

**TOLEDO-LUCAS COUNTY CONVENTION AND  
VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

Basic Financial Statements and Supplementary Information  
Year Ended December 31, 2017  
With Independent Auditors' Report



# Dave Yost • Auditor of State

Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
401 Jefferson Avenue  
Toledo, Ohio 43604

We have reviewed the *Independent Auditor's Report* of the Toledo-Lucas County Convention and Visitors Bureau, Inc., Lucas County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2017 through December 31, 2017. 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 Toledo-Lucas County Convention and Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

May 16, 2018

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
Toledo, Ohio:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on 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 to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, as of December 31, 2017, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 4 to the financial statements, in 2017 the Organization adopted new accounting guidance, GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. Our opinion is not modified with respect to this matter.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The combining schedules on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2018 on our consideration of the Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Toledo-Lucas County Convention and Visitors Bureau, Inc.'s internal control over financial reporting and compliance.

*Clark, Schaefer, Hackett & Co.*

Toledo, Ohio  
April 20, 2018

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") provides a summary overview of the financial performance of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization") for the fiscal year ended December 31, 2017. This information in the MD&A should be read in conjunction with the Organization's financial statements and the corresponding notes to the financial statements.

### Financial Highlights

- The Huntington Center hosted 14 concerts, 6 family shows, 22 entertainment events, 5 meetings, and 44 Walleye games.
- The SeaGate Centre hosted 17 banquets, 13 sporting events, 32 consumer shows, 28 conventions, 3 concerts, 10 family shows, 5 assemblies and 28 meetings.

### Overview of the Financial Statements

The Organization's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standard Board ("GASB"). Under GASB Statement No. 14, as amended, the County of Lucas, Ohio (the "County"), is defined as a "primary government" and the TLCCVB is considered a component unit of the primary government. For purposes of the TLCCVB financial statements, the TLCCVB is defined as a "primary government", and the DT is considered a blended component unit of the primary government; both entities utilize enterprise fund accounting.

The basic financial statements of the Organization together with the notes, which are essential to a full understanding of the data contained in the financial statements, are the following:

- Statement of Net Position - This statement presents information on all the Organization's assets, liabilities and deferred inflows and outflows, with the difference reported as net position.
- Statement of Revenues, Expenses, and Changes in Net Position - This statement shows how the Organization's net position has changed during the most recent year. Revenue is reported generally when earned, and expenses are reported when incurred.
- Statement of Cash Flows - This statement reports cash and cash equivalent activities for the fiscal year resulting from operating, capital and related financing activities, and investing activities.
- The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Financial Analysis of the Organization's Net Position and Revenues, Expenses and  
Changes in Net Position**

The table below provides a summary of the Organization's financial position and operations for 2017 and 2016, respectively. Certain amounts may vary slightly due to differences caused by rounding to thousands.

**Condensed statements of net position  
December 31  
(Amounts in thousands)**

	2017	2016	Change
Current assets	\$ 9,181	\$ 5,894	\$ 3,287
Capital assets, net	<u>4,309</u>	<u>4,005</u>	<u>304</u>
Total assets	13,490	9,899	3,591
Current liabilities	5,732	3,184	2,548
Net investment in capital assets	4,309	4,005	304
Restricted	1,231	1,194	37
Unrestricted	<u>2,217</u>	<u>1,518</u>	<u>699</u>
Total net position	<u>\$ 7,757</u>	<u>\$ 6,717</u>	<u>\$ 1,040</u>

During 2017, net position increased by \$1,040,681 for the Organization. The majority of these changes related to the TLCCVB and were due to the following:

- o Current assets increased by \$3,286,604 primarily due to an increase in cash and cash equivalents.
- o Capital assets increased by \$302,946 primarily due to improvements to the SeaGate Convention Centre.
- o Current liabilities increased by \$2,548,869 due to more advance ticket sales because of events occurring in 2018.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table summarizes the changes in revenues and expenses for the Organization between 2017 and 2016:

Condensed statements of revenues, expenses, and changes in net position  
Years ended December 31  
(Amounts in thousands)

