Fairfield County Visitors and Convention Bureau, Inc.

Fairfield County, Ohio

Regular Audit

January 1, 2006 through December 31, 2007

bhs

Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: (740) 289-4131 Fax: (740) 289-3639

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Fairfield County Visitors and Convention Bureau, Inc. Fairfield County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2006 through December 31, 2007. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 14, 2008

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

Fairfield County Visitors and Convention Bureau, Inc.
Table of Contents
For the Years Ended December 31, 2007 and 2006

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants Ohio Society of Certified Public Accountants

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

Independent Auditor's 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, 2007 and 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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, 2007 and 2006, 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 October 13, 2008, on our consideration of the Bureau's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 13, 2008

Fairfield County Visitors and Convention Bureau, Inc.

Statements of Financial Position

As of December 31, 2007 and 2006

	2007	2006
Assets:		
Cash and Cash Equivalents	$66,322	$85,659
Lodging Taxes Receivable	102,635	73,409
Capital Assets, Net	970,182	978,464
Total Assets:	$1,139,139	$1,137,532
Liabilities and Net Assets:		
Liabilities:		
Accrued Payroll Taxes	$2,280	$2,489
Total Liabilities:	2,280	2,489
Net Assets:		
Unrestricted	1,136,859	1,135,043
Total Liabilities and Net Assets:	$1,139,139	$1,137,532

See accompanying notes to the financial statements.

Fairfield County Visitors and Convention Bureau, Inc.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2007 and 2006

	2007	2006
Unrestricted Net Assets:		
Operating Revenues:		
Lodging Tax Income	$349,259	$325,602
Contributions from County Commissioers	10,000	10,000
Interest Income	1,192	1,141
In-Kind Contributions	23,570	0
Miscellaneous Income	0	2,565
Total Operating Revenues:	384,021	339,308
Operating Expenses:		
Salaries	95,010	107,786
Payroll Taxes	7,757	7,596
Employee Benefits	7,143	971
Tourism Development	106,357	111,344
Promotions and Advertising	68,494	61,383
Property Taxes	3,242	1,753
Cleaning Services	4,859	1,583
Building Maintenance	11,434	3,647
Travel	3,249	1,950
Insurance	7,138	4,761
Telephone	3,241	2,871
Utilities	8,638	10,486
Legal and Accounting	1,698	7,598
Office Supplies	8,152	6,720
Copies	598	540
Postage	7,572	6,460
Dues	1,517	2,008
Meetings and Luncheons	1,301	888
Operating Supplies	735	2
Other	200	78
Depreciation	33,870	33,546
Total Operating Expenses:	382,205	373,971
Operating Income (Loss):	1,816	(34,663)
Net Assets, Beginning of Year - As Restated	1,135,043	1,169,706
Net Assets, End of Year	$1,136,859	$1,135,043

See accompanying notes to the financial statements.

Fairfield County Visitors and Convention Bureau, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash Flows From Operating Activities:		
Increase (Decrease) in Operating Income	$1,816	($34,663)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	33,870	33,546
(Increase) in Operating Assets:		
Lodging Taxes Receivable	(29,226)	(12,380)
Increase/(Decrease) in Operating Liabilities:		
Accrued Payroll Taxes	(209)	2,199
Net Cash Provided (Used) by Operating Activities:	6,251	(11,298)
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(25,588)	(32,848)
Net Cash Used by Investing Activities:	(25,588)	(32,848)
Net Change in Cash and Cash Equivalents	(19,337)	(44,146)
Cash and Cash Equivalents at Beginning of Year - As Restated	85,659	129,805
Cash and Cash Equivalents at End of Year	$66,322	$85,659

See accompanying notes to the financial statements.

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 Fairfield County 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 an 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 operations 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.

Capital Assets
Capital assets are 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. Improvements are depreciated over the remaining estimated useful lives of the underlying property. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

NOTE 3 – CONCENTRATIONS

The Bureau receives substantial revenue from the lodging excise tax levied by the City of Lancaster and Fairfield County.

NOTE 4 – CAPITAL ASSETS

Capital assets consist of:

	2007	2006
Building and Building Improvements	$1,004,257	$1,004,257
Equipment	53,644	51,626
Construction in Progress	23,570	0
Total Capital Assets	1,081,471	1,055,883
Less: Accumulated Depreciation and Amortization	(111,289)	(77,419)
Net Property and Equipment	$970,182	$978,464

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, 2007 and 2006 were $1,113 and $809, respectively.

