

**LANCASTER COUNTY CONVENTION
CENTER AUTHORITY**

**FOR THE PERIOD
SEPTEMBER 15, 1999 TO MARCH 31, 2001**

Lancaster County Convention Center Authority

Financial Statements

For the Period September 15, 1999 to March 31, 2001

TABLE of CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheet	2
Statement of Retained Earnings	3
Statement of Revenue and Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8

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INDEPENDENT AUDITORS' REPORT

Board Officers and Members
Lancaster County Convention Center Authority
Lancaster, Pennsylvania

We have audited the accompanying balance sheet of the LANCASTER COUNTY CONVENTION CENTER AUTHORITY, a component unit of the County of Lancaster, as of March 31, 2001 and the related statements of retained earnings, revenue and expenses, and cash flows for the period September 15, 1999 to March 31, 2001. These financial statements are the responsibility of the Authority'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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of the Lancaster County Convention Center Authority as of March 31, 2001 and its statements of retained earnings, revenue and expenses, and cash flows for the period September 15, 1999 to March 31, 2001, in accordance with accounting principles generally accepted in the United States of America.

Trout, Ebersole & Groff LLP

May 10, 2001
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

Lancaster County Convention Center Authority

BALANCE SHEET

March 31, 2001

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	215,777	
Taxes Receivable	<u>296,286</u>	
<u>Total Current Assets</u>		512,063

FIXED ASSETS

Land		<u>1,251,121</u>
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<u>TOTAL ASSETS</u>		<u>1,763,184</u>
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LIABILITIES and EQUITY

CURRENT LIABILITIES

Line of Credit	296,696	
Accounts Payable	207,217	
Accrued Interest	<u>2,130</u>	
<u>Total Current Liabilities</u>		506,043

FUND EQUITY

Retained Earnings		<u>1,257,141</u>
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<u>TOTAL LIABILITIES and FUND EQUITY</u>		<u>1,763,184</u>
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See notes to financial statements.

Lancaster County Convention Center Authority
STATEMENT of RETAINED EARNINGS
For the Period September 15, 1999 to March 31, 2001

RETAINED EARNINGS

Balance, Beginning of Period	-0-
Add: Net Income	<u>1,257,141</u>
Balance, March 31, 2001	<u>1,257,141</u>

See notes to financial statements.

Lancaster County Convention Center Authority
STATEMENT of REVENUE and EXPENSES
For the Period September 15, 1999 to March 31, 2001

OPERATING INCOME

Hotel Room Rental Tax Income	3,206,281	
Other Income	<u>6</u>	
<u>Total Operating Income</u>		3,206,287

OPERATING EXPENSES

Legal Fees - Litigation	896,994	
Expenses - Litigation	48,592	
Solicitor Fees	317,863	
Expenses - Solicitor	3,823	
Legal Fees - Real Estate	207,290	
Expenses - Legal Real Estate	2,863	
Expert Witnesses	146,249	
Consulting	138,978	
Real Estate Advisory Consulting	82,898	
Construction Consulting	14,150	
Accounting Fees	10,580	
Court Reporter/Recording Secretary	8,134	
Insurance	12,352	
Public Relations	17,715	
Survey and Appraisal Fees	5,849	
Answering Service	2,008	
Real Estate Taxes	8,690	
Fuel Oil	2,471	
Travel	1,807	
Advertising Notices	443	
P O Box/Office Supplies	<u>555</u>	
<u>Total Operating Expense</u>		<u>1,930,304</u>
<u>Net Operating Income</u>		1,275,983

OTHER INCOME (EXPENSE)

Interest Expense	(23,928)	
Investment Income	<u>5,086</u>	
<u>Total Other Income (Expense)</u>		<u>(18,842)</u>
<u>NET INCOME</u>		<u>1,257,141</u>

See notes to financial statements.