	2017	2016	Change
Operating revenues			
Event revenue	\$ 2,071	\$ 2,155	\$ (84)
Parking	765	679	86
Lucas County	2,944	2,750	194
Other	<u>2,869</u>	<u>2,673</u>	<u>196</u>
Total operating revenue	<u>8,649</u>	<u>8,257</u>	<u>392</u>
Operating expenses			
Payroll and benefits	3,236	3,171	65
Contracted services	1,375	1,325	50
Marketing/advertising	545	208	337
Utilities	700	707	(7)
Supplies	478	513	(35)
Insurance	183	184	(1)
Other	<u>588</u>	<u>556</u>	<u>42</u>
Total operating expense	<u>7,105</u>	<u>6,664</u>	<u>441</u>
Operating income (loss)			
before depreciation	1,543	1,593	(50)
Depreciation	<u>469</u>	<u>332</u>	<u>137</u>
Operating income (loss)			
after depreciation	1,074	1,261	(187)
Non-operating			
Other	<u>(34)</u>	<u>(26)</u>	<u>(8)</u>
Net change in net position	<u>\$ 1,040</u>	<u>\$ 1,235</u>	<u>\$ (195)</u>

Operating revenues include lodging taxes provided by the County to fund operations and capital improvements. The amount of subsidies received by the TLCCVB was \$1,772,488 and by DT was \$1,171,575 for the year ended December 31, 2017. The remaining revenues largely come from related event revenues.

- TLCCVB event income decreased by \$83,615 in 2017 due to fewer events held at the Huntington Center.
- Parking income for the TLCCVB increased by \$85,944 in 2017.
- Other income decreased in 2017 by \$62,235.
- Lucas County provided \$631,000 in capital funding for current and future projects at Seagate Centre and Huntington Center.



# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Expenses

- Utilities decreased for the Organization by \$6,128 in 2017.
- Payroll and fringe benefits increased for the Organization by \$62,500.
- Advertising cost for the Organization increased by \$337,744 due to efforts by DT to focus on advertising deemed effective and website design.
- Supplies decreased by \$34,363 for the Organization due to change in classification of expenses and fewer concerts at Huntington Center in 2016.
- Contracted services increased by \$50,431 due to increased security at events.

### Capital Assets

At the end of 2017, the Organization had \$4,308,599 (net of accumulated depreciation) invested in capital assets. Current year depreciation expense was \$469,599. Capital asset acquisitions are capitalized at cost and depreciated using the straight-line method, based upon estimated useful lives of the assets.

### Economic Factors

Economic factors have started to improve in the convention and travel industry nationwide. This is true in Toledo/Lucas County as well. Convention attendance, as well as bookings increased during this period of time. Bookings increased in 2017 and we are optimistic that they will be at the same level or increase in 2018. The good news was that over the past several years the hotel/motel market and booking began to improve. The operations of the Arena continue to be strong as well as are ticket sales for the events. The Convention Center has seen an increase in attendance at all types of events and bookings.

### Contacting the Organization's Financial Management

This financial report is designed to provide a general overview of the Organization's finance for all interested parties. Questions and requests for additional information regarding this report should be addressed to the Finance Director, Toledo Lucas County Convention and Visitor's Bureau, Inc., 401 Jefferson Avenue, Toledo, Ohio 43604.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

ASSETS	
<b>Current assets</b>	
Cash and cash equivalents	\$ 7,939,744
Accounts receivable	
Trade	762,936
Sponsorship receivable	414,722
Prepaid expenses	63,491
<b>Total current assets</b>	<u>9,180,893</u>
<b>Noncurrent assets</b>	
Capital assets:	
Parking rights	1,175,000
Depreciable capital assets, net	3,133,559
<b>Total capital assets</b>	<u>4,308,559</u>
<b>Total assets</b>	<u>13,489,452</u>
LIABILITIES	
<b>Current liabilities</b>	
Accounts payable - trade	620,567
Accrued payroll and payroll taxes	334,957
Accrued real estate taxes and special assessments	95,509
Other accrued liabilities	209
Advance ticket sales	2,941,025
Unearned revenue	1,682,609
Security deposits	57,344
<b>Total liabilities</b>	<u>5,732,220</u>
NET POSITION	
<b>Net position</b>	
Investment in capital assets	4,308,559
Restricted for capital improvements	1,231,214
Unrestricted	2,217,459
<b>Total net position</b>	<u><u>\$ 7,757,232</u></u>

The accompanying notes are an integral part of these financial statements.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2017**

