

**OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO**

Audit Report

For the Year Ending December 31, 2005

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



**Auditor of State
Betty Montgomery**

Board of Trustees
Ottawa County Visitors' Bureau
770 S.E. Catawba Rd.
P.O. Box 53 N.
Port Clinton, Ohio 43452

We have reviewed the *Report of Independent Accountants* of the Ottawa County Visitors' Bureau, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. 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 Ottawa County Visitors' Bureau is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 12, 2006

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**OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO
Audit Report
For the Year Ending December 31, 2005**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees
Ottawa County Visitors Bureau
770 S.E. Catawba Road
Port Clinton, Ohio 43452

We have audited the accompanying financial statements of the Ottawa County Visitors' Bureau, Ottawa County, Ohio (the Bureau) as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion these financial statements based on our audit.

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. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

As described in Note 2, the Bureau has presented these financial statements on the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Ottawa County Visitors' Bureau, Ottawa County, as of December 31, 2005, and its cash receipts and disbursements and changes in fund cash balance for the year then ended in conformity with the basis of accounting described in Note 2.

The accompanying financial statements have been prepared assuming the Bureau will continue as a going concern. As discussed in Note 9 to the financial statements, the Bureau has suffered recurring losses from operations that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2006, on our consideration of the Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our 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 in considering the results of our audit.

Charles E. Harris & Associates, Inc.

August 1, 2006

OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO
Statement of Cash Receipts and Cash Disbursements
and Changes in Cash Net Assets
For the Year Ending December 31, 2005

<u>Cash Receipts:</u>	
Tax Revenue	\$ 369,112
Great Lake Adventure Advertising	161,494
Welcome Center Partnership	92,293
Ticket/Video Revenue	91,831
Grants	18,750
Sponsorship Fees	134
Room Rental Fees	75
Interest Earned	<u>343</u>
Total Cash Receipts	734,032
<u>Cash Disbursements:</u>	
Payroll and Taxes	144,693
Pension Expense	2,889
Rent and Utilities	52,084
Office Supplies	6,384
Office Equipment	19,509
Promotional Mailings	16,684
Building Maintenance	24,116
Travel Shows	22,553
Special Events	5,230
Insurance	37,775
Professional Fees	77,759
Publications	92,461
Vehicle	8,388
Advertising	80,051
Public Relations	862
VIP Hosting	4,078
Membership dues	3,504
Promotional Feedback	5,116
Ticket Expenses	89,295
Principal Payment	232,335
Interest Expense	121,661
Finance Charges	<u>1,382</u>
Total Cash Disbursements	<u>1,048,809</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(314,777)
<u>Other Cash Receipts:</u>	
Proceed from Line of Credit	<u>320,877</u>
Excess of Cash Receipts and Other Cash Receipts Over/(Under) Cash Disbursements	6,100
Beginning Cash Net Assets January 1, 2005	<u>39,004</u>
Ending Cash Net Assets December 31, 2005	<u><u>\$ 45,104</u></u>

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

OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ending December 31, 2005

NOTE 1 – NATURE OF OPERATIONS

The purpose for which the Ottawa County Visitors' Bureau (Bureau) is to encourage economic development in Ottawa County, Ohio through promotion of tourism and to encourage and promote, through advertisement and other educational and informational means, travel to and visitation in the entire County of Ottawa, Ohio by persons nonresident of said County, for pleasure, business and other purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – These financial statements follow the cash basis of accounting, which differs from generally accepted accounting principles. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Management believes these statements include adequate disclosure of material matters.

Income Taxes – the Ottawa County Visitors' Bureau is a non-profit organization exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code.

Cash and Investments – Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements accordingly.

NOTE 3 - REVENUE

The Bureau receives tax revenue from the Ottawa County bed tax. The tax is assessed and collected by the County Auditor and is ultimately remitted to the Ottawa County Visitors' Bureau. The Bureau also sells advertising space in its annual visitors' guide, known in 2005 as the GREAT LAKES ADVENTURE (GLA).

The Bureau also records revenues from Welcome Center Partnership. These incomes come from fees paid by vendors who display their brochures at the Bureau and/or list their ads at the Bureau's website and phone board.

Other sources of income are ticket and video sales, room rental, grants and sponsorship fees.

NOTE 4 – OPERATING LEASES

The Bureau entered into a 45-year land lease in August 2001 for land located on State Route 53 on which its new facility is located. The lease expense for the year ended December 31, 2005 was \$16,560.

