



**Auditor of State
Betty Montgomery**

HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY

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**Auditor of State
Betty Montgomery**

Holmes County Tourism Bureau
Holmes County
35 N. Monroe St.
Millersburg, Ohio 44654

To the Council:

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 a February 2, 2005 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 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.

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

Betty Montgomery
Auditor of State

November 29, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Holmes County Tourism Bureau
Holmes County
35 N. Monroe St.
Millersburg, Ohio 44654

To the Council:

We have audited the accompanying financial statements of the Holmes County Tourism Bureau, Holmes County, Ohio (the Tourism Bureau), a division of the Holmes County Chamber of Commerce, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Tourism 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.

As described more fully in Note 1, the Tourism 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.

Revisions to GAAP would require the Tourism Bureau to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. While the Tourism Bureau does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat its statements. The Tourism Bureau has elected not to reformat its statements. Since this Tourism 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Tourism Bureau as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Holmes County Tourism Bureau, Holmes County, as of December 31, 2004 and 2003, 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 Tourism Bureau to include Management's Discussion and Analysis for the year ended December 31, 2004. The Tourism 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 November 29, 2005, on our consideration of the Tourism 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

November 29, 2005

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

	2004	2003
Cash Receipts:		
Hotel/Motel Tax	\$171,762	\$152,749
Grants	20,000	
Advertising Income	45,225	53,044
Special Projects	7,543	10,192
Interest	166	199
Miscellaneous	2,208	3,820
Total Cash Receipts	246,904	220,004
Cash Disbursements:		
Current:		
Administrative	96,904	83,694
Postage/Distribution	23,048	30,244
Advertising	92,763	73,299
Special Projects	29,145	17,076
Miscellaneous	2,253	4,858
Total Cash Disbursements	244,113	209,171
Total Receipts Over Disbursements	2,791	10,833
Cash Balances, January 1	85,156	74,323
Cash Balances, December 31	\$87,947	\$85,156

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

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**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Holmes County Tourism Bureau, Holmes County, Ohio, (the Tourism Bureau) is a division of the Holmes County Chamber of Commerce (Chamber), a 501(c)(6) corporation. The Chamber has appointed a nine member Board of Trustees as a Council to oversee the Tourism Bureau's operations. The Holmes County Commissioners have contracted with the Chamber to promote tourism in Holmes County.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements basis of accounting. This basis 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 prescribed or permitted by the Auditor of State.

The Tourism Bureau has been determined to be a governmental non-profit entity subject to government accounting and financial reporting standards.

C. Cash and Investments

The Tourism Bureau maintains a non-interest bearing checking account and a money market account.

D. Fund Accounting

The Tourism Bureau uses fund accounting to segregate cash that is restricted as to use. The Tourism Bureau classifies its fund as a General Fund which is the general operating fund, and it is used to account for all financial resources of the Tourism Bureau.

E. Budgetary Process

The Tourism Bureau is not required to follow budgetary procedures as prescribed by the Ohio Revised Code; however, the Tourism Bureau uses internal budgets for planning purposes which they adopt annually.

A summary of budgetary activity appears in Note 6.

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN CASH AND INVESTMENTS

The carrying amount of cash and investments at December 31 follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$79,343	\$66,585
Money market investment account	8,506	18,473
Cash on hand	98	98
Total Cash and Investments	<u>\$87,947</u>	<u>\$85,156</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation. The money market investment account is uninsured and uncollateralized.

3. HOTEL/MOTEL TAX

Holmes County provides funding to the Tourism Bureau by remitting collections from the County's hotel/motel tax. During 2004 and 2003, the Tourism Bureau received \$171,762 and \$152,749 in hotel/motel tax revenue, respectively. The Holmes County Commissioners passed a resolution effective June 2001, increasing the hotel/motel tax from 1% to 3%.

4. RISK MANAGEMENT

The Tourism Bureau has obtained commercial insurance for general liability risks.

5. RELATED PARTY TRANSACTIONS

The Tourism Bureau shares Chamber of Commerce monthly operational and administrative expenditures which include rent, phone utilities, and salaries for the Chamber of Commerce employees, in addition to travel reimbursement for promotion of Tourism Bureau's business. During 2004 and 2003, the Tourism Bureau's portion of disbursements paid to the Chamber of Commerce were \$93,716 and \$50,944 respectively. This allocation of disbursements ranges from 50% to 85% of individual line item disbursements based on a time study performed in 2003 by the former Director and Board Members. Any new or future changes will be tied to a significant change in the number of employees.

A member of the Chamber is employed by Rea & Associates, Inc., an independent accounting firm, who performs various accounting services for the Tourism Bureau including payroll tax services.

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. BUDGETARY

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$222,450	\$246,904	\$24,454

2004 Estimated vs. Actual Expenditures		
Budgeted Expenditures	Actual Expenditures	Variance
\$212,375	\$244,113	(\$31,738)

2003 Estimated vs. Actual Receipts		
Estimated Receipts	Actual Receipts	Variance
\$169,350	\$220,004	\$50,654

2003 Estimated vs. Actual Expenditures		
Budgeted Expenditures	Actual Expenditures	Variance
\$166,350	\$209,171	(\$42,821)

Budgetary amounts are for the period October 1 through September 30, the Tourism Bureau's fiscal year. Actual amounts reflect receipt and expenditure activity reported for the period January 1 through December 31 as required by agreement with the Holmes County Commissioners. Therefore, no exception will be taken for actual expenditures exceeding budgeted expenditures.

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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*

Holmes County Tourism Bureau
Holmes County
35 N. Monroe St.
Millersburg, Ohio 44654

To the Council:

We have audited the financial statements of the Holmes County Tourism Bureau, Holmes County, Ohio, (the Tourism Bureau), a division of the Holmes County Chamber of Commerce, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 29, 2005, wherein we noted the Tourism Bureau follows the 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 Tourism Bureau's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Tourism Bureau's management dated November 29, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Tourism 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*. In a separate letter to the Tourism Bureau's management dated November 29, 2005, we reported a matter related to noncompliance that we deemed immaterial.

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Holmes County Tourism Bureau
Holmes County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 29, 2005

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Original invoices or proper invoices not always available with disbursements, receipts not always attached with travel expenses, review of expenditures by council not always evident, two cancelled checks not located, corresponding check numbers not written on invoice or other support, and two checks issued to "Cash" and signed solely by the Director.	Yes	Finding No Longer Valid as the issue has been corrected.
2002-002	Bank reconciliations were not available each month, account information for the Tourism Bureau and Chamber of Commerce was commingle, Outstanding checks were not always included on the reconciliation, four checks included on the outstanding check list were voided but not on the system, some voided checks were not maintained, and differences were noted between the bank and book balance.	Yes	Finding No Longer Valid as the issue has been corrected.
2002-003	Checks did not always have a dual signature and on occasion, Chamber of Commerce board members signed Tourism checks as a second signature.	Yes	Finding No Longer Valid as the issue has been corrected.



**Auditor of State
Betty Montgomery**

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**HOLMES COUNTY TOURISM BUREAU
HOLMES 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 30, 2005**