



**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2005**



**Auditor of State  
Betty Montgomery**



**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

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**Auditor of State  
Betty Montgomery**

Greater Defiance Area  
Tourism and Visitors Bureau  
Defiance County  
415 East Second Street  
Defiance, Ohio 43512-2252

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare its financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents is misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

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

**Betty Montgomery**  
Auditor of State

April 4, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Greater Defiance Area  
Tourism and Visitors Bureau  
Defiance County  
415 East Second Street  
Defiance, Ohio 43512-2252

To the Board of Trustees:

We have audited the accompanying financial statement of the Greater Defiance Area Tourism and Visitors Bureau, Defiance County, (the Bureau) as of and for the years ended December 31, 2005 and 2004. This financial statement is the responsibility of the Bureau's management. Our responsibility is to express an opinion on this financial statement 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Bureau has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Bureau to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the fund the accompanying financial statement presents for 2005 and 2004, the revisions require presenting an entity wide statement and also to present its larger (i.e. major) funds separately for each year. While the Bureau does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Bureau has elected not to reformat its statement. Since this Bureau does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended December 31, 2005 and 2004, does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Bureau as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the fund cash balances of the Greater Defiance Area Tourism and Visitors Bureau, Defiance County, as of December 31, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Bureau to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Bureau has not presented Management's Discussion and Analysis for either year, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

April 4, 2006



**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<b>Cash Receipts</b>		
Intergovernmental	\$ 81,525	\$ 82,830
Festival	360	400
Investment Income	1,101	422
Membership Dues	2,085	445
Souvenirs	3,203	1,223
Prize Winner Event Income	16,443	
Advertisement Sales	325	3,725
Other Receipts	657	215
	<u>105,699</u>	<u>89,260</u>
<b>Cash Disbursements</b>		
Current:		
Advertising	13,914	16,357
Prize Winner Expenses	19,154	
Professional Services	929	3,798
Festival	1,217	1,873
Insurance	807	418
Miscellaneous Expense	2,202	2,807
Office Supplies	5,229	3,172
Postage	2,308	3,188
Rental Expense	7,275	6,673
Salaries and Benefits	46,850	54,029
Telephone	2,211	2,136
	<u>102,096</u>	<u>94,451</u>
Total Cash Receipts Over/(Under) Cash Disbursements	3,603	(5,191)
Fund Cash Balances, January 1	<u>48,280</u>	<u>53,471</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ 51,883</b>	<b>\$ 48,280</b>

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**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Greater Defiance Area Tourism and Visitors Bureau, Defiance County, (the Bureau) is a non-profit corporation established as an independent entity by the Defiance City Council in 1986. The purpose of the Bureau is to promote the tourism industry in the greater Defiance area and to inform the general public of interesting people, places, and events in the greater Defiance area to promote the greater Defiance tourism industry. The Bureau is directed by a voluntarily appointed ten-member Board.

The Bureau's management believes this financial statement presents all activities for which the Bureau is financially accountable.

**B. Basis of Accounting**

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**D. Fund Accounting**

The Bureau uses only one fund classification, a General Fund. The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**E. Budgetary Process**

The Bureau adopts an annual budget. The budget is prepared by the Director and approved by the Board. Budgets are approved for the individual revenue and expenditure line items of the Bureau.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Bureau's basis of accounting.

**2. EQUITY IN CASH AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2005	2004
Demand deposits	\$20,015	\$29,204
Certificates of deposit	31,818	19,026
Total deposits	51,833	48,230
Petty Cash	50	50
Total fund balance	\$51,883	\$48,280

Deposits are insured by the Federal Depository Insurance Corporation.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$91,400	\$105,699	\$14,299
	\$91,400	\$105,699	\$14,299

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$87,970	\$102,096	(\$14,126)
	\$87,970	\$102,096	(\$14,126)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$94,150	\$89,260	(\$4,890)
	\$94,150	\$89,260	(\$4,890)

**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,700	\$94,451	\$1,249

**4. RETIREMENT SYSTEMS**

The Bureau's employees contribute the required 6.2 percent of their gross wages to Social Security. The Bureau's liability is also 6.2 percent of gross salaries

**5. RISK MANAGEMENT**

**Commercial Insurance**

The Bureau has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Employee Dishonesty

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Greater Defiance Area  
Tourism and Visitors Bureau  
Defiance County  
415 East 2<sup>nd</sup> Street  
Defiance, Ohio 43512-2252

To the Board of Trustees:

We have audited the financial statement of the Greater Defiance Area Tourism and Visitors Bureau, Defiance County, (the Bureau) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated April 4, 2006, wherein we noted the Bureau followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bureau's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statement and not to opine 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 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 management's assertions in the financial statement. Reportable conditions are described in the accompanying schedule of findings as items 2005-002 and 2005-003.

