

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS
BUREAU, INC.**

RICHLAND COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Long, Cook & Samsa, Inc.

CERTIFIED PUBLIC ACCOUNTANTS



Auditor of State Betty Montgomery

Board of Directors
Mansfield-Richland County Convention and Visitors Bureau, Inc.
Mansfield, Ohio

We have reviewed the *Independent Accountant's Report* of the Mansfield-Richland County Convention and Visitors Bureau, Inc., Richland County, prepared by Long, Cook & Samsa, Inc., for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountant's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountant's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Finding for Recovery Repaid under Audit:

During 2003 through 2005, Kelly Williams issued checks totaling \$66,686.67 to herself or her creditors for her own personal purposes without the knowledge or authorization of the Mansfield-Richland County Convention and Visitors Bureau. In addition, she made unauthorized purchases using the Mansfield-Richland County Convention and Visitors Bureau credits cards totaling \$12,372.60 for personal purposes.

In accordance with the foregoing facts, a Finding for Recovery for public monies illegally expended is hereby issued against Kelly Williams, in the amount of \$79,059.27, in favor of the general fund of the Mansfield-Richland County Convention and Visitors Bureau.

National Fire Insurance of Hartford ("CNA"), repaid \$78,959.27 of this amount on September 28, 2005 under the employee dishonesty bond held by the Mansfield-Richland County Convention and Visitors Bureau.

Board of Directors
Mansfield-Richland County Convention and Visitors Bureau, Inc.
124 North Main Street Mansfield, Ohio 44902
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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 Mansfield-Richland County Convention and Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

January 9, 2006

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

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Long Cook & Samsa, Inc.

Certified Public Accountants/Consultants

INDEPENDENT ACCOUNTANTS' REPORT

Mansfield/Richland County Convention
and Visitors Bureau, Inc.
Richland County
124 North Main Street
Mansfield, Ohio 43902

To the Board of Directors:

We have audited the accompanying financial statements of the Mansfield/Richland County Convention and Visitors Bureau, Inc., Richland County, Ohio, (the Bureau) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Bureau'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 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.

As described more fully in Note 1, the Bureau prepares its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Bureau to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2003. While the Bureau does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require, entities to reformat their statements. The Bureau has elected not to reformat its statements. Since this visitors' bureau does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Bureau as of December 31, 2004 and 2003, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the general fund cash balances of the Bureau as of December 31, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2005, 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.

Long, Cook & Samsa, Inc.

June 14, 2005

(except as to the matter described in Note 11 to the financial statements,
as to which the date is October 17, 2005)

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN FUND CASH BALANCE - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

Description	2004	2003
Operating Cash Receipts:		
County Bed Tax	\$370,483	\$346,774
City Bed Tax	70,691	77,633
Project	27,293	25,147
Membership dues	17,951	23,648
Miscellaneous revenues	8,185	986
Interest	39	208
Total cash receipts	<u>494,642</u>	<u>474,396</u>
Operating Cash Disbursements:		
Compensation, fringe benefits, and payroll taxes	215,265	229,346
Capital improvements	19,415	110,143
Operations	50,268	53,233
Advertising	52,584	43,740
Brochures	41,558	47,307
Local promotion	43,254	26,957
Theft and cash shortage	34,067	18,170
Telephone	14,880	16,637
Accounting	2,243	14,534
Auto	6,089	6,963
Travel	4,174	7,768
Utilities	5,886	6,364
Dues and subscriptions	5,564	5,088
Trade and conventions	3,200	1,275
Tourist information	4,981	239
Legal	840	1,080
Board meetings	533	661
Continuing education	561	457
Annual meeting	1,162	
Total cash disbursements	<u>506,524</u>	<u>589,962</u>
Total operating cash receipts under cash disbursements	(11,882)	(115,566)
Financing Activity:		
Loan proceeds	25,000	50,000
Loan and interest payments	(33,197)	(3,284)
Net financing activity	<u>(8,197)</u>	<u>46,716</u>
Total cash receipts under cash disbursements	<u>(20,079)</u>	<u>(68,850)</u>
Fund cash balance, January 1	51,001	119,851
Fund cash balance, December 31	<u><u>\$30,922</u></u>	<u><u>\$51,001</u></u>

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mansfield/Richland County Convention and Visitors Bureau, Inc., Richland County, Ohio (the Bureau), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Bureau is governed by a Board of Directors. The Bureau was formed to promote the area, facilities, and attractions as a destination for visitors, resulting in increased business activity and improved quality of life for Richland County.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Bureau maintains its cash balances in a demand deposit account at a local commercial bank. There were no investments in 2004 or 2003.

D. Fund Accounting

The Bureau uses only one fund classification, a General Fund. The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

E. Budgetary Process

The Bureau is not subject to the provisions of Section 5705 of the Revised Code as property tax revenues are not utilized to finance its operations.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Debt

Increases in debt (borrowings) are recorded as receipts when received. Reductions of debt (payments) are recorded as expenditures when paid. Debts are not reflected as liabilities on the accompanying balance sheets.

H. Income Taxes

The Bureau is a not-for-profit organization that is exempt from income taxes under Section 501 (C)(6) of the Internal Revenue Code.

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. CASH

Cash deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times the Bureau's cash deposits exceeded the insurance limits.

3. RETIREMENT SYSTEMS

All employees over 21 years of age with 1,000 annual hours of service are eligible to participate in the Bureau's defined contribution retirement plan, a 401(k) plan. The Bureau contributes 7 percent of each participant's eligible compensation as defined by the plan. In addition, employee elective contributions are allowed up to 15 percent of eligible compensation. The Bureau's contributions to the retirement plan totaled \$13,470 and \$12,552 for the years ended December 31, 2004 and 2003, respectively.

