

Ross-Chillicothe Convention and Visitors Bureau, Inc.

Ross County

Regular Audit

August 1, 2002 Through July 31, 2003

Fiscal Year Audited Under GAGAS: 2003

BALESTRA, HARR & SCHERER, CPAs, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Piketon, Ohio 45661

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**Auditor of State
Betty Montgomery**

Board of Trustees
Ross-Chillicothe Convention and Visitors Bureau, Inc.
P.O. Box 353
Chillicothe, OH 45601

We have reviewed the Independent Auditor's Report of the Ross-Chillicothe Convention and Visitors Bureau, Inc., Ross County, prepared by Balestra, Harr & Scherer CPAs, Inc., for the audit period August 1, 2002 through July 31, 2003. 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 Ross-Chillicothe Convention and Visitors 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

February 3, 2004

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Ross-Chillicothe Convention and Visitors Bureau, Inc.
Ross County
August 1, 2002 through July 31, 2003

Table of Contents

Independent Auditors= Report	1
Financial Statements:	
Statements of Financial Position – July 31, 2003 and 2002	2
Statements of Activities – July 31, 2003 and 2002	3
Statements of Cash Flows – July 31, 2003 and 2002	4
Notes to the Financial Statements	5
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	8

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Independent Auditors= Report

Board of Trustees
Ross-Chillicothe Convention and Visitors Bureau, Inc.
25 East Main Street
Chillicothe, Ohio 45601

We have audited the accompanying statements of financial position of the Ross-Chillicothe Convention and Visitors Bureau, Inc., (the ABureau®) as of and for the year ended July 31, 2003, and the related statements of activities and cash flows for the year then ended, as listed in the table of contents. 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. The statement of financial position of the Ross-Chillicothe Convention and Visitors Bureau as of and for the year ended July 31, 2002, and the statement of activities and cash flows for the year then ended were audited by other auditors whose report dated December 20, 2002, expressed an unqualified opinion on those statements. As discussed in Note 6 to the financial statements, the Bureau has restated its financial statements for the year ended July 31, 2002 during the current year to reflect the correct accounts receivable balance at July 31, 2002 in conformity with accounting principles generally accepted in the United States of America. The other auditors reported on the financial statements for the year ended July 31, 2002 before the restatement.

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. 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 Bureau for the year ended July 31, 2003 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.

We also audited the adjustments described in Note 6 that were applied to restate the financial statements for the year ended July 31, 2002. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2004, 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.

Balestra, Harr & Scherer CPAs, Inc.

Balestra, Harr & Scherer CPAs, Inc.

January 7, 2004

**ROSS-CHILLICOTHE CONVENTION
AND VISITORS BUREAU, INC.
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2003 AND 2002**

ASSETS

CURRENT ASSETS	<u>2003</u>	<u>2002</u>
Cash:		
Petty Cash	\$100	\$100
Checking	0	41,838
Savings - Huntington	51,680	97,527
Savings - Citizen	18,758	18,662
Savings - Fifth Third	48,809	48,163
Total Cash	<u>119,347</u>	<u>206,290</u>
Accounts Receivable	65,727	64,270
Prepaid Expenses	<u>2,850</u>	<u>2,490</u>
TOTAL CURRENT ASSETS	187,924	273,050
DEPRECIABLE ASSETS		
Equipment	38,013	38,013
Leasehold Improvements	15,720	15,720
Less: Accumulated Depreciation	<u>(44,188)</u>	<u>(40,769)</u>
NET DEPRECIABLE ASSETS	9,545	12,964
OTHER ASSETS		
Deposits	<u>17</u>	<u>16</u>
TOTAL ASSETS	<u><u>\$197,486</u></u>	<u><u>\$286,030</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$25,214	\$2,672
Accrued Payroll Taxes	386	380
Accrued Vacation	<u>1,056</u>	<u>727</u>
TOTAL CURRENT LIABILITIES	26,656	3,779
NET ASSETS		
Unrestricted/Total	<u>170,830</u>	<u>282,251</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$197,486</u></u>	<u><u>\$286,030</u></u>

See accompanying notes to the financial statements.

