

MANSFIELD & RICHLAND COUNTY CONVENTION & VISITORS BUREAU, INC.

FINANCIAL STATEMENTS

ORGANIZATION - WIDE AUDIT

for the years ended December 31, 1999 and 1998



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Mansfield and Richland County Convention & Visitors Bureau, Inc., Richland County, prepared by Kleshinski, Morrison & Morris, LLP, for the audit period January 1, 1998 through December 31, 1999. 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 Mansfield and Richland County Convention & Visitors Bureau, Inc. is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 17, 2000

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mansfield & Richland County Convention
& Visitors Bureau, Inc.

We have audited the accompanying statement of financial position of Mansfield & Richland County Convention & Visitors Bureau, Inc. as of December 31, 1999 and 1998, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller of the United States. These 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 audits provide 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 Mansfield & Richland County Convention & Visitors Bureau, Inc. as of December 31, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2000 on our consideration of Mansfield & Richland County Convention & Visitors Bureau, Inc.'s internal control over financial reporting.

Kleshinski, Morrison & Morris, LLP

KLESHINSKI, MORRISON & MORRIS, LLP

June 22, 2000

MANSFIELD & RICHLAND COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 1999 and 1998

Assets

	1999	1998
Current assets		
Cash	\$ 144,101	\$ 136,460
Accounts receivable	35,996	35,014
Inventory	4,725	10,644
Prepaid expenses	<u>2,136</u>	<u>2,185</u>
Total current assets	<u>186,958</u>	<u>184,303</u>
Property and equipment		
Office equipment	99,378	90,784
Vehicle	19,314	19,314
Leasehold improvements	<u>15,754</u>	<u>15,754</u>
	134,446	125,852
Less: Accumulated depreciation	<u>(75,565)</u>	<u>(61,500)</u>
Total property and equipment	<u>58,881</u>	<u>64,352</u>
Other assets		
Deposits	<u>2,928</u>	<u>1,377</u>
Total other assets	<u>2,928</u>	<u>1,377</u>
Total assets	<u>\$ 248,767</u>	<u>\$ 250,032</u>

STATEMENT OF FINANCIAL POSITION

December 31, 1999 and 1998

Liabilities and Net Assets

	1999	1998
Current liabilities		
Current portion of capital lease obligations	\$ 10,959	\$ 6,879
Accounts payable	1,244	1,159
Accrued payroll taxes	83	692
Accrued pension	1,834	608
Custodial fund obligation	<u>3,171</u>	<u>2,330</u>
Total current liabilities	17,291	11,668
Long-term liabilities		
Capital lease obligation, less current portion	<u>7,231</u>	<u>13,211</u>
Total liabilities	<u>24,522</u>	<u>24,879</u>
Net Assets		
Unrestricted	224,245	225,153
Temporarily restricted	--	--
Permanently restricted	<u>--</u>	<u>--</u>
Total net assets	<u>224,245</u>	<u>225,153</u>
Total liabilities and net assets	<u>\$ 248,767</u>	<u>\$ 250,032</u>

See accompanying notes and accountants' report

MANSFIELD & RICHLAND COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF ACTIVITIES

for the years ended December 31, 1999 and 1998

Changes in unrestricted net assets:

Revenues	1999	1998
Bed tax	\$ 470,399	\$ 521,993
Membership dues	23,325	19,545
Interest income	1,517	2,022
Miscellaneous income	<u>35,391</u>	<u>30,914</u>
Total revenues	<u>530,632</u>	<u>574,474</u>
Expenses		
Salaries	181,559	157,217
Payroll taxes	15,437	13,667
Insurance, health	13,956	8,217
Retirement	13,003	15,004
Outside labor	3,646	759
Accounting	7,852	11,822
Advertising	54,706	61,445
Board meetings	4,933	12,006
Brochures	58,814	76,291
Dues and subscriptions	4,958	5,949
Employee education	514	3,294
Grants and allocations	35,234	35,350
Insurance, general	2,520	3,761
Legal fees	749	2,370
Office expense	11,695	11,710
Postage	15,078	17,314
Promotion	22,065	31,489
Rent	18,600	18,600
Repairs and maintenance	5,465	6,715
Telephone	18,853	17,943
Tourist information center	1,588	3,065
Trade shows, conventions and meetings	10,023	8,425
Travel and entertainment	7,723	11,850
Utilities	5,946	6,410
Vehicle expense	<u>756</u>	<u>3,150</u>
Total operating expenses	<u>515,673</u>	<u>543,823</u>