<b>Operating revenues</b>	
Event revenue	\$ 2,071,701
Other ticketing and sponsorship revenue	720,643
Parking, net of expenses of \$45,659	765,389
Food & beverage	1,956,815
Lucas County	2,944,063
Membership dues	71,281
Other	118,983
	<hr/>
<b>Total operating revenues</b>	<b>8,648,875</b>
	<hr/>
<b>Operating expenses</b>	
Payroll and fringe benefits	3,235,222
Utilities	700,772
Supplies, maintenance and other	478,063
Contracted services	1,375,376
Miscellaneous	126,525
Building and equipment rent	142,206
Insurance	182,273
Marketing and advertising	545,316
Legal and accounting	77,374
Real estate taxes and special assessments	96,012
Travel and entertainment	79,558
Dues, memberships and subscriptions	25,701
Provision for losses on accounts receivable	4,415
Postage	9,219
Photography, printing and publications	27,135
	<hr/>
<b>Total operating expenses</b>	<b>7,105,167</b>
	<hr/>
<b>Operating income before depreciation and amortization</b>	<b>1,543,708</b>
Depreciation and amortization	469,599
	<hr/>
<b>Operating income</b>	<b>1,074,109</b>
	<hr/>
<b>Nonoperating revenues (expenses)</b>	
Interest and finance costs	(34,244)
Interest income	816
	<hr/>
<b>Net nonoperating (expenses)</b>	<b>(33,428)</b>
	<hr/>
<b>Change in net position</b>	<b>1,040,681</b>
Net position, beginning of year, restated	6,716,551
	<hr/>
<b>Net position, end of year</b>	<b>\$ 7,757,232</b>
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The accompanying notes are an integral part of these financial statements.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

<b>Cash flows from operating activities</b>	
Cash received from customers, contributions and subsidies	\$ 10,875,920
Cash payments to suppliers for goods and services	(3,731,339)
Cash payments to employees for services	(3,191,478)
	<u>3,953,103</u>
<b>Net cash provided by operating activities</b>	
<b>Cash flows from capital and related financing activities</b>	
Purchases of capital assets	(772,545)
Interest paid	(34,244)
	<u>(806,789)</u>
<b>Net cash used in capital and related financing activities</b>	
<b>Cash flows provided by investing activities</b>	
Interest received	816
	<u>816</u>
<b>Increase in cash and cash equivalents</b>	<b>3,147,130</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>4,792,614</b>
	<u>4,792,614</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,939,744</b>
	<u><u>7,939,744</u></u>
<b>Cash flows from operating activities</b>	
Operating income	\$ 1,074,109
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	469,599
Changes in operating assets and liabilities which provided (used) cash:	
Accounts receivable	(272,315)
Sponsorship receivable	(60,764)
Other assets	(14,664)
Other accrued liabilities	(12)
Accrued real estate taxes	(1,980)
Accounts payable	140,586
Accrued payroll and payroll taxes	43,744
Unearned revenue and advanced ticket sales	2,594,965
Security deposits	(20,165)
	<u>(20,165)</u>
<b>Net cash provided by operating activities</b>	<b>\$ 3,953,103</b>
	<u><u>3,953,103</u></u>

The accompanying notes are an integral part of these financial statements.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### 1. DESCRIPTION OF THE REPORTING ENTITY

The Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, ("TLCCVB"), operates the SeaGate Centre (a convention center) and Huntington Center (an arena) in the City of Toledo, Ohio. The accompanying financial statements report all of the accounts of the SeaGate Centre and Huntington Center. The reporting entity is comprised of the TLCCVB, and its blended component unit, Destination Toledo, Inc. ("DT") (collectively, the "Organization"), which was established to encourage and promote the utilization of convention, restaurant, hotel, motel and entertainment facilities in Toledo, Ohio, and the surrounding areas. Upon the dissolution of DT, any remaining assets after payment of all obligations will be distributed to the TLCCVB. The Huntington Center is an 8,000 plus seat multi-purpose arena owned by the County which opened October 2009. TLCCVB and DT are supported primarily through event revenues, private contributions, and County subsidies.

For financial reporting purposes, the TLCCVB is a component unit of Lucas County as the County appoints the TLCCVB's Board of Trustees and the County is financially accountable for, and provides significant subsidies to, the TLCCVB and its component unit, DT.

