

Fairfield County Visitors and Convention Bureau

Fairfield County, Ohio

Regular Audit

January 1, 2004 through December 31, 2005

Years Audited Under GAGAS: 2005 and 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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**Auditor of State  
Betty Montgomery**

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 Auditors' 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, 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 Fairfield County Visitors and Convention 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

November 1, 2006

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**Fairfield County Visitors and Convention Bureau**  
*Table of Contents*  
*For the Years Ended December 31, 2005 and 2004*

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	<u>Page</u>
Independent Auditors' Report .....	1
Financial Statements:	
Statements of Financial Position .....	2
Statements of Activities and Changes in Net Assets .....	3
Statements of Cash Flows .....	4
Notes to the Financial Statements .....	5-6
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	7 - 8
Schedule of Findings .....	9
Corrective Action Plan .....	9
Status of Prior Audit Findings .....	10

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Board of Trustees  
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109 N. Broad Street, PO Box 2450  
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## INDEPENDENT AUDITORS' 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, 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 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 *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.

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, 2005 and 2004, 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 September 29, 2006, 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 read in conjunction with this report in considering the results of our audit.



Balestra, Harr & Scherer, CPAs, Inc.  
September 29, 2006

**Fairfield County Visitors and Convention Bureau, Inc.**

*Statements of Financial Position  
As of December 31, 2005 and 2004*

	<u>2005</u>	<u>2004</u>
Assets:		
Cash and Cash Equivalents	\$128,020	\$137,578
Lodging Taxes Receivable	59,583	80,248
Property and Equipment, Net	<u>226,610</u>	<u>228,848</u>
Total Assets:	<u>\$414,213</u>	<u>\$446,674</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts Payable	\$3,843	\$904
Accrued Payroll Taxes	<u>615</u>	<u>1,717</u>
Total Liabilities:	<u>4,458</u>	<u>2,621</u>
Net Assets:		
Unrestricted	<u>409,755</u>	<u>444,053</u>
Total Liabilities and Net Assets:	<u>\$414,213</u>	<u>\$446,674</u>

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, 2005 and 2004

	2005	2004
Unrestricted Net Assets:		
Operating Revenues:		
Lodging Tax Income	\$278,857	\$296,620
Bicentennial Income	0	2,314
Interest Income	1,289	725
Miscellaneous Income	0	71
Total Operating Revenues:	280,146	299,730
Operating Expenses:		
Salaries	94,762	94,447
Payroll Taxes	30,656	9,679
Employee Benefits	867	1,138
Tourism Development Initiatives	83,894	83,062
Promotions and Advertising	1,197	1,281
Rent	41,184	20,164
Property Taxes	0	17,128
Cleaning Services	1,753	1,753
Building Maintenance	0	12,204
Travel	14,306	0
Insurance	2,223	1,453
Telephone	2,857	1,242
Utilities	3,663	5,875
Legal and Accounting	6,622	77
Office Supplies	2,150	4,584
Copies	8,424	4,578
Postage	463	1,868
Dues	3,958	4,999
Meetings and Luncheons	2,254	3,352
Bank Service Charges	461	1,292
Operating Supplies	31	0
Other	285	187
Depreciation	537	62
Total Operating Expenses:	11,897	11,482
Operating Income:	314,444	281,907
Net Assets, Beginning of Year	(34,298)	17,823
Net Assets, End of Year	444,053	426,230
Net Assets, End of Year	\$409,755	\$444,053

See accompanying notes to the financial statements.

**Fairfield County Visitors and Convention Bureau, Inc.**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2005 and 2004

	2005	2004
Cash Flows From Operating Activities:		
Increase/(Decrease) in Operating Income	(\$34,298)	\$17,823
Adjustments to Reconcile Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	11,897	11,482
(Increase)/Decrease in Operating Assets:		
Lodging Taxes Receivable	20,665	24,200
Prepaid Expenses	0	1,941
Increase/(Decrease) in Operating Liabilities:		
Accounts Payable	2,939	(640)
Accrued Payroll Taxes	(1,102)	(1,575)
Net Cash Provided by Operating Activities:	101	53,231
Cash Flows From Investing Activities:		
Purchase of Fixed Assets	(9,659)	(11,540)
Loan Principal Payments	0	(39,619)
Net Cash Provided by Investing Activities:	(9,659)	(51,159)
Net Change in Cash and Cash Equivalents	(9,558)	2,072
Cash and Cash Equivalents at Beginning of Year	137,578	135,506
Cash and Cash Equivalents at End of Year	\$128,020	\$137,578

See accompanying notes to the financial statements.

