

**Jutila, Jorgenson, & Associates, P.C.**  
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November 20, 2011

***Independent Auditor's Report***

Board of Directors  
Baraga County Convention and Visitors Bureau, Inc.  
L'Anse, Michigan 49946

We have audited the accompanying Statement of Assets, Liabilities and Net Assets – Modified Cash Basis of Baraga County Convention and Visitors Bureau, Inc. as of December 31, 2010, and the related Statement of Activities and Changes in Net Assets – Modified Cash Basis and the Statement of Cash Flows – Modified Cash Basis for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in *Note A*, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Baraga County Convention and Visitors Bureau, Inc. as of December 31, 2010, and its revenues, expenses and changes in net assets for the year then ended, on the basis of accounting described in *Note A*.

Our audit was conducted for the purpose of forming an opinion of the basic financial statements of Baraga County Convention and Visitors Bureau, Inc. as a whole. The schedule of expenses – modified cash basis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the

basic financial statements taken as a whole in accordance with the basis of accounting described in *Note A*.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization and applicable Federal and State awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specific parties.

*Michael J. Jutila CPA*

Michael J. Jutila  
Certified Public Accountant  
Jutila, Jorgenson, & Associates, P.C.

**Baraga County Convention and Visitors Bureau, Inc.**  
**Statement of Assets, Liabilities and Net Assets – Modified Cash Basis**  
**Year ended December 31, 2010**

**ASSETS**

Current Assets

Cash	\$ 40,490	
Grants receivable	105,763	146,253

Equipment and Improvements

Groomer equipment	\$ 412,338	
Leasehold improvements	5,996	
Machinery equipment	7,993	
Trail and bridge improvements	382,302	
	\$ 808,629	
Less accumulated depreciation	456,556	352,073

\$ 498,326

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts payable	\$ 105,763	
Withheld payroll taxes	1,814	
Current portion of long-term debt	927	108,504

Long-Term Debt

Notes payable to bank, less amount included in current liabilities		4,094
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Net Assets

Unrestricted	\$ 354,616	
Temporarily restricted	31,112	385,728
		\$ 498,326

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

**Baraga County Convention and Visitors Bureau, Inc.**  
**Statement of Activities and Changes in Net Assets – Modified Cash Basis**  
**Year ended December 31, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>TOTAL</u>
<b>REVENUES, GAINS, and OTHER SUPPORT</b>			
Grooming revenue	\$ 63,427	\$ -	\$ 63,427
Grant revenue	-	300,321	300,321
Room assessments	32,098	-	32,098
Membership dues	6,480	-	6,480
Special events	18,712	-	18,712
Donations	30,593	-	30,593
Maps, books, and merchandise income	387	-	387
Interest income	443	-	443
Miscellaneous	1,988	-	1,988
Net assets released from restriction	<u>335,801</u>	<u>(335,801)</u>	<u>-</u>
	<u>\$ 489,929</u>	<u>\$ (35,480)</u>	<u>\$ 454,449</u>
<b>EXPENSES</b>			
Program	\$ 181,767	\$ -	\$ 181,767
Management and general	54,126	-	54,126
	<u>\$ 235,893</u>	<u>\$ -</u>	<u>\$ 235,893</u>
<b>CHANGE IN NET ASSETS</b>			
Net assets at beginning of year	\$ 254,036	\$ (35,480)	\$ 218,556
	<u>100,580</u>	<u>66,592</u>	<u>167,172</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 354,616</u></u>	<u><u>\$ 31,112</u></u>	<u><u>\$ 385,728</u></u>

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

**Baraga County Convention and Visitors Bureau, Inc.**  
**Statement of Cash Flows – Modified Cash Basis**  
**Year ended December 31, 2010**

