

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

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2006 AND 2005

ALAN V. JANUZZI  
CERTIFIED PUBLIC ACCOUNTANT





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Lorain County Visitor's Bureau  
8025 Leavitt Road  
Amherst, Ohio 44001

We have reviewed the *Report of Independent Auditors* of the Lorain County Visitor's Bureau, prepared by Alan V. Januzzi, CPA, for the audit period April 1, 2005 through March 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lorain County Visitor's Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 21, 2006

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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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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, 2006 and 2005, 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, 2006 and 2005, 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 June 26, 2006, 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 grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit 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  
June 26, 2006

LORAIN COUNTY VISITOR'S BUREAU, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 MARCH 31, 2006 AND 2005

	<u>3/31/06</u>	<u>3/31/05</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 21,964	\$ 19,370
Lodging excise tax receivable (Note C)	25,644	33,398
Other receivables	8,350	
Inventory - promotional material (Note A)	5,200	5,200
	-----	-----
TOTAL CURRENT ASSETS	61,158	57,968
PROPERTY AND EQUIPMENT (Note B)	1,477,502	1,453,018
Less accumulated depreciation	( 132,464)	( 89,851)
	-----	-----
NET PROPERTY AND EQUIPMENT	1,345,038	1,363,167
OTHER ASSETS		
Cash restricted for payment of debt (Note I)	172,925	167,378
Bond issue costs (net of amortization)	102,241	108,255
	-----	-----
TOTAL OTHER ASSETS	275,166	275,633
	-----	-----
TOTAL ASSETS	1,681,362	1,696,768
	=====	=====
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable & accrued expenses	37,275	35,683
Line of credit (Note K)	3,882	
Current portion-bonds payable	40,000	35,000
	-----	-----
TOTAL CURRENT LIABILITIES	81,157	70,683
BONDS PAYABLE (Note H)	1,160,000	1,200,000
	-----	-----
TOTAL LIABILITIES	1,241,157	1,270,683
NET ASSETS - UNRESTRICTED	267,280	258,707
NET ASSETS - TEMPORARILY RESTRICTED	172,925	167,378
	-----	-----
TOTAL NET ASSETS	440,205	426,085
	-----	-----
TOTAL LIABILITIES AND NET ASSETS	\$ 1,681,362	1,696,768
	=====	=====

See accompanying notes to financial statements.

LORAIN COUNTY VISITOR'S BUREAU, INC.  
 STATEMENTS OF ACTIVITIES  
 YEARS ENDED MARCH 31, 2006 AND 2005

	12 MONTHS 3/31/06	12 MONTHS 3/31/05
	-----	
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Lodging excise tax revenues (Note C)	\$ 404,929	\$ 388,227
Investment income (Note E)	3,081	4,162
Grants	28,623	20,276
Rental income	12,019	14,200
Advertising, sales & reimbursements	17,613	12,648
	-----	-----
TOTAL SUPPORT AND REVENUE	466,265	439,513
EXPENSES		
ADVERTISING AND PROMOTION		
Media advertising	22,931	39,388
Brochures	14,133	6,465
Travel and conventions	2,516	1,955
Promotion	13,352	16,279
Trade shows & events	6,750	7,890
Telephone, postage and supplies	12,927	16,408
	-----	-----
TOTAL ADVERTISING AND PROMOTION	72,609	88,385
SALARIES AND WAGES	146,481	155,914
COLLECTION EXPENSE	13,529	12,988
DEPRECIATION (Note B)	42,613	38,958
POSTAGE	2,512	2,230
SUPPLIES	1,816	4,226
PAYROLL TAXES	11,635	12,117
TELEPHONE	2,020	3,996
PROFESSIONAL FEES	7,319	4,996
TRAVEL	601	701
DUES AND SUBSCRIPTIONS	4,756	4,028
UTILITIES	11,472	9,968
INSURANCE	25,176	27,700
AUTOMOBILE EXPENSES	4,219	1,890
MAINTENANCE AND REPAIRS	15,670	12,907
CONVENTIONS, SEMINARS AND MEETINGS	1,076	2,539
TRUSTEE AND BOND FEES	12,106	12,194
AMORTIZATION OF BOND ISSUE COSTS	6,014	6,014
INTEREST	70,521	71,229
	-----	-----
TOTAL EXPENSES	452,145	472,980
	-----	-----
CHANGE IN NET ASSETS	14,120	( 33,467)
NET ASSETS, BEGINNING OF YEAR	426,085	459,552
	-----	-----
NET ASSETS, END OF YEAR	\$ 440,205	\$ 426,085
	=====	=====

See accompanying notes to financial statements.