**Fairfield County Visitors and Convention Bureau, Inc.**

*Notes to the Financial Statements*

*For the Years Ended December 31, 2005 and 2004*

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**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 operation 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.

**Property and Equipment**

Property and equipment is 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. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Fairfield County Visitors and Convention Bureau, Inc.**

*Notes to the Financial Statements*

*For the Years Ended December 31, 2005 and 2004*

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**NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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-PROPERTY AND EQUIPMENT**

Property and equipment consists of:

	<u>2005</u>	<u>2004</u>
Building and Building Improvements	\$254,687	\$245,423
Equipment	15,796	15,401
Total Property and Equipment	\$270,483	\$260,824
Less: Accumulated Depreciation and Amortization	<u>(43,873)</u>	<u>(31,976)</u>
Net Property and Equipment	<u>\$226,610</u>	<u>\$228,848</u>

**NOTE 4-RELATED PARTY TRANSACTIONS**

The Lancaster Fairfield County Chamber of Commerce was reimbursed by the Bureau for rent and various other operating expenses at market prices. The total reimbursements for the years ended December 31, 2005 and 2004, were \$0 and \$21,757, respectively. The Bureau moved out of the Chamber's building during 2004 and the related party relationship was then terminated.

The Bureau receives monies from the County for lodging taxes collected. The Bureau also purchased a building from the Fairfield County Commissioners during 2002 on land contract and makes monthly payments for the rental of parking spaces. Total payments made to the County during 2005 and 2004 were \$0 and \$40,129, respectively. The land contract was paid off in 2004 and, when the Bureau moved from the Lancaster Fairfield County Chamber of Commerce's building, the Bureau no longer needed to rent parking spaces from the County.

**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, 2005 and 2004, were \$867 and \$1,138, respectively.

**NOTE 6-CONCENTRATION OF CREDIT RISK**

The Bureau had cash equivalents in a repurchase checking account which exceeded the \$100,000 FDIC coverage limit during 2005 and 2004. These deposits in excess of FDIC coverage were collateralized by pledged securities obtained by the depository.

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

We have audited the financial statements of the Fairfield County Visitors and Convention Bureau, Inc. (the Bureau), as of December 31, 2005 and 2004, and have issued our report thereon dated September 29, 2006. 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 *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 in order to determine our auditing procedures for the purpose of expressing our an opinion on the financial statements and not to provide an opinion 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 condition is described in the accompanying schedule of findings as item 2005-001.

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 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 and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

### **Compliance and Other Matters**

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 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*.

Fairfield County Visitors and Convention Bureau, Inc.  
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*  
Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
September 29, 2006

**Fairfield County Visitors and Convention Bureau, Inc.**  
*Schedule of Findings*  
*For the Years Ended December 31, 2005 and 2004*

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Finding Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number	2005-001
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Reportable Condition – Record Retention

The Bureau was unable to provide documentation for several disbursement transactions to the auditor in a timely manner. The Bureau was also unable to provide documentation for several credit card charges tested. Failure to maintain supporting documentation of expenditures in an organized and orderly fashion allows for the omission of expenditures; duplicate payments to vendors; inaccuracy of payments to vendors; inappropriateness of expenditures; and inability to review expenditures on demand, as a need would arise. In the case of credit card charges, maintaining supporting documentation for these transactions allows the Bureau and auditors to review charges for appropriateness of expenses made; accuracy of postings made to the accounting system; and accuracy of the monthly statements. The Bureau should consider reviewing its internal control structure over maintenance of documents and identify and implement procedures to increase the efficiency and effectiveness of record-keeping.

Corrective Action Plan

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	The Bureau will implement an efficient and effective system of record-keeping.	12/31/06	Greg Eyerman, Executive Director

**Fairfield County Visitors and Convention Bureau, Inc.**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2005 and 2004*

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected or Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid – Explain:
2003-001	Record Retention – Reportable Condition	No	Not Corrected – See finding 2005-001 above.



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**VISITORS AND CONVENTION BUREAU, INC.**

**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  
NOVEMBER 14, 2006**