MEDINA COUNTY CONVENTION
AND VISITORS BUREAU

INDEPENDENT AUDITOR’S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

Board of Trustees
Medina County Convention and Visitors Bureau
124 West Lafayette Rd.
Medina, Ohio 44256

We have reviewed the *Independent Auditor's Report* of the Medina County Convention and Visitors Bureau, prepared by Varney, Fink & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. 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 Medina County Convention and Visitors Bureau is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 24, 2007

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MEDINA COUNTY CONVENTION AND VISITORS BUREAU
FOR THE YEAR ENDED
DECEMBER 31, 2006

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VARNEY, FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
121 College Street
Wadsworth, Ohio 44281
330/336-1706 Fax 330/334-5118

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Medina County Convention and Visitors Bureau
Medina County

We have audited the accompanying statement of financial position of the Medina County Convention and Visitors Bureau (the Bureau), as of December 31, 2006, and the related statements of activities, and cash flows for the year then ended. 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 statement. An audit also includes assessing the accounting principles used and the 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 statement referred to above presents fairly, in all material respects, the financial position of the Bureau, as of December 31, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 2 to the financial statements, certain changes in accounting policies and financial reporting practices were made in order to present the aforementioned 2006 financial statements in conformity with generally accepted accounting principles. Such changes were adopted effective January 1, 2006 and appropriate adjustments have been made to restate net assets as of that date.

INDEPENDENT AUDITOR'S REPORT (continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2007 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. 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 considered in assessing the results of our audit.

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 28, 2007

MEDINA COUNTY CONVENTION AND VISITORS BUREAU
MEDINA COUNTY
STATEMENT OF FINANCIAL POSITION
December 31, 2006

ASSETS	
Cash	$173,527
Accounts Receivable	60,496
Prepaid Expenses	6,152
Furniture and Equipment, Net	6,678
Total Assets	$246,853
LIABILITIES	
Accrued Wages	$2,930
Payroll Taxes and Withholdings	2,145
Loan Payable	6,552
Total Liabilities	11,627
NET ASSETS	
Unrestricted	235,226
TOTAL LIABILITIES AND NET ASSETS	$246,853

The accompanying notes are an integral part of the financial statements.

MEDINA COUNTY CONVENTION AND VISITORS BUREAU
MEDINA COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUES AND OTHER SUPPORT	
County room tax	$276,235
Membership dues	6,298
Interest	3,724
Other income	5,845
Total revenues and other support	292,102
EXPENSES	
Salaries and wages	74,252
Payroll taxes and employee benefits	36,853
Insurance	3,645
Telephone	3,504
Rent	9,545
Promotion	5,975
Advertising and printing	74,339
Office supplies and accessories	3,048
Postage	9,223
Dues and subscriptions	2,273
Professional fees	6,535
Travel	4,862
Leased equipment	962
Vehicle	3,324
Equipment	273
Conferences/meetings	3,976
Miscellaneous	185
Depreciation	5,596
Total Expenses	248,370
CHANGE IN NET ASSETS	43,732
NET ASSETS - Beginning of year - restated	191,494
NET ASSETS - End of year	$235,226

The accompanying notes are an integral part of the financial statements.

MEDINA COUNTY CONVENTION AND VISITORS BUREAU
MEDINA COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$43,732
Adjustments to reconcile change in net assets to net cash provided by operating activates:	
Depreciation and amortization	5,596
(Increase) decrease in operating assets:	
Prepaid expenses	894
Accounts receivable	(584)
Total adjustments	5,906
Net cash provided by operating activities	49,638
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on Loan Payable	(5,242)
Net cash used in financing activities	(5,242)
INCREASE IN CASH AND CASH EQUIVALENTS	44,396
CASH AND CASH EQUIVALENTS - Beginning of year	129,131
CASH AND CASH EQUIVALENTS - End of year	$173,527

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2006

1. NATURE OF BUSINESS

The Medina County Convention and Visitors Bureau, Medina County (the Bureau), is a not-for-profit organization established in accordance with Section 501(c)(6) of the Internal Revenue Code. 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 Medina County. The main source of revenue for the Bureau are funds generated within Medina County by the county hotel/motel excise tax. The Bureau operates under a nine-member Board of Trustees, six who are elected internally by members and three who are appointed by the Medina County Commissioners. The Bureau is governed by a Board of Trustees. For the year ended December 31, 2006, the Board of Trustees consisted of nine appointed members.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Board of Trustees has decided to convert the accounting practices from a cash basis to accrual basis as outlined by Generally Accepted Accounting Principles (GAAP). This conversion is effective January 1, 2006. The financial statements are also prepared in compliance with Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations.” Under SFAS 117 the Bureau is required to present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All of the Bureau's assets are unrestricted.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents represents cash on hand, demand deposits held by banks and short-term investments having an initial maturity of three months or less.