LORAIN COUNTY VISITOR'S BUREAU, INC.  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED MARCH 31, 2006 AND 2005

	12 MONTHS 3/31/06	12 MONTHS 3/31/05
	-----	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 14,120	( 33,467)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation & amortization	48,627	44,972
Changes in operating assets & liabilities:		
Decrease (increase) in receivables	( 596)	25,886
Increase (decrease) in accounts payable	1,590	( 131,834)
	-----	-----
INCREASE (DECREASE) IN CASH FROM OPERATIONS	63,741	( 94,443)
INVESTING ACTIVITIES		
Change in restricted cash	( 5,547)	138,568
Purchase of property & equipment	( 24,482)	( 134,445)
	-----	-----
CASH USED IN INVESTING ACTIVITIES	( 30,029)	4,123
FINANCING ACTIVITIES		
Advances on line of credit	30,882	
Repayment on line of credit	( 27,000)	
Repayment on bonds payable	( 35,000)	( 10,000)
	-----	-----
CASH USED IN FINANCING ACTIVITIES	( 31,118)	( 10,000)
	-----	-----
NET INCREASE (DECREASE) IN CASH	2,594	( 100,320)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	19,370	119,690
	-----	-----
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 21,964	\$ 19,370
	=====	=====
INTEREST COSTS EXPENSED	70,521	71,229

See accompanying notes to financial statements.

**LORAIN COUNTY VISITOR'S BUREAU, INC.**  
**(A NON-PROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2006 AND 2005**

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, 2006 and 2005 were prepared on the accrual method of accounting.

**LORAIN COUNTY VISITOR'S BUREAU, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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. The building is being depreciated over 40 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**  
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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 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, 2006 and 2005, 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, 2006 and 2005 were as follows:

**LORAIN COUNTY VISITOR'S BUREAU, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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	<u>MARCH 31, 2005</u>	<u>MARCH 31, 2006</u>
Furniture & Equipment	\$ 97,323	\$ 109,417
Vehicles	36,479	36,479
		Land
		225,941
		225,941
Building	1,093,275	1,105,665
	-----	-----
Totals	1,453,018	1,477,502
Less: Accumulated		
Depreciation	( 89,851)	(132,464)
	-----	-----
Net Fixed Assets	\$ 1,363,167	\$1,345,038
	=====	=====

Depreciation expense for the years ended March 31, 2006 and 2005 is \$42,613 and \$38,958, respectively.

C. RECEIVABLES AND LODGING EXCISE TAX COLLECTIONS

The operations of Lorain County Visitor's Bureau, Inc. are dependent upon 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, 2006 and 2005 was \$25,644 and \$33,398, respectively .

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 income in the amount of \$3,081 on its cash equivalents, including interest earned on project, reserve and sinking fund accounts related to the revenue bonds.

F. PROGRAM COSTS

During the March 31, 2006 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	\$ 415,888
Supportive services	32,007
Fundraising expense	4,250
	-----
TOTAL EXPENSES:	\$ 452,145
	=====

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, 2006 represented amounts due for the first quarter of 2006 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 institutions exceed federally insured limits of \$100,000.

H. 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 were used for the construction of the organization's new facility on Route 58 in Lorain County, Ohio. The note

requires mandatory sinking fund requirements for the purpose

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**LORAIN COUNTY VISITOR'S BUREAU, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 and matures in November, 2023. 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>
2007	\$113,208
2008	117,531
2009	111,542
2010	117,271
2011	115,865

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>
2007	\$40,000
2008	40,000
2009	45,000
2010	50,000
2011	50,000

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

The costs associated with the issuance of the bonds are capitalized as bond issue costs on the statement of financial position. These costs are being amortized over the life of the note.

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**LORAIN COUNTY VISITOR'S BUREAU, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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I. RESTRICTED CASH

Bond sinking fund accounts, as required by the loan agreement between the Lorain County Port Authority and the Lorain County Visitor's Bureau, Inc., consisted of a principal account and an interest account. These accounts had \$45,661 in them as of March 31, 2006. Both of these accounts were invested in government money market funds.

The note also requires the establishment of a reserve fund. At March 31, 2006, \$127,264 was in a reserve fund and invested in money market funds.

J. RELATED PARTY TRANSACTIONS

Lorain County Visitor's Bureau, Inc. is related to Lorain County Heritage, Inc. through common board membership. Lorain County Heritage, Inc. is a charitable organization exempt from taxes under Section 501(c)(3) of the Internal Revenue Code. During the March 31, 2006 year, Lorain County Heritage, Inc. maintained its offices in facilities rented or owned by Lorain County Visitor's Bureau, Inc.

K. LINE-OF-CREDIT

The organization had available a revolving line-of-credit approved in the amount of \$75,000. The line-of-credit is secured by the real estate on Leavitt Road in Amherst, Ohio, and requires monthly payments of interest at an annual rate of 7.75% plus an adjustable index. The rate as of March 31, 2006 was 8.25% and the balance was \$3,882.



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**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS REQUIRED BY 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, 2006 and 2005, and have issued my report hereon dated June 26, 2006. 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.

**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 would not necessarily disclose all matters in the internal control 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be timely detected 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 material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring 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 grant agreements, non-compliance with which could have a direct and material effect

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

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

This report is intended solely 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  
June 26, 2006



**Auditor of State  
Betty Montgomery**

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**LORAIN COUNTY VISITOR'S BUREAU**

**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  
DECEMBER 5, 2006**