# Marietta / Washington County Convention and Visitor's Bureau, Inc.

*Audited Financial Statements*

***December 31, 2005 and 2004***

**Auditor of State**
**Betty Montgomery**

Board of Directors
Marietta/Washington County Convention and Visitors' Bureau, Inc.
121 Putnam Commons, Suite 110
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Marietta/Washington County Convention and Visitors' Bureau, Inc., prepared by Rea & Associates, 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 Marietta/Washington County Convention and Visitors' Bureau, Inc. is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 15, 2006

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**MARIETTA/WASHINGTON COUNTY CONVENTION AND VISITOR'S BUREAU, INC.**

**AUDITED FINANCIAL STATEMENTS**
**DECEMBER 31, 2005 AND 2004**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

September 15, 2006

Board of Directors
Marietta/Washington County Convention and Visitor's Bureau, Inc.
Marietta, OH 45750

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying statements of financial position of the Marietta/Washington County Convention and Visitor's Bureau, Inc. (a non-profit organization) (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 these financial statements based on our audits.

We conducted our audits in accordance with auditing standards 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 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 the Marietta/Washington County Convention and Visitor's Bureau, Inc. 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 principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of the Marietta/Washington County Convention and Visitor's Bureau's internal control over financial reporting and 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.

Rea & Associates, Inc.

MARIETTA/WASHINGTON COUNTY
CONVENTION AND VISITOR'S BUREAU, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005 AND 2004

ASSETS

| | 2005 | 2004 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 2,736 | $ 22,021 |
| Prepaid expenses | 0 | 1,400 |
| Accounts receivable - other | 22,065 | 1,620 |
| Membership receivable | 987 | 2,240 |
| Total current assets | 25,788 | 27,281 |
| EQUIPMENT: | | |
| Building | 52,406 | 52,406 |
| Outdoor sign | 1,150 | 1,150 |
| Office furniture and equipment | 31,858 | 19,025 |
| Computer equipment | 13,635 | 10,472 |
| Silhouettes | 6,000 | 6,000 |
| | 105,049 | 89,053 |
| Less: accumulated depreciation | 40,882 | 34,178 |
| | 64,167 | 54,875 |
| Total assets | $ 89,955 | $ 82,156 |

TOTAL LIABILITIES AND NET ASSETS

| | 2005 | 2004 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Line of credit | $ 26,398 | $ 27,176 |
| Capital lease obligations, current portion | 1,949 | 2,396 |
| Accounts payable | 29,840 | 9,729 |
| Accrued payroll and payroll taxes | 6,844 | 6,398 |
| Deferred membership fees | 13,760 | 13,760 |
| Accrued interest payable | 166 | 166 |
| Total current liabilities | 78,957 | 59,625 |
| CAPITAL LEASE OBLIGATIONS, net of current portion | 9,597 | 0 |
| NET ASSETS, unrestricted | 1,401 | 22,531 |
| Total liabilities and net assets | $ 89,955 | $ 82,156 |

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

MARIETTA/WASHINGTON COUNTY
CONVENTION AND VISITOR'S BUREAU, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | 2004 |
|---|---|---|
| REVENUES: | | |
| Bed tax | $ 226,752 | $ 230,683 |
| Membership | 24,164 | 16,508 |
| Grant | 12,410 | 2,813 |
| Washington County Commissioners | 10,000 | 7,500 |
| Signage | 3,400 | 4,110 |
| Fundraisers and merchandise sales | 5,298 | 9,882 |
| Total revenues | 282,024 | 271,496 |
| OPERATING EXPENSES: | | |
| Salaries and wages | 96,022 | 107,118 |
| Payroll taxes | 8,464 | 12,080 |
| Depreciation | 6,704 | 6,596 |
| Employee benefits | 4,853 | 7,387 |
| Office supplies and expense | 13,739 | 14,650 |
| Postage | 24,662 | 24,448 |
| Telephone | 5,542 | 7,120 |
| Repairs and maintenance | 4,548 | 6,256 |
| Automobile | 4,636 | 0 |
| Rent | 10,490 | 10,359 |
| Professional fees | 667 | 5,063 |
| Subscriptions | 270 | 536 |
| Insurance | 5,182 | 4,827 |
| Advertising | 82,409 | 74,845 |
| Market research | 4,250 | 0 |
| Tourist Information Center expenses | 3,229 | 5,630 |
| Visitor's guide | 5,218 | 5,769 |
| Travel and entertainment | 6,505 | 6,238 |
| Promotional | 726 | 607 |
| Website maintenance | 4,196 | 1,200 |
| Photography | 1,177 | 529 |
| Conventions and trade shows | 2,581 | 5,981 |
| Exhibit booth | 352 | 135 |
| Miscellaneous | 423 | 198 |
| Membership meetings | 1,075 | 627 |
| Dues and organizations expense | 2,678 | 4,531 |
| Total operating expenses | 300,598 | 312,730 |
| Loss from operations | (18,574) | (41,234) |
| OTHER INCOME (EXPENSE): | | |
| Loss on disposal of assets | 0 | (993) |
| Interest expense | (2,617) | (1,898) |
| Interest income | 61 | 78 |
| Total other expense | (2,556) | (2,813) |
| Net decrease in net assets | (21,130) | (44,047) |
| NET ASSETS, beginning of year | 22,531 | 66,578 |
| NET ASSETS, end of year | $ 1,401 | $ 22,531 |

