

Fairfield County Visitors and Convention Bureau

Fairfield County, Ohio

Regular Audit

January 1, 2002 through December 31, 2003

Fiscal Years Audited Under GAGAS: 2003 and 2002

BALESTRA, HARR & SCHERER, CPAs, INC.

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Piketon, Ohio 45661

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**Auditor of State
Betty Montgomery**

Board of Trustees
Fairfield County Visitors and Convention Bureau, Inc.

We have reviewed the Independent Auditor's Report of the Fairfield County Visitors and Convention Bureau, Inc., prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2002 through December 31, 2003. 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 Fairfield County Visitors and Convention Bureau, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 12, 2004

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Board of Trustees

Fairfield County Visitors and Convention Bureau, Inc.

109 N. Broad Street, PO Box 2450

Lancaster, Ohio 43130

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of the Fairfield County Visitors and Convention Bureau, Inc. (the Bureau), as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on the 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 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 financial position of the Fairfield County Visitors and Convention Bureau, Inc. as of December 31, 2003 and 2002, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Balestra, Harr & Scherer, CPAs, Inc.

Balestra, Harr & Scherer, CPAs, Inc.

June 18, 2004

Fairfield County Visitors and Convention Bureau, Inc.
 Statements of Financial Position
 As of December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Assets:		
Cash and Cash Equivalents	\$135,506	\$171,072
Lodging Taxes Receivable	104,448	145,739
Interest Receivable	0	2,335
Prepaid Expenses	1,941	1,941
Property and Equipment, Net	<u>228,790</u>	<u>199,116</u>
Total Assets:	<u><u>\$470,685</u></u>	<u><u>\$520,203</u></u>
Liabilities and Net Assets:		
Liabilities:		
Accounts Payable	\$1,544	\$1,544
Accrued Payroll Taxes	3,292	3,767
Land Contracts Payable	<u>39,619</u>	<u>170,627</u>
Total Liabilities:	44,455	175,938
Net Assets:		
Unrestricted	<u>426,230</u>	<u>344,265</u>
Total Liabilities and Net Assets:	<u><u>\$470,685</u></u>	<u><u>\$520,203</u></u>

See accompanying notes to the financial statements.

Fairfield County Visitors and Convention Bureau, Inc.
 Statements of Financial Position
 For the Years Ended December 31, 2003 and 2002

	2003	2002
Unrestricted Net Assets:		
Operating Revenues:		
Lodging Tax Income	\$364,585	\$342,979
Bicentennial Income	87	203
Interest Income	2,636	4,238
Miscellaneous Income	463	44
Total Operating Revenues:	367,771	347,464
Operating Expenses:		
Salaries	107,316	82,007
Payroll Taxes	8,582	6,458
Employee Benefits	1,709	691
Tourism Development Initiatives	78,199	140,946
Promotions and Advertising	2,637	5,140
Rent	18,279	31,927
Travel	27,413	23,040
Insurance	1,184	1,726
Telephone	2,540	2,684
Legal and Accounting	6,125	4,197
Office Supplies	1,170	6,733
Copies	941	2,071
Postage	1,872	4,575
Dues	12,404	10,360
Meetings and Luncheons	1,312	3,058
Bank Service Charges	261	135
Operating Supplies	31	235
Other	176	1,173
Depreciation	1,812	3,295
Total Operating Expenses:	6,239	5,127
Operating Income:	280,202	335,578
Nonoperating Revenues/(Expenses):		
Interest Expense	(5,604)	(6,137)
Total Nonoperating Revenues/(Expenses):	(5,604)	(6,137)
Increase/(Decrease) in Unrestricted Net Assets	81,965	5,749
Net Assets, Beginning of Year (Restated-Note 8)	344,265	338,516
Net Assets, End of Year	\$426,230	\$344,265

See accompanying notes to the financial statements.