Cash Flows from Operating Activities	
Change in net assets	\$ 218,556
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:	
Depreciation	53,541
Increase (decrease) in operating assets:	
Grants receivable	(105,763)
Increase (decrease) in operating liabilities:	
Accounts payable	105,763
Accrued expenses	567
Net Cash provided by (used in) Operating Activities	<u>\$ 272,664</u>
Cash Flows from Investing Activities	
Acquisitions of assets	<u>\$ (254,920)</u>
Cash Flows from Financing Activities	
Principal payments to notes payable	<u>\$ (1,245)</u>
Net increase (decrease) in cash and cash equivalents	\$ 16,499
Cash and Cash Equivalents - Beginning of Year	<u>23,991</u>
Cash and Cash Equivalents--End of Year	<u>\$ 40,490</u>
Supplemental disclosures	
Interest paid	<u>\$ 55</u>

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

# Baraga County Convention and Visitors Bureau, Inc

## Notes to Financial Statements

December 31, 2010

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### NOTE A – Nature of Activities and Significant Accounting Policies

#### Nature of Activities

Baraga County Convention and Visitors Bureau, Inc., (the Bureau) was incorporated on January 16, 1985, under the laws of the State of Michigan, Act No. 395, P.A. of 1980, as amended to provide for tourism, snowmobile trail grooming and convention marketing programs in the County of Baraga, Michigan. The Bureau is recognized in the State of Michigan as a nonprofit convention and tourism bureau and has been granted tax-exempt status under Section 501 (c)(6) of the Internal Revenue Code. The Bureau was originally incorporated using the name Baraga County Tourist and Recreation Association, Inc. On October 26, 2007, the name was changed to the current name.

A primary source of revenue for the Bureau is state grants for trail grooming and maintenance expenses and for purchases of snowmobile trail groomers. Other major sources of revenue are membership fees and room assessments. Room assessments represent a two percent fee charged on motel guest room charges revenue. All motels located in Baraga County are assessed these fees.

#### Basis of Accounting

The Bureau's financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, certain revenue is recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred.

The financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Non-Profit Organizations*.

#### Financial Statement Presentation

In accordance with SFAS No. 117, net assets and changes in net assets are classified into three types – unrestricted, temporarily unrestricted, and permanently restricted – based on the existence or absence of donor-imposed restrictions.

## Notes of Financial Statements/Continued

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### NOTE A – Nature of Activities and Significant Accounting Policies/Continued

Descriptions of the net asset classes are as follows:

Unrestricted Net Assets: Represent funds available for support of current operations.

Temporarily Restricted Net Assets: Represent funds whose use is limited by donor-imposed stipulations that expire by passage of time or fulfillment of the stipulations. The funds are reported as temporarily restricted revenues upon receipt and are transferred to Unrestricted Net Assets when the time or purpose restrictions have been met.

Permanently Restricted Net Assets: Represent funds subject to donor-imposed stipulations requiring that the principal be permanently invested.

#### Use of 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 of 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.

#### Cash

Cash consists of cash on deposit with local financial institutions. All cash deposits are insured by federal depository insurance.

#### Advertising Costs

All advertising costs are expensed as incurred.

#### Inventory

Inventory, if applicable, is stated at cost.

#### Equipment and Improvements

Equipment and improvements are stated at cost and depreciated using the straight-line method of depreciation over the estimated useful life of an asset. Repairs and maintenance are recorded as expenses when incurred.

During 2010, the State of Michigan contributed \$254,920 to build a trail and bridge over the Silver River. The project was completed on December 15, 2010.

## Notes of Financial Statements/Continued

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### **NOTE A – Nature of Activities and Significant Accounting Policies/Continued**

Equipment has been estimated to have useful lives ranging from 5 to 7 years. Equipment donated to the Bureau is stated as market value on the date of the acquisition.

### **NOTE B – Lease Agreement**

The Bureau rents office and storage space under a monthly lease agreement with the Township of L'Anse, Michigan. No rent was charged to the Bureau during the year ended December 31, 2010. Maintenance and utility expenses are shared equally between the Township of L'Anse and the Bureau.

### **NOTE C – Concentrations**

The Bureau derives a significant portion of their total revenue from the State of Michigan. Revenue recognized for the year ended December 31, 2010, provided by the State of Michigan, represented approximately 80 percent of the Bureau's total revenue.

