Corporation.

G. PENSION

Effective January 1, 2002 the Corporation adopted a Simplified Employee Pension Plan. The Plan is a non-contributory defined contribution pension plan for all employees who are at least 21 years of age, have been employed in at least one of the previous five years, and have received at least \$450 of compensation during the year. Contributions to the plan are allocated to the participants based on the ratio of the employee's compensation for the year to total eligible compensation for the year. Contributions made by the Corporation for the year were \$3,720.

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**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 Directors
Youngstown/Mahoning County Convention and Visitor's Bureau
Youngstown, Ohio

We have audited the financial statements of Youngstown/Mahoning County Convention and Visitor's Bureau, (a Not-for-Profit Corporation) for the year ended December 31, 2002, and have issued our report thereon dated May 5, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Youngstown/Mahoning County Convention and Visitor's 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 Youngstown/Mahoning County Convention and Visitor's 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. However, we noted certain matters involving the internal control structure and its operation that we consider being reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Following are the reportable conditions we noted:

Segregation of Duties

It is basic that sound internal control structure embraces segregation of duties. Incompatible functions for control purposes are those that place any person in a position both to perpetrate and to conceal errors or irregularities in the normal course of their duties. Anyone who records transactions or has access to assets ordinarily is in a position to perpetrate errors and irregularities. Accordingly, control necessarily depends largely on the elimination of opportunities for concealment. (For example, anyone who deposits monies should not prepare bank reconciliations and record transactions in the books and records.)

In Youngstown/Mahoning County Convention and Visitor's Bureau, as is the case in most organizations of its approximate size, the limited number of accounting and record-keeping personnel make adequate segregation of duties impracticable or impossible. In such organizations, the Executive Director and Board of Directors should continue to be vigilant in safeguarding assets, checking the accuracy and reliability of accounting data, promoting operational efficiency and encouraging adherence to prescribed managerial policies. This extra care by the Executive Director and Board of Directors is necessary to counterbalance the internal control deficiencies caused by too limited personnel.

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. 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. However, we consider the above items to be a material weakness. We also noted other matters involving the internal control over financial reporting that we reported to management of Youngstown Mahoning County Convention and Visitor's Bureau in a separate letter dated May 5, 2003.

This report is intended solely for the information of management and is not intended to be nor should it be used by anyone other than these specified parties.

Reali, Giampetro + Scott

May 5, 2003

SUPPLEMENTAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
Youngstown/Mahoning County Convention and Visitor's Bureau
Youngstown, Ohio

The audited financial statements of the Corporation and our report thereon are presented in the preceding section of this report. Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information hereinafter 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 examination 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.

Reali, Giampetro & Scott

May 5, 2003

SCHEDULE OF OPERATING EXPENSES

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

For the Year Ended December 31, 2002

	Program Services	Management, General and Support Services	Total
Salaries and wages	\$ 75,498	\$ 50,333	\$ 125,831
Casual labor	825	-	825
Payroll taxes	6,279	4,187	10,466
Hospitalization	8,253	5,500	13,753
Employee parking	-	1,590	1,590
Pension	-	3,720	3,720
Rent	29,760	-	29,760
Professional fees	3,797	-	3,797
Legal fees	-	825	825
Accounting fees	-	7,764	7,764
Telephone	5,693	-	5,693
Insurance	-	3,128	3,128
Postage	5,694	-	5,694
Bank fees	-	20	20
Billboards	23,200	-	23,200
Advertising	15,636	-	15,636
Promotion	5,663	-	5,663
Printed material	32,332	-	32,332
Special events	26,455	-	26,455
Meetings/Seminars	17,319	-	17,319
Travel/Hospitality	37,617	-	37,617
Dues	9,756	-	9,756
Office supplies	-	7,032	7,032
Repairs	-	2,121	2,121
Depreciation	-	1,880	1,880
Miscellaneous	-	2,270	2,270
TOTALS	\$ 303,777	\$ 90,370	\$ 394,147

SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

SCHEDULE OF OPERATING EXPENSES

YOUNGSTOWN/MAHONING COUNTY CONVENTION AND VISITOR'S BUREAU

For the Year Ended December 31, 2001

	Program Services	Management, General and Support Services	Total
Salaries and wages	\$ 73,208	\$ 48,806	\$ 122,014
Payroll taxes	7,344	4,896	12,240
Hospitalization	9,367	6,244	15,611
Employee parking	-	1,808	1,808
Rent	29,097	-	29,097
Professional fees	9,028	-	9,028
Legal fees	-	1,130	1,130
Accounting fees	-	7,801	7,801
Telephone	5,002	-	5,002
Insurance	-	3,293	3,293
Postage	8,706	-	8,706
Bank fees	-	84	84
Billboards	31,494	-	31,494
Advertising	27,622	-	27,622
Promotion	22,105	-	22,105
Printed material	15,576	-	15,576
Prints	311	-	311
Special events	57,523	-	57,523
Calendar	3,715	-	3,715
Meetings/Seminars	17,103	-	17,103
Travel/Hospitality	44,721	-	44,721
Dues	14,207	-	14,207
Office supplies	-	8,969	8,969
Repairs	-	121	121
Depreciation	-	2,958	2,958
Miscellaneous	-	2,158	2,158
TOTALS	<u>\$ 376,129</u>	<u>\$ 88,268</u>	<u>\$ 464,397</u>

SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION



**Auditor of State
Betty Montgomery**

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YOUNGSTOWN/MAHONING COUNTY CONVENTION & VISITOR'S BUREAU

MAHONING 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
SEPTEMBER 11, 2003**