

**WARREN COUNTY CONVENTION
AND VISITORS BUREAU**

Financial Statements

December 31, 2005 and 2004

With

Independent Auditors' Report



**Auditor of State
Betty Montgomery**

Board of Trustees
Warren County Convention & Visitors Bureau
313 East Warren St.
Lebanon, OH 45036

We have reviewed the *Independent Auditors' Report* of the Warren County Convention & Visitors Bureau, Warren County, prepared by Clark, Schaefer, Hackett & Co., 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 Warren County Convention & Visitors Bureau is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

June 21, 2006

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WARREN COUNTY CONVENTION AND VISITORS BUREAU

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Warren County Convention and Visitors Bureau:

We have audited the accompanying statements of financial position of Warren County Convention and Visitors 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 these financial statements based on our audits.

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 of America. 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 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 Warren County Convention and Visitors Bureau as of December 31, 2005 and 2004, and the changes in its net assets and its 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 April 21, 2006 on our consideration of the Warren County Convention and Visitors 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 audits.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
April 21, 2006

WARREN COUNTY CONVENTION AND VISITORS BUREAU

Statements of Financial Position

December 31, 2005 and 2004

Assets

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 160,871	187,119
Lodgers' tax receivable	143,608	132,122
Accounts receivable	9,464	10,725
Grant receivable	11,250	-
Prepaid expenses	4,500	4,500
Investments	<u>155,461</u>	<u>148,535</u>
	<u>485,154</u>	<u>483,001</u>
Furniture and equipment	48,155	71,053
Less accumulated depreciation	<u>30,993</u>	<u>40,775</u>
	<u>17,162</u>	<u>30,278</u>
Total Assets	\$ <u>502,316</u>	<u>513,279</u>

Liabilities and Net Assets

Capital lease	\$ -	8,017
Accounts payable	14,435	31,489
Accrued payroll and related withholdings	16,743	14,784
Grants payable	<u>29,850</u>	<u>32,725</u>
	<u>61,028</u>	<u>87,015</u>
Unrestricted net assets	<u>441,288</u>	<u>426,264</u>
Total Liabilities and Net Assets	\$ <u>502,316</u>	<u>513,279</u>

See accompanying notes to financial statements.

WARREN COUNTY CONVENTION AND VISITORS BUREAU

Statements of Activities

Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Lodgers' tax	\$ 1,111,033	1,075,000
Grant and sponsorships	65,000	-
Investment return	8,382	8,275
Advertising income	51,645	63,260
Special events income	50,000	50,000
Sporting events income	53,512	-
Other income	319	-
	1,339,891	1,196,535
Expenses:		
Sales and public relations	171,278	163,580
Advertising	269,531	351,523
Administration and operations	131,358	116,535
Personnel	416,957	366,434
Research and development	61,729	68,529
Sporting events	56,018	-
Grants	204,830	207,725
Depreciation	8,149	9,966
Interest	340	861
Loss on disposal of furniture and equipment	4,677	-
	1,324,867	1,285,153
Change in net assets	15,024	(88,618)
Net assets at beginning of year	426,264	514,882
Net assets at end of year	\$ 441,288	426,264

See accompanying notes to financial statements.

WARREN COUNTY CONVENTION AND VISITORS BUREAU

Statements of Cash Flow

Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash provided by (used in) operating activities:		
Change in net assets	\$ 15,024	(88,618)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,149	9,966
Loss on disposal of furniture and equipment	4,677	-
Increase in receivables	(21,475)	(27,686)
Increase in prepaid expenses	-	(4,500)
Increase (decrease) in accounts payable	(17,054)	26,930
Increase in accrued payroll and related amounts withheld	1,959	5,393
Decrease in grants payable	<u>(2,875)</u>	<u>(29,360)</u>
Net cash used in operating activities	(11,595)	(107,875)
Cash used in investing activities:		
Purchase of property and equipment	(4,797)	(7,512)
Change in investments	<u>(6,926)</u>	<u>(6,517)</u>
Net cash used in investing activities	(11,723)	(14,029)
Cash used in financing activities:		
Payments on capital lease obligation	<u>(2,930)</u>	<u>(4,128)</u>
Net cash used in financing activities	<u>(2,930)</u>	<u>(4,128)</u>
Net decrease in cash and cash equivalents	(26,248)	(126,032)
Cash and cash equivalents at beginning of year	<u>187,119</u>	<u>313,151</u>
Cash and cash equivalents at end of year	\$ <u>160,871</u>	<u>187,119</u>
Supplemental information:		
Interest paid	\$ <u>340</u>	<u>861</u>
Non cash items:		
Capital lease disposal	\$ <u>5,087</u>	<u>-</u>

See accompanying notes to financial statements.

WARREN COUNTY CONVENTION AND VISITORS BUREAU

Notes to Financial Statements

1. Summary of Accounting Policies:

Warren County Convention and Visitors Bureau (the Bureau) is a nongovernmental not-for-profit organization, incorporated in the State of Ohio. The Bureau promotes tourism and provides education on current events and heritage of Warren County, Ohio. The Bureau receives substantially all its revenue from the lodgers' tax which is allocated by Warren County, Ohio.