### **NOTE D – Temporarily Restricted Net Assets**

The Bureau receives funding from the State of Michigan for the purchase of snowmobile trail groomers. The Bureau provides trail-grooming services under a contract with the State of Michigan. The State of Michigan retains an interest in the groomers for five years, after which full ownership transfers to the Bureau. The grant funding for these groomers is recorded as temporarily restricted revenue when received and transfers are made to unrestricted net assets over a five-year period.

Grant revenues received for purposes other than trail grooming are recorded as temporarily restricted revenues. As monies are spent, they are released from temporarily restricted to unrestricted net assets.

## Notes of Financial Statements/Continued

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### NOTE E – Cash Accounts

Following is a summary of cash accounts maintained as of December 31, 2010:

Checking	\$ 3,542
Savings	6,245
Lake Trout Festival	8,109
Maps	5,353
Room Assessments	<u>17,241</u>
	<u>\$ 40,490</u>

### NOTE F – Note Payable To Bank

Note payable to bank consists of a 5.5% note payable to Superior National Bank in monthly installments of \$100, including interest, with final payment due March 15, 2016. The note is collateralized by a commercial security agreement dated June 24, 2008.

Current maturity of the note is as follows:

2011	\$ 927
2012	979
2013	1,034
2014	1,093
2015	882
<u>Thereafter</u>	<u>106</u>

Total \$ 5,021

### NOTE G - Income Taxes

In accordance with applicable provisions of the Internal Revenue Code Section 501 (6), the organization is an entity exempt from Federal Income Tax.

### NOTE H – Subsequent Events

No material subsequent events have occurred between December 31, 2010 and the date of this audit report.

**Baraga County Convention and Visitors Bureau, Inc.**  
**Schedule of Functional Expenses – Modified Cash Basis**  
**Year Ended December 31, 2010**

<b>Program Expenses</b>		
Salaries and wages	\$	22,110
Depreciation		53,187
Dues and licenses		-
Garage telephone		223
Garage utilities		990
Gas, oil, and grease		18,141
Grooming supplies		388
Insurances		6,692
Payroll taxes		3,420
Repairs and maintenance		59,950
Special events		16,666
		<u>16,666</u>
Total Program Expenses		<u>\$ 181,767</u>
<b>Management and General Expenses</b>		
Salaries and wages	\$	28,005
Advertising		2,463
Audit fees		2,500
Depreciation		354
Dues and licenses		220
Insurance		3,218
Interest expense		55
Internet - website		827
Maps, books, brochures and merchandise		1,573
Meals and entertainment		35
Miscellaneous		736
Payroll taxes		2,810
Postage		486
Professional fees		3,464
Repairs and maintenance		1,240
Scholarships		500
Supplies		901
Telephone		1,406
Travel		929
Utilities		2,404
		<u>2,404</u>
Total Management and General Expenses		<u>\$ 54,126</u>
Total Expenses		<u>\$ 235,893</u>

The accompanying notes are an intergral part of the financial statements.

**Baraga County Convention and Visitors Bureau, Inc.**  
**Schedule of Findings and Responses**  
**Year ended December 31, 2010**

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**2010-1 Internal Control Design**

**Criteria:** Management is responsible for protecting the Organization's assets. As such, a proper segregation of duties is needed to ensure protection and accurate financial reporting.

**Condition:** The Organization has a limited number of personnel available to provide a proper segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This condition has been reported in previous audits.

**Effect:** A lack of a proper segregation of duties increases the risk of intentional or unintentional errors or fraud that could occur and not be detected on a timely basis.

**Cause:** The size of the Organization's staff limits the ability to provide optimum segregation of duties.

**Recommendation:** Although it is unlikely that the Organization will hire additional personnel in order to obtain a proper segregation of duties, the Board of Directors should remain involved by providing oversight and independent review functions.

**Response:** We concur with the recommendation.

We would like to commend the Board of Directors and management for their help and cooperation during our audit.