In June 2002, the Bureau entered into a 5-year lease for a copy machine. The lease calls for monthly rental payments of \$248 plus a per copy surcharge. The lease expense for the year ended December 31, 2005 was \$2,976.

**OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ending December 31, 2005**

NOTE 4 – OPERATING LEASES (CONTINUED)

The future minimum rental payments related to the above-mentioned leases are:

Year Ending December 31	Land Lease	Copier Lease
2006	\$ 17,400	\$ 2,976
2007	17,400	1,488
2008	18,240	-
2009	18,240	-
2010	19,200	-
2011 - 2046	1,086,240	-
Totals	<u>\$ 1,176,720</u>	<u>\$ 4,464</u>

NOTE 5 – SIMPLE IRA

On June 1, 2000 the Bureau established a Simple IRA for all employees who have earned at least \$5,000 in the previous two years and are expected to earn at least \$5,000 in the current year. The Bureau will match employees' salary deferral up to 3% of employees' compensation. The pension expense for the year ended December 31, 2005 was \$2,889.

NOTE 6 – DEBT

Debt activity for the year ending December 31, 2005 is as follows:

	Balance 12/31/04	Added	Retired	Balance 12/31/05
First National Bank	\$ 1,178,165	\$ -	\$ (17,014)	\$ 1,161,151
USDA	926,621	-	(16,444)	910,177
Ottawa County	75,000	-	(25,000)	50,000
Line of Credit	-	320,877	(173,877)	147,000
Total Debt	<u>\$ 2,179,786</u>	<u>\$ 320,877</u>	<u>\$ (232,335)</u>	<u>\$ 2,268,328</u>

The mortgage payable debt dated June 12, 2003 with First National Bank is secured by all assets, guaranteed by the USDA, payable in monthly installments of \$7,460 including interest at 6.25%, and due July, 2033.

The mortgage payable debt dated June 12, 2003 with the US Department of Agriculture is secured by all assets, payable in monthly installments of \$4,817 including interest at 4.5%, and due July, 2033.

OTTAWA COUNTY VISITORS' BUREAU
OTTAWA COUNTY, OHIO
Notes to the Financial Statements
For the Year Ending December 31, 2005

NOTE 6 – DEBT – (CONTINUED)

The Bureau received a loan dated June 25, 2004 of \$100,000 from the Ottawa County Commissioners at 4% interest. The grant is to be paid back in four yearly installments of \$25,000 starting December 15, 2004 with final payment due December 15, 2007.

The Bureau opened a \$175,000 Line of Credit from First National Bank during 2005. It drew down \$173,877 and repaid the full amount on November 14, 2005. On November 16, 2005, it reopened another \$175,000 line of credit and drew down at total of \$147,000. This amount was outstanding as of December 31, 2005.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Bureau maintains four accounts for its cash balances of \$45,104 in one financial institution located in northern Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2005, the Bureau had no uninsured cash balances.

NOTE 8 - CONTINGENT LIABILITIES

The Visitors' Bureau may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Visitors' Bureau legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Bureau.

NOTE 9 – GOING CONCERN

The Bureau has been experiencing financial related difficulties the past several years, which had made it necessary to open a line of credit and draw down \$147,000 to continue operations. This has been caused mainly by cash flow challenges resulting from the seasonality of visitation in Ottawa County and its impact on bed tax revenues, the primary source of funding for the Visitor's Bureau. Additionally, over the past few years, bed tax revenues were not as high as the original projected business plan for operation of the Bureau. Management has reviewed this issue and although no formal plans are yet in place, the Bureau working with the Ottawa County Commissioners, other elected officials, and community financial leaders to develop a new business plan for additional financing for the Bureau. Financial activity is being carefully monitored to keep expenses to a minimum.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Ottawa County Visitors' Bureau
770 S.E. Catawba Road
Port Clinton, Ohio 43452

We have audited the financial statements of Ottawa County Visitors' Bureau, Ottawa County, Ohio (the Bureau) as of and for the year ended December 31, 2005, and have issued our report thereon dated August 1, 2006, wherein we noted the Bureau followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted that the Bureau prepared its financial statements assuming it will continue as a going concern. 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.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 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 that do not require inclusion in this report, that we have reported to management of the Bureau in a separate letter dated August 1, 2006.

COMPLIANCE AND OTHER MATTERS

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, grant agreements and other matters, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and used of the finance committee, management, and the Bureau Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

August 1, 2006

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the six months ending December 31, 2004 reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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VISITORS' BUREAU

OTTAWA 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 26, 2006**