(Continued on next page)

STATEMENT OF ACTIVITIES

for the years ended December 31, 1999 and 1998

Other expenses		
Loss on disposal of assets	--	4,144
Interest	<u>1,804</u>	<u>1,643</u>
Total other expenses	<u>1,804</u>	<u>5,787</u>
Total expenses before depreciation	517,477	549,610
Depreciation	<u>14,063</u>	<u>14,254</u>
Total expenses	<u>531,540</u>	<u>563,864</u>
Increase (Decrease) in unrestricted net assets from operations	(908)	10,610
Net assets at beginning of year	<u>225,153</u>	<u>214,543</u>
Net assets at end of year	<u>\$ 224,245</u>	<u>\$ 225,153</u>

See accompanying notes and accountants' report.

MANSEFIELD & RICHLAND COUNTY CONVENTION & VISITORS BUREAU, INC.

STATEMENT OF CASH FLOWS

for the years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (908)	\$ 10,610
Adjustments to reconcile excess of expenses over revenue in net assets to net cash used in operating activities:		
Depreciation	14,063	14,254
Loss on sale of assets	--	4,144
(Increase) decrease in assets:		
Prepaid expenses	49	(635)
Inventory	5,919	12,708
Accounts receivable	(982)	10,719
Deposit	(1,551)	(1,377)
Increase (decrease) in liabilities:		
Accounts payable	87	(3,864)
Accrued payroll taxes	(609)	(349)
Accrued pension	1,226	608
Custodial fund liability	842	66
Net cash provided by operating activities	<u>18,136</u>	<u>46,884</u>
Cash flows from investing activities		
Capital expenditures	<u>(1,323)</u>	<u>(13,433)</u>

(Continued on next page)

STATEMENT OF CASH FLOWS

for the years ended December 31, 1999 and 1998

Cash flows from financing activities

Repayment on capital lease obligations	<u>(9,172)</u>	<u>(4,465)</u>
Net increase in cash	7,641	28,986
Cash, beginning of year	<u>136,460</u>	<u>107,474</u>
Cash, end of year	<u>\$ 144,101</u>	<u>\$ 136,460</u>

Supplemental Schedule of Noncash Investing and Financing Activities:

During February 1998, the organization acquired a telephone system by entering into a capital lease obligation in the amount of \$7,536. The lease requires monthly amortization through March 2003.

In April 1998 the organization entered into a capital lease obligation for five Compaq computer systems. The lease obligation was in the amount of \$17,018 and requires monthly amortization through April 2001.

During 1999 the organization amended the 1998 lease for computer equipment by adding a new computer system and server. The additional lease obligation of \$7,272 is payable in monthly installments through April 2001.

See accompanying notes and accountants' report.

MANSFIELD & RICHLAND COUNTY CONVENTION & VISITORS BUREAU, INC.

Notes to Financial Statements

Note 1. Organization and Significant Accounting Policies

The Mansfield & Richland County Convention & Visitors Bureau, Inc. was formed to promote the area and its facilities and attractions as a destination for visitors, resulting in increased business activity and improved quality of life for Richland County.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Mansfield & Richland County Convention & Visitors Bureau, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Mansfield & Richland County Convention & Visitors Bureau, Inc. is required to present a statement of cash flows.

Contributions

The Mansfield & Richland County Convention & Visitor Bureau, Inc. recognizes contributions in accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made". SFAS No. 116 generally requires measuring contributions received and promises to give at their fair value and reporting them as an increase in net assets immediately, even if the donor has restricted their use and the restriction will be met in a future reporting period; that is, none are deferred. As a result, restricted support is recorded immediately, either as an increase in temporarily restricted net assets or permanently restricted net assets, depending on the nature of the donor restricted.

Federal Income Taxes

The Internal Revenue Service has determined that Mansfield & Richland County Convention & Visitors Bureau, Inc. is exempt from federal income taxes under Section 501 (C)(6) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been reflected in these financial statements.