Concentration of Credit Risk

The Bureau maintains its cash in bank deposit accounts which are protected by the Federal Deposit Insurance Corporation. Management believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts Receivable includes hotel/motel excise tax and other revenues receivable. The hotel/motel excise tax represents amounts due from the County of Medina for room taxes collected in the final quarter of the calendar year. Other revenues receivable consist largely of membership dues.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management’s best estimate of the amounts that will not be collected. Management individually reviews all receivable balances that exceed 90 days from invoice date and estimates the portion, if any, of the balance that will not be collected.

In the opinion of management, at December 31, 2006, all accounts were considered collectible and no allowance was necessary.

Furniture and Equipment

Furniture and equipment are carried at cost, less accumulated depreciation computed on the straight–line method. Furniture and equipment that are donated are recorded at their fair market value on the date of receipt. Capital additions and major betterments over $2,500 are capitalized and depreciated; maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Upon disposal of assets, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized. Depreciation is computed over the following useful lives:

Description	Useful Lives	Method
Display Equipment	20	Straight-Line
Vehicles	5	Straight-Line

Revenue Recognition

The Bureau recognizes revenues at the time persuasive evidence of an arrangement exists, the service is provided or prices are fixed or determinable and collection is reasonably assured.

Income Taxes

The Bureau is a recognized not-for-profit organization under Section 501(c)(6) of the Internal Revenue Code. The Bureau is not classified as a private foundation and therefore is not subject to Federal, state or local income taxes.

Use of 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 at the date of the financial statements and during the reporting period. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as well as the reported amounts of revenues and expenses. Actual results could differ from those estimates.

3. RESTATEMENT OF PRIOR YEAR

Net Assets at December 31, 2005 have been restated for the following:

1. Hotel/Motel excise tax was received in 2006 for the fourth quarter 2005, but no Accounts Receivable was recorded.

2. Wages were earned in 2005 and paid in 2006, but was not recorded as Accrued Wages.

3. Insurance payments, Rent payments, and Consulting Fees were paid in 2005 for 2006 services, but was not recorded as Prepaids.

4. Long-Term Debt was not previously recognized and principal payments were expensed.

5. A display purchased in 1992 that exceeded the threshold, is still being utilized and is expected to be used for another five (5) years, has not been recorded as a fixed asset and has not been depreciated.

6. Accumulated depreciation on the Ford Windstar Van was not recognized.

These restatements had the following effects on the changes in Net Assets at December 31, 2005:

Change in Net Assets as previously reported on December 31, 2005	$18,772
Restatement of Hotel/Motel Excise Tax Revenue	59,912
Restatement of Accrued Wages	(2,930)
Restatement of Prepaids	7,073
Restatement of Long-Term Debt	(1,310)
Restatement of Furniture and Equipment	5,090
Restatement of Accumulated Depreciation	(3,299)
Restated Change in Net Assets, as of December 31, 2005	$ 83,308

The restatement of Net Assets is as follows:

Net Assets, December 31, 2005	$126,958
Restatement of Hotel/Motel Excise Tax Revenue	59,912
Restatement of Accrued Wages	(2,930)
Restatement of Prepaids	7,073
Restatement of Long-Term Debt	(1,310)
Restatement of Furniture and Equipment	5,090
Restatement of Accumulated Depreciation	(3,299)
Retained Earnings as Restated at January 1, 2006	$191,494

4. CASH AND CASH EQUIVALENTS

The Bureau maintains a checking account and two (2) savings accounts all used for general purposes. The Bureau's deposits are entirely insured by the Federal Deposit Insurance Corporation.

