



OHIO AUDITOR OF STATE
KEITH FABER



**MIDDLETOWN CONVENTION AND VISITORS BUREAU
BUTLER COUNTY
JANUARY 1, 2020 – AUGUST 29, 2022**

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65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

REPORT ON THE FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE

Middletown Convention and Visitors Bureau
City of Middletown
Butler County
One Donham Plaza
Middletown, Ohio 45042

To the Governing Board:

We have selectively tested certain accounts, financial records, reports and other documentation of the Middletown Convention and Visitors Bureau, Butler County, (the Bureau), as of and for the period of January 1, 2020 through August 29, 2022. These procedures were designed to satisfy the audit requirements of Ohio Rev. Code § 117.11, and Ohio Admin. Code 117-4-02. Our engagement was not designed as a basis to opine on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinions on these matters.

Internal Control Over Financial Reporting

Certain of the aforementioned tests relate to internal control over financial reporting. The results of those tests may allow us to identify internal control deficiencies. An internal control deficiency exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements, whether caused by error or fraud.

Our internal control tests were not designed to identify all internal control deficiencies that might exist. Therefore, unidentified weaknesses may exist. However, we consider findings 2022-001 and 2022-003 through 2022-004 reported in the Schedule of Findings to be internal control deficiencies management and those charged with governance should address.

Compliance and Other Matters

We also tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Bureau, noncompliance with which could directly and materially affect the determination of financial statement amounts. The results of our tests disclosed instances of noncompliance we believe could directly and materially affect the determination of financial statement amounts that we reported in the Schedule of Findings as items 2022-001 and 2022-002.

The Bureau closed as of August 29, 2022 as disclosed in Note 5 in the Notes to the Financial Statements.

Standards established by the American Institute of Certified Public Accountants require that we request certain required written representations from the Bureau. We requested that the Bureau provide such representations but the Trustees and fiscal officer refused to do so.

The Auditor of State is conducting an investigation, which is on-going as of the date of this report. Dependent on the outcome of the investigation, results may be reported on at a later date.

Middletown Convention and Visitors Bureau
Butler County
Report on the Financial Statements, Internal Control, and Compliance
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KEITH FABER
Ohio Auditor of State



Tiffany L Ridenbaugh, CPA, CFE, CGFM
Chief Deputy Auditor

December 18, 2025

MIDDLETON CONVENTION AND VISITORS BUREAU*Butler County, Ohio**Statement of Receipts, Disbursements**and Changes in Fund Balances (Regulatory Cash Basis)**For the Period January 1, 2020 through August 29, 2022*

	1/1/20-12/31/20	1/1/21-12/31/21	1/1/22-8/29/22
Cash Receipts			
Unclassified	\$ 111,791	\$ 212,475	64,192
<i>Total Cash Receipts</i>	<u>111,791</u>	<u>212,475</u>	<u>64,192</u>
Cash Disbursements			
Unclassified	\$ 197,085	\$ 329,189	104,249
<i>Total Cash Disbursements</i>	<u>197,085</u>	<u>329,189</u>	<u>104,249</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(85,294)</u>	<u>(116,714)</u>	<u>(40,057)</u>
<i>Fund Cash Balances, Beginning</i>	<u>249,241</u>	<u>163,947</u>	<u>47,233</u>
Ending Fund Cash Balances	<u>163,947</u>	<u>47,233</u>	<u>7,176</u>

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MIDDLETOWN CONVENTION AND VISITORS BUREAU

Butler County

Notes to the Financial Statements

For the Period January 1, 2020 through August 29, 2022

Note 1 – Summary of Significant Accounting Policies

Organization

The Middletown Convention and Visitors Bureau (the Bureau) is a nonprofit organization which promotes travel and tourism in the City of Middletown, Butler County, Ohio. The organization is funded by an excise tax on lodging of transient guests within the City of Middletown. The Bureau is governed by a Board of Trustees composed of at least nine members appointed by members of the Bureau's Board of Trustees.

Basis of Presentation

The Bureau's financial statement consists of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis). The financial statement is prepared on the basis of cash receipts and disbursements. Consequently, support and revenue are recognized when received, and expenses are recognized when paid.

Excise tax on lodging is recognized by the Bureau as it is received from the City of Middletown, and may not represent all revenue that is actually due from the lodging establishments. City of Middletown is solely responsible for collection of the tax.

Fund Accounting

The Bureau maintains its financial records using one fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (C) permit.

Deposits

The Bureau had one checking account and a money market account during the audit period.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Bureau must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Bureau classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Bureau did not have any nonspendable fund balance classifications during 2020 and 2021.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or

MIDDLETOWN CONVENTION AND VISITORS BUREAU

Butler County

Notes to the Financial Statements

For the Period January 1, 2020 through August 29, 2022

regulations of other governments; or is imposed by law through constitutional provisions. The Bureau did not have any restricted fund balance classifications during the period.

Committed Trustees can *commit* amounts via formal action (resolution). The Bureau must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Bureau did not have any committed fund balance classifications during the period.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Bureau Trustees or a Bureau official delegated that authority by resolution, or by State Statute. The Bureau did not have any assigned fund balance classifications during the period.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Bureau applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 2 – Deposits

The Bureau maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	2020	2021	Aug 29,2022
Demand deposits	<u>\$163,947</u>	<u>\$47,233</u>	<u>\$7,176</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 3 - Social Security

The Bureau's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Bureau contributed an amount equal to 6.2 percent of participants' gross salaries.

Note 4 - Hotel and Lodging Bed Tax and Concentration of Risk

The Bureau received excise tax on lodging establishments which represented 97 percent of total revenues in 2020, 49 percent in 2021, and 46 percent on August 29, 2022.