Note 1. Organization and Significant Accounting Policies
(Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Fair Value of Financial Instruments

Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Property and Equipment

Acquisitions of property and equipment are recorded at cost or amounts assigned if acquired by gift. The carrying amount of assets sold, retired, or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reported as other revenues or expenses.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Leasehold improvements	39 Years
Furniture & fixtures	5 - 10 Years
Vehicles	8 Years

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses amounted to \$54,706 and \$61,445 for the years ended December 31, 1999 and 1998.

Support and Grants

The Mansfield & Richland County Convention & Visitors Bureau, Inc. reports donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

**Note 1. Organization and Significant Accounting Policies
(Continued)**

Inventory

Inventory is stated at the lower of cost or market. Cost is determined on the first-in, first out basis. Inventories consist principally of brochures.

Note 2. Retirement Plan

The organization terminated its Money Purchase Plan and adopted a 401(k) plan effective July 1, 1999. All employees over 21 years of age with 1,000 hours of service are eligible to participate in the 401(k) plan. Annual employer contributions to the plan are required at 7% of the participant's eligible compensation as defined in the plan. In addition, employee elective contributions are allowed up to 15% of eligible compensation. The organization's contributions to the active retirement plan totalled \$13,003 and \$15,004 for 1999 and 1998, respectively.

Note 3. Concentrations of Credit Risk

Financial instruments that potentially subject the agency to credit risk include cash on deposit with a financial institution amounting to \$140,930 at December 31, 1999, which was insured for up to \$100,000 by the U.S. Federal Deposit Insurance Corporation.

Note 4. Commitments and Contingencies

The organization receives a substantial amount of support from the City and County. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

Note 5. Capital Leases

The organization leases a computer system and a telephone system under the terms of lease agreements expiring in April 2001 and March 2003, respectively. Based on the provisions of Statement No. 13, issued by the Financial Accounting Standards Board, these leases meet the criteria of a capital lease, and accordingly, have been recorded as such. The net present value of the minimum lease payments have been recorded as assets and liabilities. The recorded assets are being depreciated in accordance with the estimated useful lives described in Note 2, and the depreciation is included in depreciation expense in the accompanying statement of sales and distribution expenses.

Note 5. Capital Leases (Continued)

Future minimum lease payments on capital leases in effect at December 31, 1999 and the present value of the net minimum lease payments related thereto, are as follows:

Period ended December 31:

2000	\$ 12,687
2001	6,214
2002	2,064
2003	516
2004	--
Total minimum lease payments	21,481
Less: Amount representing interest, taxes and insurance	<u>(3,291)</u>
Present value of net minimum lease payments	18,190
Less: Current portion	<u>(10,959)</u>
Capital lease obligation	<u>\$ 7,231</u>

Note 6. Operating Leases

On November 30, 1999 the Organization entered into a building lease agreement with North Main, Inc. for an initial lease term of 5 years with one (1) option to renew up to 5 years. The initial lease commences on April 1, 2000. The current lease agreement with Foster-Parton will expire March 31, 2000. Both leases require monthly lease payments of \$1,550.

Accordingly, the future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1999 are as follows:

Period ended December 31:

2000	18,600
2001	18,600
2002	18,600
2003	18,600
2004	18,600
Thereafter	<u>4,650</u>
	<u>\$ 97,650</u>

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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

To the Board of Directors of
Mansfield & Richland County Convention
& Visitors Bureau, Inc.

We have audited the financial statements of Mansfield & Richland County Convention & Visitors Bureau, Inc. as of and for the years ended December 31, 1999 and 1998 have issued our report thereon dated June 22, 2000. We conducted our audits in accordance with generally accepted auditing standards 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 Mansfield & Richland County Convention & Visitors Bureau, Inc.'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 audits 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 audits, we considered Mansfield & Richland County Convention & Visitors Bureau, Inc.'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. 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of the Mansfield & Richland County Convention & Visitors Bureau, Inc. in a separate letter dated June 22, 2000.

To the Board of Directors of
Mansfield & Richland County Convention
& Visitors Bureau, Inc.

This report is intended solely for the information and use of the Board of Directors, Management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

KLESHINSKI, MORRISON & MORRIS, LLP

June 22, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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MANSFIELD AND RICHLAND COUNTY CONVENTION AND VISITORS BUREAU INC
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
SEPTEMBER 14, 2000**