Fairfield County Visitors and Convention Bureau, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows From Operating Activities:		
Increase/(Decrease) in Operating Income	\$87,569	\$11,886
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	6,239	5,127
(Increase)/Decrease in Operating Assets:		
Lodging Taxes Receivable	41,291	(71,025)
Interest Receivable	2,335	(2,335)
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	0	(927)
Accrued Payroll Taxes	(475)	1,134
Net Cash Provided by Operating Activities:	136,959	(56,140)
Cash Flows From Investing Activities:		
Loan Proceeds	0	195,000
Purchase of Fixed Assets	(35,913)	(203,665)
Loan Principal Payments	(131,008)	(24,373)
Loan Interest Payments	(5,604)	(6,137)
Net Cash Provided by Investing Activities:	(172,525)	(39,175)
Cash and Cash Equivalents at Beginning of Year	171,072	266,387
Cash and Cash Equivalents at End of Year	\$135,506	\$171,072

See accompanying notes to the financial statements.

Fairfield County Visitors and Convention Bureau, Inc.
Fairfield County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 1-ORGANIZATION

The Fairfield County Visitors and Convention Bureau, Inc. (the Bureau) was organized in 1985 to promote travel and tourism in Lancaster and the Fairfield County area through an agreement between the County of Fairfield, City of Lancaster, State of Ohio, and the Lancaster County Fairfield Chamber of Commerce.

The Bureau is supported by the Bed Tax received by Fairfield County through the County Commissioners. Effective July 1, 1994, the City of Lancaster distributes the Bed Tax at the same rate as the County. A pass-through donation is received from the Fairfield County Commissioners to be used for advertising for the Lancaster Festival.

The Bureau is governed by a Board of Trustees as follows: three (3) are appointed by the County Commissioners, three (3) are appointed by the Chamber of Commerce, three (3) are appointed by the Hotel/Motel Association, and three (3) are appointed by the Board of Trustees.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The books of the Bureau are maintained on a accrual basis. Under this method, revenues are recognized when earned and expenses are recognized when incurred. Accordingly, the accompanying financial statements are intended to present financial position and results of operation in accordance with accounting principles generally accepted in the United States of America.

Provision for Federal Income Taxes

The Bureau was incorporated as a nonprofit entity and is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code.

Property and Equipment

Property and equipment is stated at cost. The cost of property and equipment is depreciated over the estimated useful life of the related asset using the straight-line method of depreciation. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed of, the asset and the related depreciation account are relieved, and any gain or loss is included in operations.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fairfield County Visitors and Convention Bureau, Inc.
 Fairfield County, Ohio
 Notes to the Financial Statements
 For the Years Ended December 31, 2003 and 2002

Lodging Taxes Receivable

This represents amounts due from Fairfield County and the City of Lancaster for room taxes collected in the final quarter of the calendar year.

Prepaid Expenses

The Bureau incurs advertising costs, the benefits of which are not realized until subsequent years. The Bureau's prepaid expenses for December 31, 2003 and 2002 were \$1,941 and \$1,941, respectively.

NOTE 3-PROPERTY AND EQUIPMENT

Property and equipment consists of:

	2003	2002
Building and Building Improvements	\$236,288	\$200,538
Equipment	12,996	12,833
Total Property and Equipment	\$249,284	\$213,371
Less: Accumulated Depreciation and Amortization	(20,494)	(14,255)
Net Property and Equipment	\$228,790	\$199,116

NOTE 4-RELATED PARTY TRANSACTIONS

The Lancaster Fairfield County Chamber of Commerce was reimbursed by the Bureau for rent and various other operating expenses at market prices. The total reimbursements for the years ended December 31, 2003 and 2002, were \$36,437 and \$36,796, respectively.

The Bureau receives monies from the County for lodging taxes collected. The Bureau also purchased a building from the Fairfield County Commissioners during 2002 on land contract and makes monthly payments for the rental of parking spaces. Total payments made to the County during 2003 and 2002 were \$143,092 and \$39,501, respectively.

NOTE 5-RETIREMENT PLAN

The Bureau sponsors a defined contribution plan covering substantially all of its employees. Annual contributions are based on 3% of covered employees' contributions. The employer's expenses for the years ended December 31, 2003 and 2002, were \$696 and \$691, respectively.