4. RISK MANAGEMENT

The Bureau has obtained commercial insurance for general liability risks.

5. CONCENTRATION OF RISK

The Bureau receives substantial revenue from the lodging excise tax which is levied by Richland County and the City of Mansfield. A reduction of that tax could have a significant impact on the operations of the Bureau.

6. LEASES

The Bureau leases one automobile and the office space. The vehicle lease calls for monthly rentals of \$356 and expires December 2006. The office lease has monthly rentals of \$1,550 and expired in April of 2005 at which time the Bureau renewed the lease for an additional five years with a monthly rent of \$1,770. Under the office lease the Bureau pays utilities, maintenance, and other operating costs.

7. DEBT

In August of 2003 the Bureau borrowed \$50,000 from the Richland Bank to help finance the construction of a visitor's center. The note calls for monthly payments of interest plus \$416.67 of principal; the note matures in July of 2013. The interest rate varies and is the prime rate plus one percent. The balance of the debt was \$43,422 and \$48,494 at December 31, 2004 and 2003, respectively.

In 2004 the Bureau entered into a line of credit agreement with Richland Bank. The agreement calls for a maximum loan of \$25,000 and is to be used to help the Bureau meet its seasonal cash needs. During 2004 the Bureau borrowed and repaid \$25,000. There was no amount due on the line of credit at December 31, 2004. The interest rate varies and is the prime rate plus 1 percent.

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. JOHNNY APPLESEED HERITAGE CENTER

The Bureau has made in-kind contributions to the Johnny Appleseed Heritage Center (the Center) in the form of administrative support services and shared office space. The dollar value of these services has not been quantified. During 2003 and part of 2004, employees of the Center were on the Bureau's payroll and the Center reimbursed the Bureau for the labor cost. This arrangement ended in March 2004. The total amount reimbursed by the Center was \$19,728 and \$104,443 for the years ended December 31, 2004 and 2003, respectively. These amounts are not included in Operating Cash Receipts or Operating Cash Disbursements in the accompanying financial statements.

9. RICHLAND SPORTS CAR CLUB OF AMERICA COMMITTEE

The Bureau receives donations on behalf of the Richland Sports Car Club of America (SCCA) Committee, of which it is a member. The Bureau is responsible for the disbursement and the depositing of funds into a separate checking account. These receipts, disbursements, and cash balances are not reflected in the accompanying financial statements.

As a member of SCCA, the Bureau also makes contributions to help SCCA accomplish its objective of attracting race fans to an annual Formula 500 National Championship held in Mansfield. Bureau contributions totaled \$19,160 and \$6,955 for the years ended December 31, 2004 and 2003, respectively. The last year the National Championship is scheduled to be held in Mansfield is 2005.

10. RELATED PARTY TRANSACTIONS

Some members of the Board of Directors are employees, owners, or partners of entities that do business with the Bureau. These businesses include the Bureau's bank and others that are active in the tourism industry and benefit from the Bureau's success. For the year ended December 31, 2004, the Bureau made payments to a director's law firm of \$840; for the year ended December 31, 2003, the Bureau made payments to a director's law firm of \$1,080 and to a director's architectural firm of \$7,108.

11. EMPLOYEE THEFT AND SUBSEQUENT EVENT

In June 2005 management discovered funds missing that were used by a Bureau employee for personal expenses. Management estimates the amounts missing were \$34,067 and \$18,170 for the years ended December 31, 2004 and 2003, respectively. These amounts are reflected in the financial statements. In addition, management estimates the amount missing in the first six months of 2005 totaled \$26,822. The 2005 amounts are not reflected in the financial statements. The total estimated missing amount is \$79,059. Management has reported the loss to the appropriate government authorities and it was insured. In 2005 the Bureau received all but \$100 of the estimated loss.

Long Cook & Samsa, Inc.

Certified Public Accountants/Consultants

REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Mansfield/Richland County Convention and Visitors Bureau, Inc.
Richland County
124 North Main Street
Mansfield, Ohio 44902

To the Board of Directors:

We have audited the financial statements of the Mansfield/Richland County Convention and Visitors Bureau, Richland County, Ohio, (the Bureau) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated June 14, 2005. 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Bureau's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as item 2004-001.

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 over financial reporting that might be material weaknesses. However, we consider the reportable conditions described above, item 2004-001, to be a material weakness. We also noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Bureau in a separate letter dated June 14, 2005.

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

Long, Cook & Samsa, Inc.

October 17, 2005

**MANSFIELD/RICHLAND COUNTY CONVENTION AND VISITORS BUREAU, INC.
RICHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

INTERNAL CONTROL – MATERIAL WEAKNESS

During the period under audit the Bureau's system of internal control surrounding cash procedures contained weaknesses that, when taken together, result in a material weakness. The procedures contributing to the internal control weakness include:

The President approved lists of disbursements instead of the individual disbursements.

Although procedures required two signatures on checks, the President's signature is done via rubber stamp that is not in the President's possession.

The Bureau maintained a checking account of another organization. This checking account was not included in the general ledger and was not reconciled.

Management neither reviewed nor approved bank reconciliations.

During the audit, management estimated that an employee had stolen \$79,059 between July 2003 and June 2005. Since the discovery the Bureau's management and Board of Directors have taken steps to correct the weaknesses.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MANSFIELD-RICHLAND COUNTY CONVENTION & VISITORS BUREAU

RICHLAND 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
JANUARY 23, 2006**