Lancaster County Convention Center Authority
STATEMENT of CASH FLOWS
For the Period September 15, 1999 to March 31, 2001

CASH FLOWS from OPERATING ACTIVITIES

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income	1,275,983
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in:	
Taxes Receivable	(296,286)
Increase (Decrease) in:	
Accounts Payable	207,217
Accrued Interest	<u>2,130</u>
 <u>Net Cash Provided by Operating Activities</u>	 <u>1,189,044</u>

CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES

Land Purchased	(1,251,121)
Interest Payments	(23,928)
Monies Borrowed - Line of Credit, Net	296,696
Proceeds from Loan - City of Lancaster	50,000
Repayment of Loan - City of Lancaster	<u>(50,000)</u>
 <u>Net Cash (Used) by Capital and Related Financing Activities</u>	 <u>(978,353)</u>

CASH FLOWS from INVESTING ACTIVITIES

Interest Income Received	<u>5,086</u>
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INCREASE in CASH and CASH EQUIVALENTS 215,777

CASH and CASH EQUIVALENTS

Beginning of Period	<u>-0-</u>
End of Period	<u>215,777</u>

See notes to financial statements.

Lancaster County Convention Center Authority
NOTES to FINANCIAL STATEMENTS

NOTE 1 - Significant Accounting Policies

Description of Entity

The Lancaster County Convention Center Authority (the Authority) was formed on September 15, 1999 under the Municipal Authority Act of 1945 and the Third Class County Convention Center Authority Act. The purpose of the Authority is to provide financing and arrange for the development, construction and to run the operation of a convention center facility for the public purpose of promoting, attracting, stimulating, developing, and expanding business, industry, commerce, and tourism in the Commonwealth.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Lancaster County Convention Center Authority and any component units. Component units are separate legal entities that (1) governing officials of a primary government are financially accountable for the entity or (2) the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the financial statements misleading or incomplete.

The Lancaster County Convention Center Authority is part of the County of Lancaster's reporting entity based on the above criteria. These are the separate component unit financial statements of the Lancaster County Convention Center Authority. No other entities need to be included based on the above criteria.

Basis of Accounting

The Authority utilizes the accrual basis of accounting.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

The Authority considers all highly liquid debt instruments and certificates of deposit purchased with a maturity of three months or less to be cash equivalents.

Period Covered by Financial Statements

These financial statements covered the period from September 15, 1999 through March 31, 2001.

Lancaster County Convention Center Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 2 - Hotel Room Rental Tax

The County of Lancaster receives a 5% hotel room rental tax from the operators of each hotel within Lancaster County. Of the 5% tax, 1.88% is allocated to the Pennsylvania Dutch Convention and Visitors Bureau to be used to promote tourism in Lancaster County, and 3.12% is received by the Lancaster County Convention Center Authority to be used for the construction and operation of the convention center facility.

NOTE 3 - Future State Funding

The Commonwealth of Pennsylvania has appropriated a \$15 million matching (50%) grant for construction and operation of the Lancaster County Convention Center. This revenue will not be recognized until construction on the project begins.

NOTE 4 - Litigation

A group of Lancaster County hoteliers have joined together to sue and attempt to stop the building of the proposed convention center. The Authority has prevailed in the initial rulings of the court. The hoteliers have appealed this decision. The Authority is confident that it will prevail in the appeal also, and anticipates proceeding with the construction of the convention center facility.

NOTE 5 - Concentration of Credit Risk

Financial instruments that potentially subject the Authority to credit risk consist primarily of cash deposits and investments. The Corporation maintains its cash deposits and investments with financial institutions where the account balances may at times exceed FDIC and SPIC insured limits.

NOTE 6 - Deposits and Investments

Deposits

The Authority's checking account at March 31, 2001 was insured by the Federal Deposit Insurance Corporation (category 1), was as follows:

	<u>Total Bank Balance</u>	<u>Total Carrying Amount</u>
Checking Account	1,809	1,777

Lancaster County Convention Center Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 6 - Deposits and Investments (Continued)

Investments

All investments are in U.S. Government Money Market Funds. Due to the short-term nature of the U.S. Government Money Market Funds, they are considered a cash equivalent.

	<u>Non-</u> <u>Categorized</u>	<u>Market</u> <u>Value</u>	<u>Costs</u>
Investments in U.S. Government Money Market Funds	214,000	214,000	214,000

NOTE 7 - Fixed Assets

Fixed Assets at Beginning of period			-0-
Additions:			
Land Purchased			<u>1,251,121</u>
Fixed Assets at March 31, 2001			<u>1,251,121</u>

NOTE 8 - Line of Credit

The Authority has entered into a line of credit arrangement with \$700,000 available. The interest rate is at the Bank's prime rate and is due upon demand. The balance borrowed as of March 31, 2001 was \$296,696.