

MARION AREA CONVENTION & VISITORS BUREAU, INC.

MARION, OHIO

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



**Auditor of State
Betty Montgomery**

Board of Trustees
Marion Area Convention & Visitors Bureau, Inc.
1713 Marion-Mt. Gilead Road, Suite 110
Marion, Ohio 43302

We have reviewed the *Independent Auditors' Report* of the Marion Area Convention & Visitors Bureau, Inc., Marion County, prepared by Wolf, Rogers, Dickey & Co., for the audit period January 1, 2004 through December 31, 2005. 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 Marion Area Convention & Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 1, 2006

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MARION AREA CONVENTION & VISITORS BUREAU, INC.

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Certified Public Accountants

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Independent Auditors' Report

Board of Trustees
Marion Area Convention & Visitors Bureau, Inc.
Marion, Ohio

We have audited the accompanying statements of financial position of the Marion Area Convention & Visitors Bureau, Inc. (the CVB) as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the CVB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 1 to the financial statements, property and equipment have not been capitalized and depreciated in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that property and equipment be capitalized and depreciated over their estimated useful lives. It is not practicable to determine the effects of the unrecorded amounts on the financial statements.

In our opinion, except for the effects of not capitalizing and depreciating property and equipment as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the CVB as of December 31, 2005 and 2004, and the changes in its net assets and its 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 9, 2006 on our consideration of the CVB's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the internal control over financial reporting or on compliance. 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.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

June 9, 2006

Marion Area Convention & Visitors Bureau, Inc.
Statements of Financial Position
December 31, 2005 and 2004

<u>Assets</u>		
	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 104,513	109,533
Investments	10,322	-
Lodging tax receivable	<u>31,862</u>	<u>41,324</u>
	\$ <u>146,697</u>	<u>150,857</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Deferred revenue	\$ 16,063	13,738
Accounts payable	4,650	7,971
Accrued expenses	<u>2,202</u>	<u>2,043</u>
Total current liabilities	22,915	23,752
Net assets:		
Unrestricted:		
Designated for reserve	40,000	40,000
Undesignated	<u>83,782</u>	<u>87,105</u>
Total net assets	<u>123,782</u>	<u>127,105</u>
	\$ <u>146,697</u>	<u>150,857</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Statements of Activities
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Excise tax on lodging	\$ 135,642	150,415
Interest	1,715	1,049
Other	<u>2,128</u>	<u>123</u>
	139,485	151,587
Expenses:		
Personnel	71,401	58,323
Advertising and marketing	25,061	23,588
Occupancy	22,445	22,180
Office	7,369	9,077
Telephone	4,933	4,399
Dues and subscriptions	2,663	2,702
Equipment	2,162	3,148
Travel	1,951	1,594
Insurance	1,493	1,412
Professional	1,150	5,649
Director search	-	6,008
Other	<u>2,180</u>	<u>375</u>
Total expenses	<u>142,808</u>	<u>138,455</u>
Excess (deficiency) of revenues over (under) expenses	(3,323)	13,132
Unrestricted net assets at beginning of year	<u>127,105</u>	<u>113,973</u>
Unrestricted net assets at end of year	\$ <u>123,782</u>	<u>127,105</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Statements of Cash Flows
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Receipts:		
Excise tax on lodging	\$ 141,782	146,098
Advertising	2,325	2,905
Interest	1,715	1,049
Other	<u>2,128</u>	<u>123</u>
	<u>147,950</u>	<u>150,175</u>
Disbursements:		
Personnel	(71,242)	(58,022)
Advertising and marketing	(25,061)	(23,588)
Occupancy	(22,445)	(22,180)
Office	(7,369)	(9,077)
Telephone	(4,933)	(4,399)
Dues and subscriptions	(2,663)	(2,702)
Equipment	(2,162)	(3,148)
Travel	(1,951)	(1,594)
Insurance	(1,493)	(1,412)
Professional	(1,150)	(5,649)
Director search	-	(6,008)
Other	<u>(2,179)</u>	<u>(375)</u>
	<u>(142,648)</u>	<u>(138,154)</u>
Net cash provided by operating activities	5,302	12,021
Cash flows from investing activities -		
Purchase of investments	<u>10,322</u>	<u>-</u>
Net change in cash	(5,020)	12,021
Cash and cash equivalents at beginning of year	<u>109,533</u>	<u>97,512</u>
Cash and cash equivalents at end of year	\$ <u>104,513</u>	<u>109,533</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Statements of Cash Flows, continued
For Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Reconciliation of change in unrestricted net assets to net cash provided by operating activities:		
Change in unrestricted net assets	\$ (3,323)	13,132
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable	9,462	(12,287)
Increase in deferred revenue	2,325	2,905
Increase (decrease) in accounts payable	(3,321)	7,971
Increase in accrued expenses	<u>159</u>	<u>300</u>
Net cash provided by operating activities	\$ <u>5,302</u>	<u>12,021</u>

See accompanying notes to financial statements

Marion Area Convention & Visitors Bureau, Inc.
Notes to the Financial Statements
December 31, 2005 and 2004

(1) Summary of Significant Accounting Policies

Organization

The Marion Area Convention and Visitors Bureau (the CVB) is a not-for-profit organization which promotes travel and tourism in Marion County, Ohio. The organization is funded by an excise tax on lodging of transient guests within Marion County.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America, with the exception of property and equipment. As such, the excise tax on lodging is recognized in the period the tax is collected by the County Commissioners. Expenditures are recognized as incurred.