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

MARIETTA/WASHINGTON COUNTY
CONVENTION AND VISITOR'S BUREAU, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | 2004 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from various revenue sources | $ 262,832 | $ 279,850 |
| Cash payments for various activities | (271,937) | (303,340) |
| Interest received | 61 | 78 |
| Interest paid | (2,617) | (1,891) |
| Net cash from operating activities | (11,661) | (25,303) |
| INVESTING ACTIVITIES: | | |
| Purchase of equipment | (3,163) | (2,439) |
| Net cash from investing activities | (3,163) | (2,439) |
| FINANCING ACTIVITIES: | | |
| Net (payments) proceeds from line of credit | (778) | 15,176 |
| Payment of capital lease obligations | (3,683) | (3,014) |
| Net cash from financing activities | (4,461) | 12,162 |
| Net decrease in cash | (19,285) | (15,580) |
| CASH, beginning of year | 22,021 | 37,601 |
| CASH, end of year | $ 2,736 | $ 22,021 |
| RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES: | | |
| OPERATING ACTIVITIES: | | |
| Decrease in net assets | $ (21,130) | $ (44,047) |
| Adjustments to reconcile decrease in net assets to net cash from operating activities: | | |
| Depreciation | 6,704 | 6,596 |
| Loss on disposal of assets | 0 | 993 |
| (Increase) decrease in assets: | | |
| Receivables | (19,192) | 8,354 |
| Prepaid expenses | 1,400 | (540) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 20,111 | 5,829 |
| Accrued liabilities | 446 | 2,016 |
| Deferred membership fees | 0 | (4,504) |
| Net cash from operating activities | $ (11,661) | $ (25,303) |
| SUPPLEMENTAL DISCLOSURE OF TRANSACTIONS: | | |
| Total equipment purchases | $ 15,996 | $ 0 |
| Less amount financed through capital lease | (12,833) | 0 |
| Net cash paid for equipment | $ 3,163 | $ 0 |

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

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting principles and practices of Marietta/Washington County Convention and Visitor's Bureau, Inc. (the Bureau) are set forth to facilitate the understanding of data presented in the financial statements.

### Nature of Activities

Marietta/Washington County Convention and Visitor's Bureau, Inc. was organized to enhance and promote the Marietta area as a meeting place for conventions and conferences and as an attraction for tourists.

### Method of Accounting

The Bureau prepares its financial statements on the accrual basis of accounting.

### Financial Statement Presentation

The Bureau previously adopted Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-for-Profit Organizations." Under SFA 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. In addition, the bureau is required to present a statement of cash flows. As permitted by this statement the Bureau has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. At December 31, 2005 and 2004, the Bureau had only unrestricted net assets.

### Statements of Cash Flows

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

### Property and Equipment

Expenditures for property and equipment and for renewals and betterments which extend the originally estimated economic lives of assets are capitalized at cost. Expenditures for maintenance and repairs are charged to expense. Items which are sold, retired or otherwise disposed are removed from the asset accounts, and any gains or losses are reflected in income. Depreciation expense was $6,704 and $6,596, respectively for the years ended December 31, 2005 and 2004.

The estimated useful lives and the depreciation methods are as follows:

| Description | Useful Life | Method |
|---|---|---|
| Building | 39 years | Straight line |
| Outdoor Signs | 10 years | Straight line |
| Office furniture and equipment | 5-7 years | Straight line |
| Computer equipment | 5 years | Straight line |
| Silhouettes | 7 years | Straight line |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Bureau is exempt from Federal income taxes under Internal Revenue Code Section 501(C)(6) and, therefore, has not made any provisions for Federal income taxes.

Estimates
The preparation of financial statements in conformity with the principles of the modified cash basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donations
Donations that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Revenues and Expenses as net assets released from restrictions. There are no temporarily or permanent restrictions during year end 2004 and 2005.

Advertising Costs
Advertising costs are charged to operations in the year incurred and totaled $82,409 and $74,845 for 2005 and 2004, respectively.

