



**HOCKING COUNTY TOURISM ASSOCIATION
HOCKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**HOCKING COUNTY TOURISM ASSOCIATION
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balance – For the Years Ended December 31, 1999 and 1998	3
Notes to the Financial Statement	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Hocking County Tourism Association
Hocking County
13178 State Route 664 South
Logan, Ohio 43138

To the Board of Trustees:

We have audited the accompanying financial statement of the Hocking County Tourism Association, Hocking County, Ohio, (the Association) as of and for the years ended December 31, 1999 and 1998. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards 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.

We were unable to audit the cash receipts resulting from advertising revenue, program revenue, miscellaneous revenue, and event income for both 1999 and 1998, due to a lack of supporting documentation. These cash receipts represent 18.6% and 27.6% of 1999 and 1998 cash receipts, respectively.

As discussed in Note 1, the Association prepares its financial statement 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.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to audit the cash receipts noted above, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Hocking County Tourism Association, Hocking County, as of December 31, 1999 and 1998, and its cash receipts and cash 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 May 18, 2000, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of management, the Board of Trustees, 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 18, 2000

**HOCKING COUNTY TOURISM ASSOCIATION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN CASH BALANCE
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

	<u>1999</u>	<u>1998</u>
Cash Receipts:		
Local Taxes	\$123,993	\$96,511
Interest	5,676	5,660
Membership Fees	21,230	21,719
Advertising	5,845	10,421
Donations	814	2,440
Programming	17,291	14,155
Grants	4,305	
Miscellaneous		12,323
Welcome Center Sales	1,401	2,097
Event Income	12,829	12,107
	<u>193,384</u>	<u>177,433</u>
Total Cash Receipts	<u>193,384</u>	<u>177,433</u>
Cash Disbursements:		
Payroll	107,981	70,294
Utilities	15,981	14,983
Operations	33,956	31,638
Equipment	1,949	2,430
Meetings	5,439	9,304
Advertising	28,258	14,615
Maintenance	6,113	16,135
Welcome Center Sales	1,067	
Miscellaneous		8,552
Group Tours		2,245
Events	11,606	
	<u>212,350</u>	<u>170,196</u>
Total Cash Disbursements	<u>212,350</u>	<u>170,196</u>
Total Receipts Over/(Under) Disbursements	<u>(18,966)</u>	<u>7,237</u>
Cash Balance, January 1 (As Restated - See Note 2)	<u>138,196</u>	<u>130,959</u>
Cash Balance, December 31	<u><u>\$119,230</u></u>	<u><u>\$138,196</u></u>

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

This page intentionally left blank.

**HOCKING COUNTY TOURISM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Hocking County Tourism Association, Hocking County, (the Association) is a not-for-profit corporation established as an independent entity. The Association is directed by a eleven-member Board of Trustees. The Association promotes and publicizes Hocking County in order to bring the patronage and business of tourists to the area. The Association is partially supported by a lodging tax assessed in Hocking County.

The Association's management believes this financial statement presents all activities for which the Association 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.

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

C. Cash and Investments

Certificates of deposit are valued at cost.

D. Budgetary Process

The Association is not subject to the provisions of Ohio Revised Code Chapter 5705, since property taxes are not utilized to finance its operations. However, in accordance with the Association's Code of Regulations, an annual budget is prepared and used as a guideline to control revenue and expenditures.

A summary of 1999 and 1998 budgetary activity appears in Note 4.

E. 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.

F. Unpaid Vacation and Sick Leave

Employees are entitled to vacation and sick leave. Currently the Association does not have a policy regarding procedures to convert unused leave balances to cash at the termination of employment.

**HOCKING COUNTY TOURISM ASSOCIATION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 1999 AND 1998**

(Continued)

2. PRIOR PERIOD ADJUSTMENT

For 1998, the Association adjusted the beginning cash balance due to the omission of a savings account from cash assets that were previously reported. The adjustment had the following effect on the cash balance reported as of December 31, 1997:

Cash Balance as previously reported	\$86,183
Adjustment	<u>44,776</u>
Restated Cash Balance - December 31, 1997	<u><u>\$130,959</u></u>

3. POOLED CASH AND INVESTMENTS

The Association maintains a cash and investments pool. The carrying amount of cash and investments at December 31 was as follows:

	1999	1998
Demand deposits	\$20,396	\$29,685
Certificates of deposit	<u>98,834</u>	<u>108,511</u>
Total deposits	<u><u>\$119,230</u></u>	<u><u>\$138,196</u></u>