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 material to the financial statement we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2005-002 and 2005-003 listed above to be material weaknesses. In a separate letter to the Bureau's management dated April 4, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the Bureau's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Bureau's management dated April 4, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

April 4, 2006



GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENT  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2005-001

**Finding for Recovery**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)** provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose"** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. The Bulletin further states that the Auditor of State's Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

Furthermore, Ohio Attorney General Opinion 2003-039 states that a nonprofit corporation that is recognized by a Board of County Commissioners as a Convention and Visitor's Bureau must use public moneys for the public purposes of convention and tourism. Prior opinions of the Attorney General have determined that public moneys contributed to a nonprofit corporation must be used by the corporation for a public purpose.

The Bureau held a movie premier event for the release of *The Prize Winner of Defiance, OH* on October 9, 2005. The catering bill for this event was approved for payment and signed by two members of the Board of Trustees on October 31, 2005. It included \$492.50 for alcoholic beverages. Alcoholic beverages are not considered a proper use of public funds. This resulted in monies having been improperly expended in the amount of \$492.50.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Marla Pancake and Frank Simonis, board members, jointly and severally, and in favor of the Greater Defiance Area Tourism and Visitor's Bureau General Fund, in the amount of \$492.50.

FINDING NUMBER 2005-002

**Material Weakness - Monthly Reconciliations**

Prior to the closing out the cash receipts and disbursements ledgers each month, all the bank account balances of the Bureau should be reconciled to the cash receipts and disbursements ledger fund balance in a timely manner. This procedure is an important method of detecting errors in the cash receipts and disbursements ledgers and bank account records. After this procedure is completed, any errors found should be immediately corrected, cash receipt and disbursement ledger records closed and month end financial information generated by the Director.

**FINDING NUMBER 2005-002  
(Continued)**

Even though the Bureau's check register is routinely reconciled to the bank checking account statements, there was no attempt to reconcile the total bank accounts to the overall total fund balance. This led to unadjusted variances of \$2,122 and (\$15,527) at 12/31/04 and 12/31/05, respectively between the General Fund balance and the reconciled bank balance. In addition, there were several invalid transactions posted to the cash receipts and disbursements ledger which had gone undetected. The financial statement has been adjusted for these errors.

We recommend that the Director present evidence to the Board of Trustees that the Bureau's bank account balances have been reconciled to the cash receipts and disbursements ledger fund balance each month. The Board should determine that the total balances of all bank accounts reconcile to the total fund (or book) balance. In addition, the Board should initial each bank reconciliation to indicate their review. Further, the Audit Committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited, to authentication of outstanding checks and deposits in transit.

**FINDING NUMBER 2005-003**

**Material Weakness - Monitoring Controls by Board of Directors**

The small size of the Bureau fiscal operations does not allow for an adequate segregation of duties. It is therefore important that the Board of Directors (the Directors) monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Directors:

- There was several unsupported adjustments' made to the Bureau's profit/loss statement at year end that resulted in the overall book balance to not reconcile to the bank balance.
- The Bureau's income statement submitted to the Board of Trustees does not include a general fund balance.
- A check was issued for \$1,114.36 and cleared the bank statement, but was deleted from the Bureau's accounting system. This appeared to have gone undetected by the Directors since it was never corrected.
- The Directors did not review monthly budget to actual statements.

These weaknesses allowed posting errors in receipts and disbursements to occur and go undetected. To improve controls over financial transactions and to prevent the possible loss of cash assets we recommend that the following monitoring controls be implemented:

Monthly bank reconciliations, monthly reconciliations of bank balances to the General Fund Balance, monthly cash receipt and disbursement ledgers, and the prior meeting's minutes should be presented to the Directors. The documents should be reviewed, initialed, and approved in the minutes by the Board of Directors. This information provides important data necessary to manage the Bureau. This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Bureau maximizing its return on invested cash balances?



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**GREATER DEFIANCE AREA TOURISM AND VISITORS BUREAU  
DEFIANCE 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  
MAY 9, 2006**