DEFIANCE DEVELOPMENT AND VISITORS BUREAU
DEFIANCE COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007

Mary Taylor, CPA
Auditor of State

DEFIANCE DEVELOPMENT AND VISITORS BUREAU
DEFIANCE COUNTY

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Mary Taylor, CPA
Auditor of State

Defiance Development and Visitors Bureau
Defiance County
301 Clinton Street
Defiance, Ohio 43512-2113

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 statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2008

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

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INDEPENDENT ACCOUNTANTS' REPORT

Defiance Development and Visitors Bureau
Defiance County
301 Clinton Street
Defiance, Ohio 43512-2113

To the Board of Trustees:

We have audited the accompanying financial statements of the general fund of Defiance Development and Visitors Bureau, Defiance County, (the Bureau) as of and for the years ended December 31, 2007 and 2006. 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.

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 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 our audit provides a reasonable basis for our opinion.

The financial statements present only the general fund and do not intend to present fairly the financial position or results of operations of all the Bureau funds.

As described more fully in Note 1, the Bureau has prepared these financial statements 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 statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Bureau's larger (i.e. major) funds separately. While the Bureau does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require bureaus to reformat their statements. The Bureau has elected not to follow GAAP statement formatting requirements. 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do 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, 2007 and 2006, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Defiance Development and Visitors Bureau, Defiance County, general fund as of December 31, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Bureau has not presented Management's Discussion and Analysis, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2008, 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2008

DEFIANCE DEVELOPMENT AND VISITORS BUREAU
DEFIANCE COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE
PUBLIC FUND
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
Cash Receipts:		
Hotel/Motel Tax Revenue	$97,839	$27,462
Intergovernmental Revenue	4,000	
Interest Income	540	26
Total Cash Receipts	102,379	27,488
Cash Disbursements:		
Business Expense	1,425	
Conference & meetings	474	
Office Maintainance	2,443	
Property Insurance	529	
Rent Expense	10,600	
Utilities	3,176	
Main Street Expense	1,176	
Subscriptions	199	
Office Supplies	582	5,447
Postage	297	
Printing Fees	172	
Telecommunications	2,401	
Bank Fees	20	
Insurance	1,185	
Payroll	53,307	5,167
Promotional	19,455	
Training	2,531	
Travel	265	
Total Cash Disbursements	100,237	10,614
Excess of Cash Receipts Over Cash Disbursements	2,142	16,874
Public Fund Cash Balance, January 1-	16,874	
Public Fund Cash Balance, December 31	**$19,016**	**$16,874**

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Development and Visitors Bureau, Defiance County (the Bureau) is a not for profit entity established in 2006. The Bureau is governed by a voluntary board of twelve trustees. The purpose of the Bureau is to enhance the appearance of the area through beautification, restoration, and historic preservation; provide educational and other services to strengthen and expand the economic base of Downtown Defiance; and to promote business, events, and activities in the Defiance area.

The Bureau's management believes these financial statements present all public funds for which the Bureau is financially accountable.

The Bureau deems some funds it receives as private monies. Private monies include: membership dues, donations and special event revenues. The Bureau need not comply with Ohio Revised Code when disbursing private money. The accompanying financial statements do not present private monies.

B. Accounting Basis

These financial statements follow 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.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Bureau's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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.

E. Budgetary Process

The Ohio Revised Code does not require the Bureau to budget annually, however, 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 2007 budgetary activity appears in Note 3. The Bureau did not pass a budget in 2006.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Property, Plant, and Equipment

The Bureau records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. 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. CASH

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

	2007	2006
Total deposits	$19,016	$16,874

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2007 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$98,800	$102,379	$3,579

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$98,800	$100,237	($1,437)

4. RETIREMENT SYSTEM

All employees contribute to Social Security. The plan provides retirement benefits, including survivor and disability benefits to participants. 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 through December 31, 2007.

5. RISK MANAGEMENT

Commercial Insurance

The Bureau has obtained commercial insurance for the following risks:

- Comprehensive property and general liability; and
- Employee Dishonesty

Mary Taylor, CPA
Auditor of State

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

Defiance Development and Visitors Bureau
Defiance County
301 Clinton Street
Defiance, Ohio 43512-2113

To the Board of Trustees:

We have audited the financial statements of Defiance Development and Visitors Bureau, Defiance County, (the Bureau) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated August 20, 2008, 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 also disclosed the financial statement includes only the general fund. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Bureau's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Bureau's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Bureau's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Bureau's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

One Government Center / Room 1420 / Toledo, OH 43604-2246
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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Bureau's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the Bureau's management in a separate letter dated August 20, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Bureau's financial statements are 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The Bureau's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Bureau's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance committee**,** management, and the Board of Trustees. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 20, 2008

DEFIANCE DEVELOPMENT AND VISITORS BUREAU
DEFIANCE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2007

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

FINDING NUMBER 2007-001

Material Weakness - Monthly Reconciliations

Prior to the closing out the cash receipts and disbursements ledgers each month, all the public bank account balances of the Bureau should be reconciled to the public 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.

Even though the Bureau's check register is routinely reconciled to the bank checking account statements, there was no attempt to reconcile the public bank accounts to the financial statement of the public fund. This led to unadjusted variances of $7,540, respectively between the General Fund balance and the reconciled bank balance in 2007. In addition, there were several invalid transactions posted to the disbursements ledger which had gone undetected. The financial statements have been adjusted for these errors.

We recommend the Director present evidence to the Board of Trustees the Bureau's public bank account balances have been reconciled to the cash receipts and disbursements ledger fund balance each month. Since the Bureau's accounting system does not produce a statement showing current year expenditures, revenues, prior year fund balance and year end fund balance, we recommend the Bureau prepare a computerized spreadsheet showing this financial information. The ending fund balance of this report should match the total of the public funds bank reconciliation. In addition, the Finance 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 2007-002

Material Weakness - Monitoring Controls by Board of Trustees

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

- There were adjustments made to six line items in the 2007 financial statements in amounts ranging from $21 to $6480.
- The Bureau's income statement (profit/loss statement) submitted to the Board of Trustees does not include a general fund balance.
- The Trustees did not review monthly budget to actual statements relating to the public funds.

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

Monthly bank reconciliations, monthly reconciliations of public bank balances to the General Fund Balance, and monthly cash receipt and disbursement ledgers be maintained. The documents should be reviewed,

FINDING NUMBER 2007-002
(Continued)

Monthly bank reconciliations, monthly reconciliations of public bank balances to the General Fund Balance, and monthly cash receipt and disbursement ledgers be maintained. The documents should be reviewed, initialed, and approved in the minutes by the Board of Trustees. 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?

Officials Response:

It is our intention to take these recommendations to the full Board and implement the necessary changes as well as create the necessary policies.

Mary Taylor, CPA
Auditor of State

DEFIANCE DEVELOPMENT 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
SEPTEMBER 16, 2008