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

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
<u>\$299,636</u>	<u>\$193,384</u>	<u>(\$106,252)</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
<u>\$224,635</u>	<u>\$212,350</u>	<u>\$12,285</u>

1998 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
<u>\$141,712</u>	<u>\$177,433</u>	<u>\$35,721</u>

**HOCKING COUNTY TOURISM ASSOCIATION
 NOTES TO THE FINANCIAL STATEMENT
 DECEMBER 31, 1999 AND 1998**

(Continued)

4. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
<u>\$143,712</u>	<u>\$170,196</u>	<u>(\$26,484)</u>

5. LODGING TAX

The Association receives approximately eighty-five percent of the hotel/motel taxes collected by the Hocking County Auditor. The tax, levied by the Hocking County Commissioners, is an excise tax of three percent on lodging furnished to transient guests throughout Hocking County.

6. RETIREMENT SYSTEM

All of the employees of the Association are covered by the Social Security system. The Association's liability is 6.2 percent of wages paid.

7. INCOME TAXES

The Association is exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and, accordingly, has not made any provision for federal income taxes.

8. RISK MANAGEMENT

The Association has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Errors and omissions

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

743 East State Street
Athens Mall, Suite B
Athens, Ohio 45701
Telephone 740-594-3300
800-441-1389
Facsimile 740-594-2110
www.auditor.state.oh.us

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

Hocking County Tourism Association
Hocking County
13178 State Route 664 South
Logan, Ohio 43138

To the Board of Trustees:

We have audited the accompanying financial statement of the Hocking County Tourism Association, Hocking County, Ohio, (the Association) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 18, 2000, wherein we qualified the opinion due to the inability to audit certain cash receipts. We conducted our audit in accordance with generally accepted auditing standards 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 Association's financial statement is 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 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 Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance 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 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 judgement, could adversely affect the Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-60737-001 to 1999-60737-003.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 1999-60737-001 to be 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 the management of the Association in a separate letter dated May 18, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

May 18, 2000

**HOCKING COUNTY TOURISM ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998**

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

Finding Number 1999-60737-001

Lack of Documentation to Support Revenue

Supporting documentation was not maintained for several significant revenue items. As a result, we were unable to audit the cash receipts arising from advertising revenue, program revenue, miscellaneous revenue, and event income for both 1999 and 1998. Failure to maintain the supporting documentation could allow errors and irregularities to occur and go undetected.

We recommend source documents be developed and maintained for all cash receipts transactions. Source documents could include, but are not limited to, items such as advertising contracts, registrations, ticket stubs, entry forms for events, applications, and duplicate receipts.

Finding Number 1999-60737-002

Budgetary Activity

The Association's Code of Regulations requires that an annual budget be prepared by the Board of Trustees. The annual budget should serve as a management tool to control expenditures in the year budgeted. We found the following financial statement line item expenditures exceeding budgeted expenditures for the years ending December 31, 1999 and 1998:

<u>Line Item</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
December 31, 1999:			
Operations	\$31,000	\$33,956	(\$2,956)
Maintenance	3,000	6,113	(3,113)
Miscellaneous	650	1,067	(417)
Events	6,350	11,606	(5,256)
December 31, 1998:			
Utilities	\$12,693	\$14,983	(\$2,290)
Operations	26,961	31,638	(4,677)
Meetings	3,775	9,304	(5,529)
Advertisement	9,700	14,615	(4,915)
Maintenance	6,583	16,135	(9,552)
Miscellaneous	1,150	8,552	(7,402)

We recommend the Association's management and Board of Trustees continually maintain their awareness of the budgeted and actual expenditures.

**HOCKING COUNTY TOURISM ASSOCIATION
SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

Finding Number 1999-60737-003

Revenue Recognition

Lodging tax revenue disbursed from the Hocking County Auditor was not being recognized as revenue by the Association when received. Rather, the lodging tax was being invested in certificates of deposit, and not posted to the financial records as revenue until the certificates matured and were redeemed. Under the cash basis of accounting, all receipts are recognized as revenue when received. This resulted in the Association's financial statements cash receipts being understated or overstated, depending upon the amount of lodging tax recognized as revenue. The accompanying financial statements have been adjusted to reflect the actual lodging tax cash receipts distributed by Hocking County to the Association.

We recommend the Association properly recognize and record the distributions of lodging tax receipts when they are received from Hocking County.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

HOCKING COUNTY TOURISM ASSOCIATION

HOCKING 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 5, 2000