NOTE 6-CONCENTRATION OF CREDIT RISK

The Bureau had cash equivalents in a repurchase checking account which exceeded the \$100,000 FDIC coverage limit during 2003. These deposits in excess of FDIC coverage were collateralized by pledged securities obtained by the depository.

Fairfield County Visitors and Convention Bureau, Inc.
Fairfield County, Ohio
Notes to the Financial Statements
For the Years Ended December 31, 2003 and 2002

NOTE 7-LAND CONTRACTS PAYABLE

In February 2002, the Fairfield County Commissioners and the Bureau entered into an agreement for the Bureau to purchase a building via land contract. The purchase price was \$195,000 to be paid in monthly installments of \$3,051 at a 4% interest rate not to exceed 6 years. At December 31, 2003 and 2002, the land contract payables were \$39,619 and \$170,627.

NOTE 8-RESTATEMENT OF NET ASSETS

The unrestricted net asset balance at December 31, 2001 was restated due to the omission of fixed asset additions and related depreciation expense in prior years that were identified in the audit period.

Net Assets, December 31, 2001	Restatement Amount	Net Assets, January 1, 2002
\$338,015	\$501	\$338,516

NOTE 9-SUBSEQUENT EVENTS

In June 2004, the Bureau made a lump-sum payment to pay off its land contract with the Fairfield County Commissioners (see note 7) and obtained the title of the building purchased free from any liens.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Fairfield County Visitors and Convention Bureau, Inc.
109 N. Broad Street, PO Box 2450
Lancaster, Ohio 43130

We have audited the financial statements of the Fairfield County Visitors and Convention Bureau, Inc. (the Bureau), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 18, 2004. 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.

Compliance

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 and grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant adversely affect Fairfield County Visitors and Convention Bureau, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of reportable conditions as item 2003-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition is not a material weakness. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted another matter involving the internal control over financial reporting, which we have reported to the management of the Fairfield County Visitors and Convention Bureau, Inc. in a separate letter dated June 18, 2004.

Fairfield County Visitors and Convention Bureau, Inc.
Report on Compliance and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

This report is intended solely for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Balestra, Harr & Scherer, CPAs, Inc.
Balestra, Harr & Scherer, CPAs, Inc.

June 18, 2004

Fairfield County Visitors and Convention Bureau, Inc.
Fairfield County, Ohio
For the Years Ended December 31, 2003 and 2002

Schedule of Findings

Finding Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number	2003-001
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Reportable Condition – Record Retention

The Bureau was unable to provide documentation for several disbursement transactions to the auditor in a timely manner. The Bureau was also unable to provide documentation for several credit card charges tested. Failure to maintain supporting documentation of expenditures in an organized and orderly fashion allows for the omission of expenditures; duplicate payments to vendors; inaccuracy of payments to vendors; inappropriateness of expenditures; and inability to review expenditures on demand, as a need would arise. In the case of credit card charges, maintaining supporting documentation for these transactions allows the Bureau and auditors to review charges for appropriateness of expenses made; accuracy of postings made to the accounting system; and accuracy of the monthly statements. The Bureau should consider reviewing its internal control structure over maintenance of documents and identify and implement procedures to increase the efficiency and effectiveness of record-keeping.

Corrective Action Plan

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The Bureau will implement an efficient and effective system of record-keeping.	12/31/04	Gene Matheny, Executive Director

Schedule of Prior Audit Findings

Finding Number	Finding Summary	Fully Corrected?	Not Corrected or Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid – Explain:
2001-1117-001	Record Retention – Reportable Condition	No	Not Corrected – See finding 2003-001 above.
2001-1117-002	Segregation of Duties – Reportable Condition	Yes	Fully Corrected.



**Auditor of State
Betty Montgomery**

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FAIRFIELD COUNTY VISITORS AND CONVENTION BUREAU, INC.

FAIRFIELD 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
AUGUST 31, 2004**