MIDDLETOWN CONVENTION AND VISITORS BUREAU

Butler County

Notes to the Financial Statements

For the Period January 1, 2020 through August 29, 2022

Note 5 – Subsequent Events

On August 29, 2022, the Board of the Middletown Convention and Visitors Bureau voted to voluntarily dissolve. The portion of the City lodging tax that had been previously distributed to the Middletown Convention and Visitors Bureau is directed to the City of Middletown. Due to a failure to file a statement of continued existence, the Secretary of State of Ohio cancelled the Bureau on May 2, 2023.

The following schedule summarizes the cash receipts and disbursements of the Bureau from August 29, 2022 through January 31, 2024:

Cash Receipts

Unclassified	\$0
<i>Total Cash Receipts</i>	<u>0</u>

Cash Disbursements

Unclassified	\$5,058
City of Middletown	2,118
<i>Total Cash Disbursements</i>	<u>7,176</u>

Excess of Receipts Over (Under) Disbursements (7,176)

Net Change in Fund Cash Balances (7,176)

Fund Cash Balances, Beginning 7,176
Fund Cash Balances, Ending \$0

Note 6 – Related Party Transactions

A Bureau board member is part owner of a company to which the Bureau made payments during the period under audit. The Bureau paid \$1,860 in 2020, \$4,720 in 2021 and \$3,137 in 2022 to The Windamere for rent payments, geocaching and Portopia.

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**MIDDLETOWN CONVENTION AND VISITORS BUREAU
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2020 – AUGUST 29, 2022**

<i>Finding Number</i>	2022-001
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Noncompliance/Internal Control Deficiency

Ohio Rev. Code Section 5739.09(A)(2) restricts the Bureau to spending lodging tax specifically for promotion, advertising, and marketing of the region in which the county is located.

1983 Op. Att'y. Gen. No. 83-054 and 2003 Op. Att'y. Gen. No. 2003-039, provide added support that a convention and visitors bureau must use public monies for the public purposes of conventions and tourism.

Maintaining organized documentation and support for financial transactions is essential in assuring the Bureau financial balances are not misstated and that all expenditures are made for a proper public purpose.

Due to a lack of internal controls over bureau financial activity and records, the Bureau did not maintain underlying documentation and support for:

- Payroll disbursements including ledgers, authorized rates, employee master file data and deductions. We were unable to perform alternative procedures to substantively test payroll disbursements,
- Expenditures including ledgers and vendor invoices.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose.

The Bureau should establish and implement internal controls to ensure they maintain all invoices, purchase orders, and payroll records, for all financial transactions and that records be maintained in an orderly manner to support all transactions.

Officials' Response:

We did not receive a response from Officials to this finding.

<i>Finding Number</i>	2022-002
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Noncompliance

Federal Tax:

26 U.S.C. §§ 3401 through **3405**, and **3102(a)** require the employing government to withhold federal, state, and local income and employment related taxes (such as Medicare). They also require the government to report and remit those tax matters to the appropriate tax authorities and to the recipients.

IRS Publication 15-A states generally an employer must withhold and pay federal income tax, social security and Medicare taxes, and pay unemployment taxes on wages paid to an employee.

26 U.S.C. § 3402(a)(1) states in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3403 states that the employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment.

State Department of Taxation:

Ohio Rev. Code § 5747.06 requires the employing government to withhold state income taxes from its employees' compensation. The employing government shall deduct and withhold the tax on the date that the employer directly, indirectly, or constructively compensates or credits the compensation to the benefit of the employee.

Ohio Rev. Code § 5747.07 requires an employing government to remit taxes which it withheld pursuant to Ohio Rev. Code § 5705.06 (including the state payroll tax) to the appropriate authority. It also requires the employing government to report compensation paid and taxes withheld to the tax commissioner and to each of its own employees by January 31 of each year.

Due to a lack of internal controls over bureau financial activity and records, the Bureau did not provide support regarding withholdings and remittances to the appropriate governmental agencies. The Bureau should establish and implement internal controls to ensure proper withholding and remittance of taxes. The Executive Director should withhold the correct amounts from payroll and submit the required reports and contribution/withholding remittances in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties. The Bureau should monitor payroll data to determine withholdings are paid in a timely manner.

This matter will be referred to the Internal Revenue Service, Ohio Department of Taxation, Bureau of Workers' Compensation and Ohio Office of Unemployment Compensation.

Officials' Response:

We did not receive a response from officials to this finding.

<i>Finding Number</i>	2022-003
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Internal Control Deficiency

Bank Reconciliations

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Executive Director was responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board was responsible for reviewing the reconciliations and related support.

Due to a lack of internal controls over bureau financial activity and records, monthly bank to book reconciliations or year-end reconciliations were not prepared or reviewed each month of the period. Failure to reconcile monthly increases the possibility that the Bureau will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Bureau should establish and implement internal controls over financial activity and records. The Executive Director should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board/Council should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Officials' Response:

We did not receive a response from officials to this finding.

<i>Finding Number</i>	2022-004
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Internal Control Deficiency

Late Payment Fees

During 2020 and 2021, due to a lack of internal controls over bureau financial activity and records, the Bureau was assessed late fees and interest charges related to credit card payments in the amount of \$79 and \$80 respectively. Late fees and interest that are incurred as a result of gross negligence constitute an illegal expenditure and may result in the issuance of a finding for recovery in future audits.

The Bureau should establish and implement internal controls over financial activity and records to help ensure they pay bills in a timely manner so as not to incur late fees and interest charges. The Bureau should also maintain complete documentation for all financial transactions and records be maintained in an orderly manner to support all transactions.

Officials' Response:

We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



MIDDLETOWN CONVENTION AND VISITORS BUREAU

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/30/2025

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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