

**LANCASTER COUNTY CONVENTION  
CENTER AUTHORITY**

**YEAR ENDED MARCH 31, 2002**

Lancaster County Convention Center Authority

Financial Statements

Year ended March 31, 2002

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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, 2002 and the related statements of retained earnings, revenue and expenses, and cash flows for the year ended March 31, 2002. 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, 2002 and its statements of retained earnings, revenue and expenses, and cash flows for the year ended March 31, 2002, in accordance with accounting principles generally accepted in the United States of America.

June 17, 2002  
Lancaster, Pennsylvania

  
TROUT, EBERSOLE & GROFF, LLP  
Certified Public Accountants

Lancaster County Convention Center Authority

BALANCE SHEET

March 31, 2002

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents 1,160,608

Taxes Receivable 321,242

Total Current Assets 1,481,850

FIXED ASSETS

Land 1,579,621

TOTAL ASSETS 3,061,471

LIABILITIES and EQUITY

CURRENT LIABILITIES

Accounts Payable 245,726

Total Current Liabilities 245,726

FUND EQUITY

Retained Earnings 2,815,745

TOTAL LIABILITIES and FUND EQUITY 3,061,471

See notes to financial statements.

Lancaster County Convention Center Authority  
STATEMENT of RETAINED EARNINGS  
Year ended March 31, 2002

RETAINED EARNINGS

Balance, Beginning of Period	1,257,141
Add: Net Income	<u>1,558,604</u>
Balance, March 31, 2002	<u>2,815,745</u>

See notes to financial statements.

Lancaster County Convention Center Authority  
STATEMENT of REVENUE and EXPENSES  
Year ended March 31, 2002

OPERATING INCOME

Hotel Room Rental Tax Income	2,978,046	
Other Income	<u>463</u>	
<u>Total Operating Income</u>		2,978,509

OPERATING EXPENSES

Legal Fees and Expense - Litigation	384,550	
Solicitor Fees and Expense	245,180	
Legal Fees and Expense - Real Estate	134,444	
Legal Fees - Negotiations	258,846	
Consulting	117,023	
Real Estate Advisory Consulting	152,047	
Construction Consulting	30,288	
Accounting Fees	14,650	
Court Reporter/Recording Secretary	465	
Insurance	23,388	
Public Relations	21,770	
Answering Service	1,293	
Architect Consulting	31,152	
Advertising Notices	1,177	
Miscellaneous Expense	<u>7,522</u>	
<u>Total Operating Expense</u>		<u>1,423,795</u>
<u>Net Operating Income</u>		1,554,714

OTHER INCOME (EXPENSE)

Interest Expense	(7,351)	
Investment Income	<u>11,241</u>	
<u>Total Other Income (Expense)</u>		<u>3,890</u>

<u>NET INCOME</u>		<u>1,558,604</u>
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See notes to financial statements.

Lancaster County Convention Center Authority  
STATEMENT of CASH FLOWS  
Year ended March 31, 2002

CASH FLOWS from OPERATING ACTIVITIES

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income	1,554,714
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in:	
Taxes Receivable	(24,956)
Increase (Decrease) in:	
Accounts Payable	38,509
Accrued Interest	<u>(2,130)</u>
 <u>Net Cash Provided by Operating Activities</u>	 <u>1,566,137</u>

CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES

Land Purchased	(328,500)
Interest Payments	(7,351)
Monies Repaid - Line of Credit, Net	<u>(296,696)</u>
 <u>Net Cash (Used) by Capital and Related     Financing Activities</u>	 <u>(632,547)</u>

CASH FLOWS from INVESTING ACTIVITIES

Interest Income Received	<u>11,241</u>
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INCREASE in CASH and CASH EQUIVALENTS 944,831

CASH and CASH EQUIVALENTS

Beginning of Period	<u>215,777</u>
End of Period	<u>1,160,608</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.



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 Authority maintains its cash deposits and investments with financial institutions where the account balances may at times exceed FDIC and SPIC insured limits.

NOTE 6 - Investments

Investments

All investments are in Evergreen Money Market Funds. Due to the short-term nature of the Evergreen 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 Evergreen Money Market Funds	1,160,608	1,160,608	1,160,608

Lancaster County Convention Center Authority

NOTES to FINANCIAL STATEMENTS

(Continued)

NOTE 7 - Fixed Assets

Fixed Assets at April 1, 2001	1,251,121
Additions:	
Land Purchased	<u>328,500</u>
Fixed Assets at March 31, 2002	1,579,621

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 LIBOR market index rate plus 2% and is due August 31, 2002. The balance outstanding as of March 31, 2002 was \$0.