The TLCCVB is affiliated with DT by virtue of being the sole member of DT, as provided under DT's code of regulations. Consequently, TLCCVB has controlling interest in DT, and is responsible for appointing and removing DT's Board of Trustees.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") Statement No. 14, as amended, is the "primary government." A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. Based on this criteria, TLCCVB is determined to be a component unit of Lucas County and DT is determined to be a component unit of TLCCVB.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in single enterprise funds.

Enterprise funds are used to account for the costs of providing goods and services to the general public on a continuing basis which are financed or recovered primarily through user charges or to report any activity for which a fee is charged to external users for goods or services, regardless of whether the government intends to fully recover the cost of the goods or services provided.

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

NOTES TO FINANCIAL STATEMENTS

B. Measurement Focus

The enterprise fund is accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Organization are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenue) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Organization finances and meets the cash flow needs of its enterprise activity.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

The Organization considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. All cash is held at one financial institution.

E. Accounts Receivable - Trade

A reserve for uncollectible accounts is determined based on prior history and individual account status. An account is delinquent at 30 days past due. The Organization does not accrue interest on past due accounts.

F. Capital Assets

Capital assets are recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized while maintenance and repair costs are expensed as incurred. Contributed assets are stated at fair value at the time of contribution. The Organization maintains a capitalization threshold of five thousand dollars.

Depreciation is recorded using the straight-line method over the estimated useful lives of the depreciable assets.

Intangible assets with an indefinite life are not amortized. If changes in factors and conditions result in the useful life of an intangible asset no longer being indefinite, the asset should be tested for impairment because a change in the expected duration of use of the asset has occurred.

G. Revenues

Operating revenues are those revenues generated directly from the Organization's primary business activities. These revenues include the Organization's portion of the County's hotel/lodging tax, event revenue, food and beverage, and sponsorships. The amount of hotel/lodging tax received by the Organization from the County was \$2,944,063 for the year ended December 31, 2017.

H. Compensated Absences

The Organization follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued if it is probable that the employee will be compensated through cash payment upon termination of employment.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

I. Unearned Revenue

Income from suite rentals received in advance is recognized over the term of the lease agreement. Preferred seating rights are recognized over the term of the agreement. Sponsorship income received in advance is recognized over the term of the agreement. These revenues are recognized monthly over the term of their agreements using the straight-line method. Capital contributions from the food and beverage manager and facilities management company are recognized over the period when the scheduled events take place. Other unearned revenue consists of membership dues which are recognized over the period to which the dues relate.

J. Income Taxes

TLCCVB and DT are both incorporated under the laws of the State of Ohio as not-for-profit corporations and are exempt from state and local income taxes. The Internal Revenue Service has determined TLCCVB and DT to be exempt from federal income taxes under Section 501(c)(3) and Section 501(c)(6), respectively, of the Internal Revenue Code. However, income from certain activities not directly related to their tax-exempt purpose may be subject to taxation as unrelated business income. TLCCVB and DT believe that they have no liability for unrelated business income and, accordingly, no provision for income taxes has been included in the accompanying financial statements.

K. Net Position

Net position represents the difference between assets and liabilities. The net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Items are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position as of December 31, 2017 is \$1,231,214, which consists of capital contributions from management agreements to be spent on future capital improvements.

The Board of Trustees (the "Board") of TLCCVB has designated unrestricted net position aggregating for capital improvements and expansions. Such amounts are not restricted, and may be designated for other purposes or eliminated at the discretion of the Board. Unrestricted net position at December 31, 2017 for the Organization are \$2,217,459.

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

NOTES TO FINANCIAL STATEMENTS

3. CASH AND INVESTMENTS

Deposits

Protection of the Organization's deposits is provided by the Federal Deposit Insurance Corporation ("FDIC"), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. As a non-profit organization, there are no Ohio Revised Code statutory requirements regarding the investment of funds held by the Organization.

Custodial credit risk for deposits is the risk that in the event of bank failure, the Organization will not be able to recover deposits or collateral securities that are in the possession of an outside party. As of December 31, 2017, the carrying amount of the Organization's deposits were \$7,939,744. At year-end, none of the Organization's bank balance of \$7,939,744 was exposed to custodial credit risk because they were uninsured and collateralized by the financial institution's collateral pool.