NOTE 6 – CONCENTRATION OF CREDIT RISK

As of December 31, 2007 and 2006, the Bureau's cash balances were covered by federal deposit insurance.

NOTE 7 – RELATED PARTY RELATIONSHIP

On December 15, 2004, the Bureau guaranteed a loan for the Glass Museum construction project, using its building as collateral. The original loan balance was $640,000 with required monthly debt service requirements of $5,401, including interest, for a term of 15 years. This loan carries an interest rate of 6%. As of December 31, 2007, the outstanding balance of this loan was $582,958. This balance is not recognized as a liability in the Bureau's statements of financial position because the Glass Museum is primarily liable and has not yet been in default of the debt agreement.

The Bureau and the Glass Museum do not have a formal capital lease agreement. Therefore, all permanent improvements to the Bureau's building incurred by the Glass Museum are recorded as assets and in-kind contributions in the Bureau's records.

On December 15, 2004, the Bureau resolved to contribute $4,000 per month for a period of 20 years to assist the Glass Museum in meeting annual debt service requirements and operations. These contributions are recognized as Tourism Development expenses.

NOTE 8 – RESTATEMENT OF BEGINNING BALANCES

Errors were noted in beginning balances of cash, accounts receivable, capital assets, and liabilities. These balances were restated to correct such errors.

Net Assets, December 31, 2005	$409,755
Restatements	759,951
Net Assets, Restated, January 1, 2006	$1,169,706

NOTE 9 – SUBSEQUENT EVENTS

In July 2008, the Bureau entered into a debt agreement for building repairs in the amount of $75,000 to be repaid over 36 months.

BALESTRA, HARR & SCHERER CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants Ohio Society of Certified Public Accountants

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited the accompanying financial statements of the Fairfield County Visitors and Convention Bureau, Inc., Fairfield County, (the Bureau), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated October 13, 2008. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Bureau's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bureau's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Bureau's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Bureau's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-002 is also a material weakness.

Internal Control Over Financial Reporting (Continued)

We also noted certain internal control matters than we reported to the Bureau's management in a separate letter dated October 13, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Bureau's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

The Bureau's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Bureau's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management and members of the Board of Trustees. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
October 13, 2008

Finding Number 2007-001

Significant Deficiency – Bank Reconciliations
The Bureau performs bank reconciliations. However, it was noted that this function is not always performed in a timely fashion. Failure to perform bank reconciliations timely may result in inaccurate or inappropriate items remaining uncorrected for an undue period of time. The Bureau should implement procedures to ensure that timely bank reconciliations are prepared.

Client Response:
The Bureau will have a new Treasurer in place on January 1, 2009. Future bank reconciliations will be delivered to the Treasurer in a timely manner.

Finding Number 2007-002

Material Weakness – Misstatements in the Financial Statements
Financial statement misstatements were identified during the audit that should have been prevented or detected by the Bureau's internal controls over financial reporting. Misstatements were identified within the following balances:

- Previously reported cash, accounts receivable, capital assets, accounts payable, payroll taxes payable, and net assets
- Contributions revenue and related expenditures
- Unrecorded building improvements and related depreciation (permanent improvements by Glass Museum)

The accompanying financial statements were adjusted to reflect correction of these misstatements. The Bureau should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:
The apparent misstatement was due to inputting a contribution incorrectly into the Quickbooks software. The contribution was done only once annually. To correct the issue, the contribution will be inputted using a different account/revenue line item, which will prevent the apparent misstatement in future audits. Improvements to the Bureau's building will also be monitoring and reflected in the financial statements as appropriate.

Fairfield County Visitors and Convention Bureau, Inc.
Schedule of Prior Audit Findings
For the Years Ended December 31, 2007 and 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected or Partially Corrected; Significantly Different Corrective Action Taken; or Finding Not Longer Valid (Explain):
2005-001	Record Retention – Reportable Condition	No	Partially corrected. Reissued in management letter.

Mary Taylor, CPA
Auditor of State

FAIRFIELD COUNTY CONVENTION AND VISITORS BUREAU

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
DECEMBER 2, 2008

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us