

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

**AUDIT REPORT**

**For the Year Ending December 31, 2007**

***(With Comparative Totals for 2006)***

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





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Ottawa County Visitors' Bureau  
700 S.E. Catawba Road  
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, 2007 through December 31, 2007. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

September 9, 2008

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**OTTAWA COUNTY VISITORS' BUREAU  
OTTAWA COUNTY, OHIO  
Audit Report  
For the Year Ending December 31, 2007**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Trustees:

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, 2007, 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. The prior year summarized comparative information has been derived from the 2006 financial statements and, in our report dated August 3, 2007 we expressed an unqualified opinion on those financial statements.

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 the Comptroller General of the United States' *Government Auditing Standards*. 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 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 prepared those financial statements using the cash basis of accounting. The financial statements follow the cash basis of accounting, which 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 this basis of accounting practices and GAAP, we presume they are material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash net assets of the Ottawa County Visitors' Bureau, Ottawa County, as of December 31, 2007, and its cash receipts and disbursements and changes in cash net assets for the year then ended on the accounting basis Note 2 describes.

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 July 8, 2008, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

***Charles E. Harris & Associates, Inc.***

July 8, 2008



**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, 2007  
(With Comparative Totals for 2006)**

	<u>2007</u>	<u>2006</u>
<u>Cash Receipts:</u>		
Tax Revenue	\$ 473,247	\$ 402,833
Great Lake Adventure Advertising	14,672	49,619
Welcome Center Partnership	57,158	53,633
Ticket/Video Revenue	45,836	74,726
Grants	7,986	25,000
Interest Earned	2,558	1,388
Miscellaneous	2,826	2,707
	<hr/>	<hr/>
Total Cash Receipts	604,283	609,906
 <u>Cash Disbursements:</u>		
Payroll and Taxes	178,938	182,850
Employee Benefits	28,428	34,067
Market and Advertising	51,274	107,264
Ticket Expenses	44,528	72,193
Utilities	28,889	33,016
Building Maintenance	17,864	27,670
Land Lease	17,400	17,400
Legal and Accounting Fees	12,082	17,110
Postage and Shipping	8,792	12,311
Dues and Subscriptions	6,394	12,541
Business Insurance	9,104	10,219
Travel Show Expenses	10,172	9,888
Office Administration	9,098	6,748
Vehicle Expenses	6,663	5,937
Capital Expenditures	-	5,689
Public Relations and Special Events	4,660	4,557
Bank Charges	1,484	3,391
Mileage Reimbursement	2,172	1,852
Meeting and Seminar Expense	1,574	1,567
Principal Payment	33,829	55,453
Interest Expense	131,886	125,318
	<hr/>	<hr/>
Total Cash Disbursements	605,231	747,041
 Excess of Cash Receipts Over/(Under) Cash Disbursements	(948)	(137,135)
 <u>Other Receipts and Disbursements:</u>		
Proceeds from Line of Credit/Loan	-	48,000
Proceeds from Note Payable to Ottawa County Commissioners	-	192,000
	<hr/>	<hr/>
Excess of Receipt and Other Receipts Over/(Under) Disbursements and Other Disbursements	(948)	102,865
	<hr/>	<hr/>
Cash Net Assets Beginning of Year	147,969	45,104
	<hr/>	<hr/>
Cash Net Assets End of Year	\$ 147,021	\$ 147,969
	<hr/>	<hr/>

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, 2007**

**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 66 2/3% of the 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 used to sell advertising space in its annual visitors' guide, known as the Great Lakes Adventure (GLA), but during 2007 they entered into a partnership with the Erie County Visitors' Bureau, who now receives this revenue.

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, 2007 was \$17,400.

**OTTAWA COUNTY VISITORS' BUREAU  
OTTAWA COUNTY, OHIO  
Notes to the Financial Statements  
For the Year Ending December 31, 2007**

**NOTE 4 – OPERATING LEASES (continued)**

The future minimum land lease payments are:

<u>Year Ending December 31</u>	<u>Land Lease</u>
2008	\$ 18,240
2009	18,240
2010	19,200
2011	19,200
2012	19,200
2013 - 2046	<u>1,067,040</u>
Totals	<u>\$ 1,161,120</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, 2007 was \$4,090.