Demand notes are collateralized at 105% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities, school districts, and district corporation. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments

In accordance with the investment policy of the Organization, authorized investments include: zero coupon treasury notes, zero coupon corporate bonds, certificates of deposit, sweep accounts and FDIC insured savings accounts with maturities less than one year. The Organization had no investments as of December 31, 2017.

4. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT OF NET POSITION

For 2017, the Organization implemented GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. A net position restatement is required in order to implement GASB Statement No. 80. The net position at January 1, 2017 has been restated from \$6,600,890 which was solely the net position of TLCCVB at January 1, 2017 to \$6,716,551 which includes DT's net position of \$115,661 at January 1, 2017 in order to comply with the standard.



TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

NOTES TO FINANCIAL STATEMENTS

5. PARKING RIGHTS

During 2007, the Organization purchased the rights to a portion of the parking spaces in the SeaGate Centre Parking Garage for \$1,175,000. The parking rights purchased were recorded as a capital asset in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which establishes standards of accounting and financial reporting for intangible assets. As these rights have an indefinite life, they are not amortized.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity is as follows for the year ended December 31, 2017:

	Balance at January 1, 2017	Additions	Dispositions	Balance at December 31, 2017
Parking rights	\$ 1,175,000	\$ -	\$ -	\$ 1,175,000
Depreciable capital assets				
Building improvements	3,281,618	457,494	-	3,739,112
Leasehold improvements	8,471	-	-	8,471
Furniture and fixtures	707,969	93,689	-	801,658
Machinery and equipment	734,712	17,125	-	751,837
Computer equipment	148,356	204,237	-	352,593
Other capital assets	2,683	-	-	2,683
Total depreciable assets	<u>4,883,809</u>	<u>772,545</u>	<u>-</u>	<u>5,653,354</u>
Accumulated depreciation:				
Building improvements	1,282,704	238,721	-	1,521,425
Leasehold improvements	3,388	1,694	-	5,082
Furniture and fixtures	416,556	80,750	-	497,306
Machinery and equipment	271,895	114,610	-	386,505
Computer equipment	75,970	33,824	-	109,794
Other capital assets	2,683	-	-	2,683
Total accumulated depreciation	<u>2,053,196</u>	<u>469,599</u>	<u>-</u>	<u>2,522,795</u>
Capital assets being depreciated, net	<u>2,830,613</u>	<u>302,946</u>	<u>-</u>	<u>3,133,559</u>
Capital assets, net	<u>\$ 4,002,613</u>	<u>\$ 302,946</u>	<u>\$ -</u>	<u>\$ 4,308,599</u>
Depreciation expense charged to operating activities		<u>\$ 469,599</u>		

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

### 7. RELATED PARTY TRANSACTIONS

TLCCVB, under an operating lease agreement, leases the convention center and arena from the Lucas County Commissioners for a nominal annual fee. The agreement commenced on February 1, 2009 and extends through January 31, 2039.

TLCCVB retains a law firm of which a partner is a trustee of the TLCCVB. The TLCCVB incurred fees from this firm amounting to \$4,558 for 2017.

DT reimburses TLCCVB for various personnel and administrative services provided. Total reimbursements for the year ended December 31, 2017 were approximately \$31,666.

DT leases office space from TLCCVB on a month-to-month basis for \$750 per month. Total rental expense under the month-to-month lease was \$9,000 for 2017.

TLCCVB and DT receive operating revenues in the form of lodging tax collections from Lucas County. Amounts received from the County by TLCCVB and DT during 2017 was \$1,772,488 and \$1,171,575, respectively.

### 8. RETIREMENT AND OTHER BENEFIT PLANS

TLCCVB has a retirement and savings plan for hourly and salaried employees under the SMG retirement and savings plan, which is administered by Fidelity. Contributions by TLCCVB are discretionary based on employees' deferral contribution on an annual basis. Employer contributions to the plan were \$17,159 in 2017. DT has a defined contribution retirement plan for eligible employees, created under the authority of a resolution of the governing board. DT employee plan is administered by John Hancock Retirement Plan Services. Under the provisions of the DT 401(k) plan, DT contributes an amount equal to 4% of its employees' gross salaries. In addition, DT makes matching contributions at a rate of 75% of employee contributions up to a maximum of 1% of an employee's gross salary. Employer contributions to the plans were \$22,010 for 2017.