**ROSS-CHILLICOTHE CONVENTION
AND VISITORS BUREAU, INC.
STATEMENTS OF ACTIVITIES
JULY 31, 2003 AND 2002**

	<u>UNRESTRICTED/TOTAL</u>	
	<u>2003</u>	<u>2002</u>
REVENUES, GAINS AND OTHER SUPPORT		
County Motel Tax	\$180,839	\$182,815
City Motel Tax	25,000	25,000
Visitors Guide	875	17,352
In-Kind Support - Rent	0	1,200
Interest Revenue	2,896	3,724
Miscellaneous	<u>2,504</u>	<u>359</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	212,114	230,450
EXPENSES		
Director Salary	33,462	27,876
Assistant Director Salary	0	5,200
Administrative Assistant Salary	18,406	0
Sales Director Salary	27,559	14,063
Secretary Salary	0	17,870
Payroll Taxes	7,119	4,763
Employee Health Insurance	5,733	3,158
Repairs and Maintenance	1,298	1,965
Utilities	5,108	4,358
Telephone	7,179	6,831
Rent	11,355	12,644
Insurance	4,292	3,144
Office Supplies	3,200	3,037
Small Equipment	849	0
Dues and Memberships	3,476	2,215
Accounting	7,535	6,686
Visitors Guide	15,277	32,150
Brochures - Tecumseh	10,000	10,000
Postage	3,205	4,138
Promotion/Projects	83,482	3,241
Advertising	34,865	6,081
Printed Material	2,651	607
Meals and Entertainment	1,279	619
Registration/Booth	10,668	7,740
Travel Expense	1,239	1,018
Lodging	2,427	109
Vehicle Lease	3,562	309
Depreciation	3,418	4,914
Miscellaneous	2,706	534
Security	575	623
Bureau Projects	3,666	1,228
Sponsorship	1,600	(856)
Retirement	285	150
Interest	34	122
County Administration Fees	937	377
Moving Expense	5,088	0
Loss on Disposal of Asset	<u>0</u>	<u>16,501</u>
TOTAL EXPENSES	323,535	203,415
CHANGE IN NET ASSETS	(111,421)	27,035
NET ASSETS, BEGINNING OF YEAR AS RESTATED (SEE NOTE 6)	<u>282,251</u>	<u>255,216</u>
NET ASSETS, END OF YEAR	<u>\$170,830</u>	<u>\$282,251</u>

See accompanying notes to the financial statements.

**ROSS-CHILICOTHE CONVENTION
AND VISITORS BUREAU, INC.
STATEMENTS OF CASH FLOWS
JULY 31, 2003 AND 2002**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2003</u>	<u>2002</u>
Change in Net Assets	(\$111,421)	\$27,035
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,418	4,914
Loss on Disposal of Assets	0	16,501
Change in Assets and Liabilities:		
Accounts Receivable	(1,834)	(15,810)
Prepaid Expense	(360)	184
Accounts Payable	22,919	745
Accrued Payroll Taxes	6	(38)
Accrued Vacation	329	727
Total Adjustments	<u>24,478</u>	<u>7,223</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(86,943)	34,258
NET INCREASE IN CASH AND CASH EQUIVALENTS	(86,943)	34,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>206,290</u>	<u>172,032</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$119,347</u></u>	<u><u>\$206,290</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Interest paid during year	\$34	\$122

Noncash investing transactions:

During the fiscal year ending July 31, 2002, the Bureau donated two cabooses to the City of Chillicothe.

See accompanying notes to the financial statements.

**ROSS-CHILlicothe CONVENTION
AND VISITORS BUREAU, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies incorporated by Ross-Chillicothe Convention and Visitors Bureau, Inc. (The "Bureau").

- **Accrual Basis of Accounting**

Assets and liabilities and revenue and expense are recognized on the accrual basis of accounting.

- **Property and Depreciation**

Purchase depreciable assets are recorded at cost. Donated depreciable assets are recorded at fair market value. Depreciation of depreciable assets is determined by the individual assets on a straight-line basis. The half-year convention rule is in effect for acquisitions and disposals. The estimated useful lives for the equipment range from five to ten years and for the office building thirty-one and a half years. Minor renewals and replacements are charged against income. Major renewals and replacements are charged to the appropriate asset accounts.

- **Federal Income Tax**

No provision is made for federal income tax because the Ross-Chillicothe Convention and Visitors Bureau, Inc. is tax exempt under Section 501(c) (6) of the Internal Revenue Code.

- **Donated Facilities**

Donated facilities are recorded as contributions at the estimated fair rental value of the facility.

- **Cash Equivalents**

For purposes of the statement of cash flows, the Bureau considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

- **Business Activity**

The Ross-Chillicothe Convention and Visitors Bureau, Inc. promotes travel and tourism for the local area.