The following is a summary of significant accounting policies consistently applied in the preparation of the financial statements.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. The Bureau maintains its cash balances in demand deposit accounts and money market funds, with commercial banks in Ohio.

Investments and investment return

Investments at December 31, 2005 and 2004 are comprised of bank certificates of deposit. These certificates of deposit have 13 month to 5 year maturities and bear interest at 4.88% per annum at December 31, 2005 and 2004. The certificates mature January 30, 2007.

Accounts receivable

The Bureau considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts receivable is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Fixed assets

Property and equipment are recorded at cost. Costs of maintenance and repairs are charged to expense as incurred. Major improvements and renewals, in general, are capitalized.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are:

Equipment	5 years
Furniture	7 years
Computer equipment	3 - 5 years

Depreciation expense was \$8,149 and \$9,966 in 2005 and 2004, respectively.

Temporarily restricted net assets

The Bureau reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Bureau does not currently have temporarily restricted net assets.

The Bureau reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Bureau reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets

Net assets that are subject to donor-imposed stipulations that require the assets to be maintained permanently by the Bureau. Generally, the donors of these assets permit the Bureau to use all or part of the income earned on related investments for general or specific purposes. The Bureau does not currently have permanently restricted net assets.

Use of estimates in financial statements

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Revenues:

The Bureau receives revenues generated from a 3% excise tax on hotel rooms in Warren County, Ohio. These revenues are authorized under regulations approved by the Warren County Board of Commissioners under legislation approved by the Ohio legislature. The Bureau is economically dependent on the lodgers' tax. Advertising, sponsorship, and other fees are recognized as earned.

3. Concentration of Credit Risk:

Financial instruments which subject the Bureau to a concentration of credit risk consist of cash. At times, cash balances may be in excess of the insurance coverage provided by the Federal Deposit Insurance Corporation.

4. Operating Leases:

The Bureau has operating leases for office space and office equipment which expire at various dates through 2012. The future minimum rental commitments as of December 31, 2005 for the noncancelable leases are as follows:

2006	\$ 18,033
2007	17,450
2008	17,450
2009	17,450
2010	13,412
Thereafter	<u>29,180</u>
	\$ <u>112,977</u>

Total rental expense was \$18,680 and \$15,649 in 2005 and 2004, respectively.

5. Capital Leases:

The Bureau assumed equipment under a capital lease agreement in 2002. The lease was paid off during 2005.

6. Functional Expenses:

The Bureau promotes the Warren County area economy through its sales and marketing efforts. Expenses related to providing these program services and supporting functions for the year ended December 31 are as follows:

	<u>2005</u>	<u>2004</u>
Program services	\$ 1,180,343	1,157,791
General and administrative	<u>144,524</u>	<u>127,362</u>
	\$ <u>1,324,867</u>	<u>1,285,153</u>

7. Income Tax Status:

The Internal Revenue Service has ruled that the Bureau qualified under Section 501(c)(6) of the Internal Revenue Code (IRC) and has exempt status under present federal income tax law. However, the Bureau is subject to federal income tax on any unrelated business taxable income. Once qualified, the Bureau is required to operate in conformity with the IRC to maintain its qualification. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Bureau's exempt status.

8. Commitments:

The Bureau entered into a conditional agreement with Tennis for Charity to help finance the purchase and maintenance of certain property important to the attraction of visitors to Warren County, Ohio. Contributions by the Bureau under this agreement are funded by an additional one percent Warren County hotel-motel tax and specific allocations from Warren County, Ohio. Annual conditional grants are committed through 2021 as follows:

	<u>Amount Payable In Each Year</u>	<u>Amount Payable for the Period</u>
2006-2007	\$ 175,000	\$ 350,000
2008-2012	225,000	1,125,000
2013-2017	250,000	1,250,000
2018-2021	100,000	<u>400,000</u>
		<u>\$ 3,125,000</u>

9. Adjustment to Beginning Net Assets Balance

The unrestricted net assets beginning balance was increased to adjust for accruals at December 31, 2003 as the financial statements were issued on a modified-cash basis. The following adjustment was made:

Net assets at December 31, 2003 (Modified-cash basis)	\$ 475,756
Adjustment for accrual basis	<u>39,126</u>
Net assets at December 31, 2003 (Accrual basis)	<u>\$ 514,882</u>



Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

**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***

The Board of Trustees
Warren County Convention and Visitors Bureau:

We have audited the financial statements of the Warren County Convention and Visitors Bureau, (“the Bureau”) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 21, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we express no such opinion. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 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*.

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

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
April 21, 2006



**Auditor of State
Betty Montgomery**

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WARREN COUNTY CONVENTION AND VISITORS BUREAU

WARREN 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
JULY 6, 2006**