TLCCVB participates in an industry-wide, defined contribution, multi-employer pension plan for its union stage employees that provides for pension benefits. Contributions are based on 10% of gross wages earned. Pension expense under the plan amounted to \$38,632. As of the date of this report, management is not aware of any unfunded pension expense or withdrawal liability.

### 9. INSURANCE

The Organization maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. There were no significant reductions in coverage from the prior year and settled claims were not in excess of coverage in any of the past three years. The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and injuries to employees.

# TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC. A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

## NOTES TO FINANCIAL STATEMENTS

The Organization also maintains Directors' and Officers' liability insurance with an aggregate limit of insurance of \$2,000,000.

### 10. MANAGEMENT AGREEMENTS

TLCCVB entered into management agreements with SMG during 2007 and 2009 to manage its facilities. The agreements were amended and consolidated on January 1, 2013 and will expire on December 31, 2017 with an option for TLCCVB to extend for an additional five-year term. The agreements were amended and the extension was approved on December 13, 2016 and will expire December 31, 2022. The management agreement provides for a current annual fixed fee of approximately \$250,311, with additional compensation based on achieving predetermined revenue goals. Total fees paid to SMG were \$499,475 for 2017.

TLCCVB entered into a management agreement late in 2001, renewed in 2012, with the Board of Lucas County Commissioners to manage the County owned parking lots for an annual fee that increases by the preceding years Consumer Price Index through 2021, with the fee to be received by March 1. The fee is being paid to TLCCVB to cover all costs including labor, repair and maintenance, taxes and utilities of the lots. Management income for 2017 was \$101,079 and is included in parking revenue.

The parking receipts from these lots are to replace the receipts from the lots lost resulting from the construction of a new ballpark. Stated in the agreement is a clause that if net parking receipts are less than \$50,000 annually, then the owner will pay the balance up to \$50,000 to TLCCVB. Conversely, if net parking receipts exceed \$50,000, the first \$15,000 will be kept by the manager for a restricted capital reserve account for the lots. Any excess over the \$15,000 will be allocated 75% to TLCCVB and 25% to the owner. Net parking receipts to the Organization for 2017 under the above arrangement were \$86,580.

TLCCVB has entered into an agreement with AVI Foodsystems, Inc. ("AVI") to manage its food and beverage operations. The agreement expires June 30, 2019. Under this agreement, AVI retains the proceeds of food and beverage sales at TLCCVB facilities and pays TLCCVB a guaranteed annual amount and additional compensation if facility sales exceed certain target amounts. If facility food and beverage sales exceed certain targets, TLCCVB may be obligated to pay an incentive management fees to AVI. TLCCVB received approximately \$1,956,815 under this agreement in 2017. The total management fee, including incentive, paid to AVI during 2017 under this agreement was \$311,211.

### 11. CONTINGENCIES

In connection with the consolidation and amendment of the management agreement with SMG in 2013, SMG made a capital contribution to TLCCVB in the amount of \$400,000 and an additional \$300,000 in 2016 at the contract renewal to be used to fund mutually agreed-upon projects at the arena and convention center. The remaining unspent amount as of December 31, 2017 of \$639,567 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of the TLCCVB's management agreement with SMG, the TLCCVB may be required to re-pay certain amounts of the contribution to SMG.

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**■ NOTES TO FINANCIAL STATEMENTS**

In connection with the management agreement with AVI, AVI made a capital contribution to TLCCVB in the amount of \$500,000 to be used to acquire certain fixtures and equipment and fund mutually agreed-upon projects at the arena and convention center. The unspent amount as of December 31, 2017 of \$58,288 is included in the statement of net position in unearned revenue. In the event of the expiration or termination of TLCCVB's management agreement with AVI, TLCCVB may be required to re-pay certain amounts of the contribution to AVI.

