



**Auditor of State
Betty Montgomery**

HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|--|-------------|
| Independent Accountants' Report..... | 1 |
| Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - General Fund For the Years Ended December 31, 2002 and 2001 | 3 |
| Notes to the Financial Statement..... | 5 |
| Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> | 9 |
| Schedule of Findings..... | 11 |

This page intentionally left blank.



**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 Bureau), a division of the Holmes County Chamber of Commerce, as of and for the years ended December 31, 2002 and 2001. 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 *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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Bureau prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also, the financial statements present only the Holmes County Tourism Bureau division and are not intended to present fairly the financial position and results of operations of the Holmes County Chamber of Commerce reporting entity in conformity with the basis of accounting as described in Note 1.

In our opinion, the financial statement referred to above present fairly, in all material respects, the fund cash balances of the Bureau as of December 31, 2002 and 2001, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

April 23, 2003

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**STATEMENTS OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - GENERAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

| | 2002 | 2001 |
|---|-----------------|-----------------|
| Cash Receipts: | | |
| Hotel/Motel Tax | \$149,264 | \$70,512 |
| Advertising Income | 14,473 | 14,665 |
| Special Projects | 1,259 | 720 |
| Interest | 619 | 580 |
| Miscellaneous | 371 | 1,270 |
| Total Cash Receipts | 165,986 | 87,747 |
| Cash Disbursements: | | |
| Current: | | |
| Administrative | 59,190 | 27,590 |
| Postage/Distribution | 20,647 | 14,766 |
| Advertising | 18,606 | 32,050 |
| Special Projects | 7,636 | 12,811 |
| Miscellaneous | 796 | 3,981 |
| Total Cash Disbursements | 106,875 | 91,198 |
| Total Cash Receipts Over/(Under) Cash Disbursements | 59,111 | (3,451) |
| Fund Cash Balances, January 1 | 15,212 | 18,663 |
| Fund Cash Balances, December 31 | \$74,323 | \$15,212 |

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

This page intentionally left blank.

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Holmes County Tourism Bureau, Holmes County, Ohio, (the Bureau) is a division of the Holmes County Chamber of Commerce (Chamber), a 501(c)(3) corporation. The Chamber has appointed a nine member Board of Trustees as a Council to oversee the Bureau's operations. The Holmes County Commissioners have contracted with the Chamber to promote tourism in Holmes County.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and cash 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 and Investments

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

D. Fund Accounting

The Bureau uses fund accounting to segregate cash that is restricted as to use. The 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 Bureau.

E. Budgetary Process

The Bureau is not required to follow budgetary procedures as prescribed by the Ohio Revised Code; however, the 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, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The carrying amount of cash at December 31 was as follows:

| | 2002 | 2001 |
|----------------------|----------|----------|
| Demand deposits | \$40,990 | \$12,155 |
| Money Market Account | 33,333 | 3,057 |
| Total deposits | \$74,323 | \$15,212 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. HOTEL/MOTEL TAX

Holmes County provides funding to the Bureau by remitting collections from the County's hotel/motel tax. During 2002 and 2001, the Bureau received \$149,264 and \$70,512 in hotel/motel tax revenue, respectively. The Holmes County Commissioners passed a resolution effective June 1, 2001, increasing the hotel/motel tax from 1% to 3%.

4. RISK MANAGEMENT

The Bureau has obtained commercial insurance for general liability risks.

5. RELATED PARTY TRANSACTIONS

The 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 reimbursements for promotion of Tourism Bureau's business.

A Council member is employed by Rea & Associates, Inc., an independent accounting firm, who performs accounting services such as preparing the Bureau's bank reconciliations and maintaining the Bureau's accounting ledgers. The Bureau pays for these accounting services annually.

6. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

| 2002 Estimated vs. Actual Receipts | | |
|------------------------------------|--------------------|------------|
| Estimated Receipts | Actual Receipts | Variance |
| \$248,000 | \$165,986 | (\$82,014) |

| 2002 Estimated vs. Actual Expenditures | | |
|--|------------------------|-----------|
| Budgeted Expenditures | Actual Expenditures | Variance |
| \$246,800 | \$106,875 | \$139,925 |

HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

6. BUDGETARY ACTIVITY (Continued)

| 2001 Estimated vs. Actual Receipts | | |
|------------------------------------|----------|----------|
| Estimated | Actual | |
| Receipts | Receipts | Variance |
| \$88,000 | \$87,747 | (\$253) |

| 2001 Estimated vs. Actual Expenditures | | |
|--|--------------|-----------|
| Budgeted | Actual | |
| Expenditures | Expenditures | Variance |
| \$86,800 | \$91,198 | (\$4,398) |

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Council:

We have audited the accompanying financial statements of Holmes County Tourism Bureau, Holmes County, Ohio, (the Bureau), a division of the Holmes County Chamber of Commerce, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 23, 2003, wherein we noted the financial statements only include the Holmes County Tourism Bureau and do not represent the Holmes County Chamber of Commerce reporting entity. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the 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 audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Bureau's 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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting 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 the Bureau's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2002-001 through 2002-003.

A material weakness is a 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 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.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Bureau in a separate letter dated April 23, 2003.

This report is intended for the information and use of management and the Council, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 23, 2003

**HOLMES COUNTY TOURISM BUREAU
HOLMES COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

REPORTABLE CONDITIONS

FINDING NUMBER 2002-001

Cash Disbursements

Several conditions were noted during our review of expenditures:

- Records for cash disbursements were not always supported with an original invoice. In several cases, disbursement documentation was filed in with Chamber of Commerce records.
- Travel expense reports did not always have attached receipts for meals, hotel expenses, and other miscellaneous expenses incurred. In addition, travel expense reports submitted for reimbursement by the Director did not evidence review and approval of a Council member.
- Several expenditures were only evidenced by an internal memo invoice, excerpts from board minutes, registration forms, or housing information sheets.
- The corresponding check number was not written on the invoice or other support.
- Two canceled checks in the amounts of \$129.50 and \$25.65 could not be located.
- Two checks issued to "Cash" were solely signed by the Director. Other checks issued to the Director had limited documentation to support the expenditure, such as notation for reimbursement in the minute record or an internal invoice memo for reimbursement to the Director or the intern for miscellaneous expenses for familiarity tours.

These conditions could lead to misappropriation of the Bureau's assets.

To improve controls over expenditures, all disbursements should have appropriate supporting documentation such as an original invoice or receipt for payment to support expenditures as a proper public purpose. All disbursement records should refer to the related check number and should be filed in an organized and logical fashion. Travel expense reports should be submitted with attached receipts and reviewed by an appropriate level of management. In the case of the Director, reimbursements including travel expenses should be reviewed and approved by a Council member. All approvals should be documented.

FINDING NUMBER 2002-002

Monthly Bank Reconciliations

The following conditions were noted in review of the Bureau's bank reconciliation process:

- Bank reconciliations were not maintained for every month throughout the audit period.
- Bank records for the Bureau and Chamber of Commerce were commingled. Both accounts were included on the same bank statement and returned checks were retained together and out of sequence.
- Outstanding checklists were not always listed on the reconciliations.
- At December 31, 2002, four checks included on the bank reconciliation as outstanding checks, were previously voided but not voided on the system. Consequently, the amount carried as outstanding checks understated the fund balance at year end by \$4,410.
- Not all voided checks were maintained.
- At December 31, 2002 and 2001, the reconciled bank balance initially was not in agreement with the book balance in the amounts of \$229 and \$20, respectively.

**REPORTABLE CONDITIONS
(Continued)**

**FINDING NUMBER 2002-002
(Continued)**

To improve controls over the reconciliation process, bank reconciliations should be completed at the close of each month. The bookkeeper should be notified of voided checks and the original voided check should be defaced and maintained on file. Bank records, including outstanding checks, should be maintained and filed separately from Chamber of Commerce records. All reconciling items should be supported by appropriate documentation.

FINDING NUMBER 2002-003

Dual Signatures on Checks

During our review of expenditures, we noted several checks had only the Director's signature. Others were solely signed by a Council member. In addition, the Chamber of Commerce board members rather than a Tourism Council member occasionally signed Tourism checks as the second signature. A majority of Tourism expenditures are rent, utility and employee reimbursements to the Chamber of Commerce. The lack of proper dual signatures increases the potential for errors or misappropriation.

Checks issued by the Bureau should be signed by two Bureau Council Members, or one Bureau Council Member and the Director. This will help ensure that all checks have been properly reviewed and approved by more than one person prior to issuance.

A similar comment was made in the management letter of the audit of the 2000 and 1999 financial statements.



**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

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
JULY 17, 2003**