5. FURNITURE AND EQUIPMENT

A summary of furniture and equipment at December 31, 2006 is presented below:

	2006
Video and Display Equipment	$5,090
Vehicles	26,706
	31,796
Less Accumulated Depreciation	(25,118)
Furniture and Equipment - Net	$6,678

6. LOAN PAYABLE

The Bureau purchased a Ford Windstar Van in 2003 for $26,706. The actual amount financed was $26,206 after $500 down payment with 0.00% interest rate. The loan payments have been made in monthly installments since April 27, 2003. The monthly payment totals $436.76 and the loan will be fully retired in March 27, 2008. Changes in the loan payable during 2006 was as follows:

	2005 Ending Balance	2006 Additions	2006 Retirements	2006 Ending Balance
Van Loan	$11,793	$0	($5,242)	$6,551

Amortization of the above loan is as follows:

Year Ending December 31,	Principle Payments
2007	$5,241
2008	1,310

7. HOTEL/MOTEL TAX

Medina County provides funding to the Bureau by remitting collections from the County's hotel/motel tax. During 2006, the Bureau received $257,631 in hotel/motel tax revenue.

8. RETIREMENT PLANS

The Bureau implemented a SIMPLE IRA (Savings Incentive Match Plan for Employees) Program effective January 1, 2000. Annual employer contributions to the plan are required at the participant's elective percentage of 1% to 3% of eligible compensation as defined in the plan or a maximum of $5,000 per year. The Bureau contributes on a monthly basis; 2006 total contributions totaled $2,100.

9. RELATED PARTY TRANSACTIONS

The Bureau made purchases from Modern Monogramming, which is owned by a board member. Such purchases consist of promotional shirts, pens, bandaids, and gift baskets totaling $3,592 for the year ended December 31, 2006. As of December 31, 2006 there are no amounts due to Modern Monogramming.

10. COMMITMENTS AND CONTINGENCIES

<u>Operating Lease</u>

The Bureau leases office space for operations from John W. Kanieski. The current lease agreement renewed on December 1, 2004 expires November 30, 2007. The Bureau makes monthly payments of $700. The following is a schedule of lease liability committed to by the Bureau and not reflected in the accompanying statements:

	Building
Year Ended Dec. 31, 2007	$7,700

<u>Contracts</u>

Employment Contract

The Bureau has entered into an employment contract with its consultant through December 31, 2007 that provides for professional service fees of $1,000 per quarter.

<u>Contingencies</u>

The Bureau receives a majority of its support from the County bed tax. Any significant reduction in the level of support, should one occur, may have an influence on the Bureau's programs and general operation. The Board of Trustees in anticipation of such an occurrence has set aside the sum of $45,000 in one of the savings accounts. This will allow the Bureau to continue operations for approximately three months, assuming current operating expense levels.

The Bureau, in the course of its normal operations, is subject to claims and lawsuits which may arise from time to time. Currently, the Bureau does not have any pending or threatened litigation.

11. RISK MANAGEMENT

The Bureau has obtained the following commercial insurance through private carriers:

a. Comprehensive property and general liability

b. Public officials and employee liability

c. Vehicles

The Bureau also provides health insurance for all Bureau employees through a private carrier.

VARNEY, FINK & ASSOCIATES, INC.

CERTIFIED PUBLIC ACCOUNTANTS
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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*

Board of Trustees
Medina County Convention and Visitors Bureau

We have audited the accompanying statement of financial position of the Medina County Convention and Visitors Bureau (the Bureau), as of December 31, 2006, and related statement of activities and cash flows for the year then ended and have issued our report thereon dated June 28, 2007. The Bureau changed its accounting policies and financial reporting practices in order to present the financial statements in conformity with generally accepted accounting principles. 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 Bureau's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bureau's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bureau's financial statements that is more than inconsequential will not be prevented or detected by the Bureau's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bureau's internal control.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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* (continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bureau's financial statement 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.*

We noted certain matters that we reported to management of the Bureau in a separate letter dated June 28, 2007.

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

Varney, Fink & Associates

VARNEY, FINK & ASSOCIATES, INC.
Certified Public Accountants

June 28, 2007

Mary Taylor, CPA
Auditor of State

MEDINA COUNTY CONVENTION AND VISITORS BUREAU

MEDINA 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
OCTOBER 4, 2007

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