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**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2017**

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 6,323,068	\$ 1,418,065	\$ -	\$ 198,611	\$ 7,939,744
Accounts receivable trade	622,767	252,091	(150,523)	38,601	762,936
Sponsorship receivable	414,722	-	-	-	414,722
Prepaid expenses	23,868	39,623	-	-	63,491
<b>Total current assets</b>	<b>7,384,425</b>	<b>1,709,779</b>	<b>(150,523)</b>	<b>237,212</b>	<b>9,180,893</b>
<b>Noncurrent assets</b>					
<b>Capital assets:</b>					
Parking rights	-	1,175,000	-	-	1,175,000
Capital assets, net	599,073	2,528,518	-	5,968	3,133,559
<b>Total capital assets</b>	<b>599,073</b>	<b>3,703,518</b>	<b>-</b>	<b>5,968</b>	<b>4,308,559</b>
<b>Total assets</b>	<b>7,983,499</b>	<b>5,413,297</b>	<b>(150,523)</b>	<b>243,180</b>	<b>13,489,452</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable - trade	590,762	118,709	(150,523)	61,619	620,567
Accrued payroll and payroll taxes	131,653	160,794	-	42,510	334,957
Accrued real estate taxes and special assessments	-	95,509	-	-	95,509
Other accrued liabilities	-	209	-	-	209
Advance ticket sales	2,912,213	28,812	-	-	2,941,025
Unearned income	983,692	667,829	-	31,088	1,682,609
Security deposits	13,669	43,675	-	-	57,344
<b>Total current liabilities</b>	<b>4,631,989</b>	<b>1,115,538</b>	<b>(150,523)</b>	<b>135,217</b>	<b>5,732,220</b>
<b>NET POSITION</b>					
<b>Net position</b>					
Net investment in capital assets	599,073	3,703,518	-	5,968	4,308,559
Restricted for capital improvements	1,231,214	-	-	-	1,231,214
Unrestricted	1,521,222	594,242	-	101,995	2,217,459
<b>Total net position</b>	<b>\$ 3,351,509</b>	<b>\$ 4,297,760</b>	<b>\$ -</b>	<b>\$ 107,963</b>	<b>\$ 7,757,232</b>

**TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2017**

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>Operating revenues</b>					
Event revenue	\$ 1,278,743	\$ 792,958	\$ -	\$ -	\$ 2,071,701
Other ticketing and sponsorship revenue	720,643	-	-	-	720,643
Parking, net of expenses of \$45,659	-	765,389	-	-	765,389
Food & beverage	1,584,172	372,643	-	-	1,956,815
Lucas County	733,834	1,038,654	-	1,171,575	2,944,063
Membership Dues	-	-	-	71,281	71,281
Other	21,526	64,657	-	32,800	118,983
<b>Total operating revenues</b>	<b>4,338,918</b>	<b>3,034,301</b>	<b>-</b>	<b>1,275,656</b>	<b>8,648,875</b>
<b>Operating expenses</b>					
Payroll and fringe benefits	1,555,823	1,121,887	-	557,512	3,235,222
Utilities	404,990	293,350	-	2,432	700,772
Supplies, maintenance and other	335,820	137,917	-	4,326	478,063
Contracted services	907,819	439,599	-	27,958	1,375,376
Miscellaneous	70,769	25,710	-	30,046	126,525
Building and equipment rent	78,945	51,857	-	11,404	142,206
Insurance	96,816	81,936	-	3,521	182,273
Marketing and advertising	10,179	32,698	-	502,439	545,316
Legal and accounting	26,208	19,499	-	31,667	77,374
Real estate taxes and special assessments	-	96,012	-	-	96,012
Travel and entertainment	12,527	14,177	-	52,854	79,558
Dues, memberships and subscriptions	4,552	3,845	-	17,304	25,701
Provision for losses of accounts receivable	-	-	-	4,415	4,415
Postage	2,629	593	-	5,997	9,219
Photography, printing and publications	-	-	-	27,135	27,135
<b>Total operating expenses</b>	<b>3,507,077</b>	<b>2,319,080</b>	<b>-</b>	<b>1,279,010</b>	<b>7,105,167</b>
<b>Operating income before depreciation and amortization</b>	<b>831,841</b>	<b>715,221</b>	<b>-</b>	<b>(3,354)</b>	<b>1,543,708</b>
Depreciation and amortization	57,757	407,498	-	4,344	469,599
<b>Operating income</b>	<b>774,084</b>	<b>307,723</b>	<b>-</b>	<b>(7,698)</b>	<b>1,074,109</b>
<b>Nonoperating revenues (expenses)</b>					
Interest and finance costs	(10,750)	(23,494)	-	-	(34,244)
Interest income	108	708	-	-	816
<b>Net nonoperating (expenses)</b>	<b>(10,642)</b>	<b>(22,786)</b>	<b>-</b>	<b>-</b>	<b>(33,428)</b>
<b>Change in net position</b>	<b>763,442</b>	<b>284,937</b>	<b>-</b>	<b>(7,698)</b>	<b>1,040,681</b>
Net position, beginning of year	2,588,067	4,012,823	-	115,661	6,716,551
<b>Net position, ending of year</b>	<b>\$ 3,351,509</b>	<b>\$ 4,297,760</b>	<b>\$ -</b>	<b>\$ 107,963</b>	<b>\$ 7,757,232</b>