NOTE 2: RELIANCE ON BED TAX REVENUE

The Bureau receives a significant amount of its support from permissive lodging excise tax. The excise tax is collected by the City of Marietta. The loss of this revenue would have an adverse effect on the Organization's financial condition.

NOTE 3: RENT

The Bureau leased its facilities from a local unrelated non-profit organization. The lease was month to month and ended in July, 2004 with rent expense of $4,725. In August of 2004, the Bureau entered into a lease agreement which expires in July of 2007 with monthly lease payments of $874. Rent expense for 2005 was $10,490 and for the remainder of 2004 $4,760.

The Bureau entered into an operating lease on a vehicle beginning in December of 2004 and ending December of 2007 with monthly lease payments of $301.

| | | |
|---|---|---|
| Total future minimum lease payments | 2006 | $14,100 |
| | 2007 | $9,429 |

## NOTE 4: SHORT-TERM DEBT

Revolving line of credit payable to Bank One, uncollateralized, with monthly payments of accrued interest or $100, whichever is greater. The rate is based on the bank's prime rate plus .75%, currently at 9.00%. The Bureau has a total borrowing capacity of $30,000 on this line of credit.

| Balance due, December 31, | 2005 | 2004 |
|---|---|---|
| | $ 26,398 | $ 27,176 |

## NOTE 5: CAPITAL LEASE OBLIGATIONS

The Bureau leases a copy machine in June 2005 under capital lease terms. The capitalized cost of the equipment is $12,833. Monthly lease payments are $262 for 60 months with imputed interest of 11.2%. Amortization is expensed over the useful life of the asset and is included in amounts reported as depreciation. The Bureau leased a copy machine in May 2000 under capital lease terms which expired in 2005

Future minimum lease payments are as follows:

| | | |
|---|---|---|
| Year ending December 31 | 2006 | $ 3,147 |
| | 2007 | 3,147 |
| | 2008 | 3,147 |
| | 2009 | 3,147 |
| | 2010 | 2,360 |
| | Total | 14,948 |
| Total minimum lease payments | | 14,948 |
| Less: imputed interest | | 3,402 |
| Capital lease obligation | | $ 11,546 |
| Current portion | | $ 1,949 |
| Long-term portion | | 9,597 |
| | | $ 11,546 |

Rea & Associates, Inc.
ACCOUNTANTS AND BUSINESS CONSULTANTS

September 15, 2006

Board of Directors
Marietta/Washington County Convention & Visitor's Bureau
121 Putnam Street, Suite 110
Marietta, Ohio 45750

**INDEPENDENTS AUDITOR'S 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**

We have audited the financial statements of the Marietta/Washington County Convention & Visitor's Bureau (a non-profit organization) (the Bureau) as of and for the years ended December 31, 2005 and 2004, and have issued our report in accordance with auditing standards generally accepted in the United States of America 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 audits, we considered Marietta/Washington County Convention & Visitor's Bureau 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. However, we noted certain matters involving 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 Marietta/Washington County Convention & Visitor's Bureau ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

**Reportable Conditions**

#2005-001 Separation of Duties in the Accounting Department

Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the \related accounting records or to all phases of a transaction. Some suggestions are as follows:

-The staff member who opens the mail should submit a list of the deposit, including amount and copies of any remittance to the QuickBooks administrator and then take those deposits to the bank daily.

-Once checks are processed and approved by the board, the preparer of the checks should not receive the actual checks back. Those should be placed in their envelope and ready to mail by the director or someone other than the preparer. The preparer of the checks should get the copies of the checks, invoices, and approvals back for filing.

#2005-002 Accrual Based Statements

The Bureau uses the accrual method of accounting to maintain their financial statements. This requires management to record receivables and payables on an ongoing basis. During our test of subsequent payments and search for unrecorded liabilities, we identified several checks written after year end that should have been included in payables. The Bureau needs to make a better effort when entering bills to enter the invoice date or the date of receipt of the item purchased and for the total amount. This will allow the computer system to accurately reflect the accounts payable at year end. Along those same lines is the recording of revenue and the account receivables. We noted during our test of subsequent receipt that one bed tax check should have been recorded in the 2005 year. Management needs to maintain that twelve months of revenue is being recorded for bed tax each year to accurately reflect in the financial statements.

#2005-003 Payroll

During our review of the payroll file, we noted that some time cards did not have approval for hours worked by the director of the Bureau. We recommend that the director sign off on all time cards to ensure that time paid for was actually time worked.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

<u>Compliance and Other Matters</u>

As part of obtaining reasonable assurance about whether Marietta/Washington County Convention and Visitor's 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 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 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 Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Auditor of State
Betty Montgomery

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**MARIETTA/WASHINGTON COUNTY CONVENTION AND VISITORS' BUREA, INC.**

**WASHINGTON 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**
**DECEMBER 28, 2006**