**NOTE 6 – DEBT**

Debt activity for the year ending December 31, 2007 is as follows:

	<u>Balance 12/31/06</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 12/31/07</u>
First National Bank	\$ 1,142,897	\$ -	\$ (15,839)	\$ 1,127,058
USDA	892,978	-	(17,990)	874,988
Line of Credit	175,000	-	-	175,000
Ottawa County-2004	50,000	-	-	50,000
Ottawa County-2006	<u>192,000</u>	<u>-</u>	<u>-</u>	<u>192,000</u>
Total Debt	<u>\$ 2,452,875</u>	<u>\$ -</u>	<u>\$ (33,829)</u>	<u>\$ 2,419,046</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 \$8,070 including interest at 7.125% starting July, 2007, and due July, 2033.

**OTTAWA COUNTY VISITORS' BUREAU**  
**OTTAWA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ending December 31, 2007**

**NOTE 6 – DEBT – (CONTINUED)**

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.

The Bureau received a loan dated June 25, 2004 of \$100,000 from the Ottawa County Commissioners at 4% interest. The loan is to be paid back in four yearly installments of \$25,000 starting December 15, 2004 with final payment due December 15, 2007. During 2006 and 2007, the installments were not made leaving an outstanding debt balance of \$50,000. By agreement with the Ottawa County Commissioners, the loan was extended to December 31, 2008.

The Bureau received a loan dated April 20, 2006 of \$192,000 from the Ottawa County Commissioners at 4% interest. The loan was to be paid back by December 31, 2006, but on July 24, 2006 the Ottawa County Commissioners extended the loan until December 31, 2008. During 2007, no principal payments were made leaving an outstanding debt balance of \$192,000 as of December 31, 2007.

The Bureau opened a \$175,000 Line of Credit from First National Bank during 2005. In November 2005, the Bureau drew down \$147,000 and during 2006 they drew down \$28,000 bringing the Line of Credit to its maximum amount of \$175,000. During 2007, no principal payments were made leaving an outstanding debt balance of \$175,000 as of December 31, 2007.

**NOTE 7 – CONCENTRATIONS OF CREDIT RISK**

As of December 31, 2007 the Bureau maintains four accounts with a cash balance of \$147,021 in one financial institution located in northern Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000 with the balance collateralized by the financial institution's public entity deposit pool.

**NOTE 8 - CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

**OTTAWA COUNTY VISITORS' BUREAU**  
**OTTAWA COUNTY, OHIO**  
**Notes to the Financial Statements**  
**For the Year Ending December 31, 2007**

**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 \$175,000 to continue operations. Also, the Bureau has obtained several other loans 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. The Bureau Board of Trustees, Finance Committee, and other community leaders are actively engaged in planning to develop solutions for the short and long term funding challenges of the Bureau. Those solutions are:

- Beginning in 2009, the Ottawa County Visitors' Bureau will receive 99% of the county lodging tax instead of the 66 2/3% that it has been receiving since the late 1980's when the lodging tax was first implemented in Ottawa County. Based on an average of the past few years of lodging tax collections, this will generate approximately \$150,000 in additional revenue in 2009.
- The Ottawa County Auditor's office has hired a part-time employee as a Lodging Tax Administrator. This person's sole responsibility is to ensure that all properties that are renting transient rooms in Ottawa County are in fact collecting and remitting the accurate amount of required tax. We anticipate additional revenue of at least \$25,000 from these efforts in 2009.

The revenue from the above two actions will allow the Bureau to pay off their short-term loans with Ottawa County over a period of several years while still having necessary funds to cover all overhead. Also, all financial activity is being carefully monitored to keep expenses to a minimum.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Trustees:

We have audited the financial statements of the Ottawa County Visitors' Bureau, Ottawa County, Ohio (the Bureau) as of and for the year ended December 31, 2007, and have issued our report thereon dated July 8, 2008, 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 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 Controls Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Bureau's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash basis of accounting such that there is more than a remote likelihood that a misstatement of Bureau's financial statements that is more than inconsequential will not be prevented or detected by Bureau's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Bureau's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### 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, grants 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Bureau in a separate letter dated July 8, 2008.

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.***

July 8, 2008

## **STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS**

The prior audit report, for the year ending December 31, 2006 reported no material citations or recommendations.





**Mary Taylor, CPA**  
Auditor of State

**OTTAWA COUNTY 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  
SEPTEMBER 23, 2008**