TOLEDO-LUCAS COUNTY CONVENTION AND VISITORS BUREAU, INC.  
A COMPONENT UNIT OF THE COUNTY OF LUCAS, OHIO

COMBINING SCHEDULE OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2017

	Huntington Center	SeaGate Convention Centre	Eliminating Entries	Destination Toledo	Consolidated Total
<b>Cash flows from operating activities</b>					
Cash received from customers, contributions and subsidies	\$ 6,569,142	\$ 3,240,892	\$ (150,523)	\$ 1,216,409	\$ 10,875,920
Cash payments to suppliers for goods and services	(1,878,273)	(1,337,693)	150,523	(665,896)	(3,731,339)
Cash payments to employees for services	(1,541,256)	(1,106,522)	-	(543,700)	(3,191,478)
<b>Net cash provided by operating activities</b>	<b>3,149,613</b>	<b>796,677</b>	<b>-</b>	<b>6,813</b>	<b>3,953,103</b>
<b>Cash flows from capital and related financing activities</b>					
Purchase of capital assets	(244,187)	(528,358)	-	-	(772,545)
Interest paid	(10,750)	(23,494)	-	-	(34,244)
<b>Net cash used in capital and related financing activities</b>	<b>(254,937)</b>	<b>(551,852)</b>	<b>-</b>	<b>-</b>	<b>(806,789)</b>
<b>Cash flows provided by investing activities</b>					
Interest received	108	708	-	-	816
<b>Increase in cash and cash equivalents</b>	<b>2,894,784</b>	<b>245,533</b>	<b>-</b>	<b>6,813</b>	<b>3,147,130</b>
Cash and cash equivalents, beginning of year	3,428,284	1,172,532	-	191,798	4,792,614
<b>Cash and cash equivalents, ending of year</b>	<b>\$ 6,323,068</b>	<b>\$ 1,418,065</b>	<b>\$ -</b>	<b>\$ 198,611</b>	<b>\$ 7,939,744</b>
<b>Cash flows from operating activities</b>					
Operating income (loss)	\$ 774,084	\$ 307,723	\$ -	\$ (7,698)	\$ 1,074,109
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation and amortization	57,757	407,498	-	4,344	469,599
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	686	(93,970)	(150,523)	(28,508)	(272,315)
Sponsorship receivable	(60,764)	-	-	-	(60,764)
Other assets	(3,159)	(11,505)	-	-	(14,664)
Other accrued liabilities	-	(12)	-	-	(12)
Accrued real estate taxes	-	(1,980)	-	-	(1,980)
Accounts payable	72,981	(138,520)	150,523	55,602	140,586
Accrued payroll and payroll taxes	14,567	15,365	-	13,812	43,744
Unearned revenue and advanced ticket sales	2,294,211	331,493	-	(30,739)	2,594,965
Security Deposits	(750)	(19,415)	-	-	(20,165)
<b>Net cash provided by operating activities</b>	<b>\$ 3,149,613</b>	<b>\$ 796,677</b>	<b>\$ -</b>	<b>\$ 6,813</b>	<b>\$ 3,953,103</b>

**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*****INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees  
Toledo-Lucas County Convention and Visitors Bureau, Inc.  
Toledo, Ohio:

We have audited, in accordance with the 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, the financial statements of the Toledo-Lucas County Convention and Visitors Bureau, Inc., a component unit of the County of Lucas, Ohio, (the "Organization") as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements and have issued our report thereon dated April 20, 2018, wherein we noted the Organization adopted GASB Statement No. 80.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clark, Schaefer, Hackett & Co.*

Toledo, Ohio  
April 20, 2018



# Dave Yost • Auditor of State

**TOLEDO LUCAS COUNTY CONVENTION AND VISITORS BUREAU**

**LUCAS 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  
MAY 29, 2018**