The CVB has chosen to depart from accounting principles generally accepted in the United States of America in recording property and equipment. Property and equipment is charged to expense in the period purchased instead of being capitalized as an asset and depreciated over its useful life. As a result, the statement of activities includes the cost of equipment rather than a provision for depreciation.

The equipment acquired is owned by the CVB while used in the program for which it was purchased or in other future authorized programs. However, the Marion County Commissioners have a reversionary interest in the equipment. Its disposition, as well as the ownership of any proceeds there from, is subject to the terms of the CVB's agreement with the Marion County Commissioners.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and overnight investment in a federated investment account.

Income Taxes

The CVB is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The CVB has unrelated business income from souvenir sales. No provision has been made for income tax as the CVB anticipates the associated expenses will exceed the revenue.

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 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.

Marion Area Convention & Visitors Bureau, Inc.
Notes to the Financial Statements, continued
December 31, 2005 and 2004

(2) Concentrations of Credit Risk

The CVB operates pursuant to a five-year agreement with the Marion County Commissioners which expired December 31, 2004 and was renewed for an additional five-year term to expire December 31, 2009. Under terms of the agreement, the CVB receives support from the collection of a 3% excise tax on transient lodging by each hotel and motel within Marion County. The County Commissioners remit this tax to the CVB on a quarterly basis, net of a 5% collection and administrative fee. The excise tax on transient lodging is the CVB's primary source of revenue.

In addition, the CVB maintains checking, money market and certificate of deposit accounts at local financial institutions. The accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The CVB had uninsured cash balances totaling \$6,075 and \$12,971 at December 31, 2005 and 2004, respectively.

(3) Investments

Investments consist of certificates of deposit bearing interest at rates ranging from 3% to 3.25% and maturing through July 2007.

(4) Lodging Tax Overpayment

A hotel in the Marion area had overpaid its lodging tax liability between April 2001 and June 2004 for a total of \$7,971. In February 2005, the Marion County Commissioners enacted a resolution whereby the CVB would repay this money to the hotel in equal installments over a twenty-four month period via deductions from future monthly lodging tax payments submitted by the hotel beginning in March 2005. The liability for the overpayment is reflected in the financial statements in accounts payable. Outstanding balances were \$4,650 and \$7,971 at December 31, 2005 and 2004, respectively.

(5) Deferred Revenue

Deferred revenue represents advertising revenue collected by the CVB for the subsequent years' Visitors Guide.

(6) Net Assets

The Board of Trustees has designated \$40,000 of unrestricted net assets as reserves for unexpected expenditures.

Marion Area Convention & Visitors Bureau, Inc.
Notes to the Financial Statements, continued
December 31, 2005 and 2004

(7) Leases

The CVB leases office space in Marion, Ohio pursuant to an operating lease agreement that expires in June 2007. The lease requires monthly payments of \$1,500 for the first year and monthly payments of \$1,625 for the remaining four years.

Rent expense totaled \$19,500 for 2005 and 2004.

In addition, the CVB leases certain office equipment pursuant to an operating lease agreement which expires in October 2008. Terms of the lease require monthly payments of \$71.

(8) Pension Plan

In 2005, the CVB adopted a Savings Incentive Match Plan for Employees (SIMPLE) IRA for the benefit of its employees. All employees are eligible to participate and may elect to contribute up to the extent allowable by law. The CVB may make matching contributions to the plan up to 3% of each employee's annual wages. Pension expense for 2005 was \$1,897.

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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
The Marion Area Convention & Visitors Bureau, Inc.

We have audited the financial statements of The Marion Area Convention and Visitors Bureau, Inc. (the CVB) (a nonprofit organization) as of and for the years ended December 31, 2005 and 2004 and have issued our report thereon dated June 9, 2006. In our report, our opinion was qualified because property and equipment were not capitalized and depreciated. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CVB's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material in relation to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the CVB's management dated June 9, 2006, we reported one other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CVB's financial statements are free of 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*.

This report is intended solely for the information and use of the board of trustees, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf, Rogers, Dickey & Co.

Certified Public Accountants

Delaware, Ohio
June 9, 2006



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Betty Montgomery**

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MARION AREA CONVENTION AND VISITORS BUREAU, INC.

MARION 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
SEPTEMBER 19, 2006**