- **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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ROSS-CHILLICOTHE CONVENTION
AND VISITORS BUREAU, INC.
NOTES TO THE FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Bureau 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. As of July 31, 2003, there were no temporarily or permanently restricted net assets.

- **Accounts Receivable**

Accounts receivable reflects hotel/motel taxes collected and allocated to the Bureau by Ross County for the quarter ended June 30, 2003 but not paid to the Bureau until the subsequent year. The amount is considered fully collectible.

- **Advertising**

The Bureau expenses advertising expenses as they are incurred. The advertising consists primarily of printed ads in regional publications. Advertising costs were \$ 34,865.

2. HOTEL/MOTEL TAX

The Ross-Chillicothe Convention and Visitors Bureau, Inc. receives a substantial amount of their support from the Hotel-Motel Tax. This tax is six percent levied on all hotel and motel sales in Ross County. This tax is equally divided between Ross County and the City of Chillicothe. The portion of the tax collected by the county has been disbursed to Ross-Chillicothe Convention and Visitors Bureau, Inc. in accordance with Section 5739.09 of the Ohio Revised Code. This tax is collected quarterly by Ross County. In September 2000, the Bureau and Ross County entered into a formal agreement for the disbursement of the county's portion of collected Hotel/Motel Tax to the Bureau on a quarterly basis for the five year period from September 5, 2000-2005.

During July 1994, the City of Chillicothe passed legislation that would grant 33% of the city's portion of tax to Ross-Chillicothe Convention and Visitors Bureau, Inc. to be used to fund a Sales Director position. The city grant requires an annual renewal. This grant was approved February 13, 1995. The agreement between the city and Ross-Chillicothe Convention and Visitors Bureau, Inc. states that the grant would be paid quarterly, based on actual receipts collected no later than sixty days after the end of the quarter. However, in fiscal year ending July 31, 2003, the City approved legislation for only one payment of \$25,000 to the Bureau.

3. RENTS/LEASES

The Bureau's business office is located at 25 East Main Street, Chillicothe, Ohio. The Bureau rents this space for a monthly fee of \$850. There is a two-year lease agreement until June 30, 2004. At that time the lease will become a month to month lease.

Ten future lease payments for fiscal year-end July 31, 2004 will total \$8,500.00.

**ROSS-CHILLICOTHE CONVENTION
AND VISITORS BUREAU, INC.
NOTES TO THE FINANCIAL STATEMENTS**

4. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Bureau to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Bureau accounts receivables are due from a local government, which accounted for 100% of the total accounts receivable as of July 31, 2003.

Concentrations of Credit Risks Arising from Cash Deposits in Excess of Insured Limits

At any one time the Bureau may have in excess of \$100,000 on deposit with a local bank. Only \$100,000 is insured through FDIC. At July 31, 2003 the Bureau had no unsecured funds on deposit.

5. ECONOMIC DEPENDENCY

The Bureau receives the majority of its funding from local government by means of a hotel/motel tax 97% of all funds received for year ended July 31, 2003.

6. RESTATEMENT OF NET ASSETS

The beginning net asset amount reflects the audited net assets amount at July 31, 2002. The prior period adjustments were a result of accounts receivable adjustments.

	<u>Amount</u>
Net Assets, July 31, 2002	<u>\$263,779</u>
Prior Period Adjustment	<u>18,472</u>
Restated Net Assets, July 31, 2002	<u>\$282,251</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*

Board of Trustees
Ross-Chillicothe Convention and Visitors Bureau, Inc.
25 East Main Street
Chillicothe, Ohio 45601

We have audited the financial statements of the Ross-Chillicothe Convention and Visitors Bureau, Inc. (the ABureau®) as of and for the year ended July 31, 2003, and have issued our report thereon dated January 7, 2004. The financial statements for the year ended July 31, 2002 were audited by other auditors whose report dated December 20, 2002, expressed an unqualified opinion on those statements. The Bureau restated its financial statements for the year ended July 31, 2002 to reflect the correct accounts receivable balance at July 31, 2002 in conformity with accounting principles generally accepted in the United States of America. We audited these adjustments that were applied to restate the financial statements for the year ended July 31, 2002. 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 and 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. 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 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 consider to be material weaknesses.

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

Balestra, Harr & Scherer CPAs, Inc.

Balestra, Harr & Scherer CPAs, Inc.

January 7, 2004



**Auditor of State
Betty Montgomery**

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ROSS-CHILLICOTHE CONVENTION AND VISITORS BUREAU, INC.

ROSS 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
MARCH 4, 2004**