



**Auditor of State
Betty Montgomery**

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Years Ended November 30, 2003 and 2002.....	3
Notes to the Financial Statement	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings	27

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson County Agricultural Society
Jackson County
3498 State Route 776
Jackson, Ohio 45640

To the Board of Directors:

We have audited the accompanying financial statement of the Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as described in the following two paragraphs, 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 Society has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America.

We were unable to obtain the necessary assurances concerning the completeness of receipts for the years ended November 30, 2003 and 2002. It was not practical to perform alternative procedures.

The Jackson County Agricultural Society provided no documentation supporting the Race Purse Disbursements for the year ended November 30, 2002. As a result, the scope of our audit was limited such that we were unable to obtain the necessary assurances concerning the completeness and accuracy of the recorded race purse disbursements for the year ended November 30, 2002.

In our opinion, except for such adjustments, if any, that would have been necessary had sufficient competent evidential matter been available to assure the completeness of receipts for the years ended November 30, 2003 and 2002, and the accuracy and completeness of Race Purse disbursements for the year ended November 30, 2002, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Jackson County Agricultural Society, Jackson County, as of November 30, 2003 and 2002, 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 March 29, 2005 on our consideration of the Society'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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

This report is intended solely for the information and use of management, the Board of Directors and other officials authorized to receive this report under Section 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

March 29, 2005

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2003 AND 2002**

	2003	2002
Operating Receipts:		
Admissions	\$86,838	\$89,771
Privilege Fees	10,726	10,924
Rentals	23,337	22,253
Sustaining and Entry Fees	23,490	22,150
Parimutuel Wagering Commission	2,447	2,224
Other Operating Receipts	5,706	10,746
 Total Operating Receipts	 152,544	 158,068
Operating Disbursements:		
Wages and Benefits	316	67
Utilities	21,208	20,531
Professional Services	50,253	56,138
Equipment and Grounds Maintenance	31,788	29,864
Race Purse	52,993	52,216
Senior Fair	9,904	9,940
Junior Fair	7,033	6,734
Capital Outlay	5,055	8,481
Other Operating Disbursements	37,524	27,016
 Total Operating Disbursements	 216,074	 210,987
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (63,530)	 (52,919)
Non-Operating Receipts/(Disbursements):		
State Support	36,925	38,627
County Support	10,000	10,000
Debt Proceeds	33,294	43,635
Donations/Contributions	10,118	21,497
Investment Income	371	601
Debt Service	(41,094)	(56,135)
 Net Non-Operating Receipts (Disbursements)	 49,614	 58,225
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (13,916)	 5,306
 Cash Balance, Beginning of Year	 54,131	 48,825
 Cash Balance, End of Year	 \$40,215	 \$54,131

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

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**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Jackson County Agricultural Society, Jackson County (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded to direct the operation of an annual agricultural fair. The Society filed for incorporation in 1986. The Society sponsors the week-long Jackson County Fair during July. During the fair, harness races are held. Jackson County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 21 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Jackson County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental and track and stall rental. The reporting entity does not include any other activities or entities of Jackson County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's and the Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Property, Plant and Equipment

The Society's accounting basis records acquisitions of property, plant and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

E. Race Purse

The Jackson County Harness Races are held during the Jackson County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

F. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Parimutuel Wagering Commission. See Note 3 for additional information.

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$40,215</u>	<u>\$54,131</u>

Deposits: The bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2003 and 2002 was \$28,384 and \$29,488 respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2003	2002
Total Amount Bet (Handle)	\$ 14,063	\$ 12,675
Less: Payoff to Bettors	(11,277)	(10,187)
Pari-mutuel Wagering Commission	2,786	2,488
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(1,638)	(1,459)
State Tax	(339)	(264)
Society Portion	\$ 409	\$ 365

4. DEBT

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
Fairgrounds Remodeling Note	\$30,804	3.50%

The Fairgrounds Remodeling Note was originally issued on May 11, 2000 in the amount of \$57,060. The proceeds were used to remodel various areas of the fairgrounds. During 2001, the Agricultural Society made principal payments on the original note totaling \$6,907 and refinanced the remaining \$50,153 through the issuance of a new note on May 11, 2001 at an interest rate of 5.75% and maturing May 9, 2002. The Agricultural Society made principal payments on this note during 2001 and 2002 totaling \$6,518 on the Note and refinanced the remaining \$43,635 on May 15, 2002 by issuing a note in the amount of \$43,635 with a stated interest rate of 5.00%. The Agricultural Society made principal payments on this note during 2002 and 2003 totaling \$10,341 and refinanced the remaining \$33,294 on May 21, 2003 by issuing a note in the amount of \$33,294 with a stated interest rate of 3.5%. The Note is due the Milton Banking Company and matures May 21, 2004. As of November 30, 2003, the Society had made principal payments totaling \$2,490 on the Note. This Note was uncollateralized.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

4. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

<u>Year ending November 30:</u>	<u>Remodeling Note</u>
2003	\$31,558

5. RISK MANAGEMENT

The Jackson County Commissioners provide general insurance coverage for all the buildings on the Jackson County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by the Public Entities Pool of Ohio.

The Agricultural Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Society.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

5. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer is bonded with coverage of \$20,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through February, 2004.

6. RELATED PARTY TRANSACTIONS

The Society acquired a tractor from Guy Waugh, a Board member, during 2003. The Society paid \$550 for this acquisition.

Barry Parks, a Board member, is the owner of Parks Farm Equipment. The Society paid Parks Farm Equipment \$1,033 in 2003 and \$409 in 2002 for tractor repairs.

Brad Benson, a Board member, is the owner of Benson's Garage. The Society paid Brad Benson and/or Benson's Garage \$1,390 in 2003 for clean up and repairs of damage from an ice storm and \$358 in 2002 for hauling and spreading gravel and the purchase of a battery.

7. SUBSEQUENT EVENTS

The Society issued a Note on May 26, 2004 in the amount of \$17,161 due to the Milton Banking Company. The Note bears an interest rate of 3.50% and matures on May 26, 2005. The Note was issued to refinance the remaining balance of a note that matured on May 21, 2004.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

8. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Jackson County Fair. The Society disbursed \$7,033 and \$6,734 directly to vendors to support Junior Fair activities for the years ended November 30, 2003 and 2002, respectively. These expenses are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursements. Jackson County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$13	\$13
Receipts	1,341	350
Disbursements	(972)	(350)
Ending Cash Balance	<u>\$382</u>	<u>\$13</u>

9. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Jackson County's auction. Monies to cover the cost of the auction are generated through a commission charged per head for all livestock and are retained by the Junior Livestock Committee. The Committee charges \$40 per head for Grand and Reserve Champions and \$10 per head for the remaining livestock sold at the auction. The accompanying financial statement does not include the Junior Livestock Committee's activity. The Junior Livestock Committee's financial activity for the years ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$ 12,656	\$ 7,067
Receipts	183,707	173,657
Disbursements	(186,391)	(168,068)
Ending Cash Balance	<u>\$ 9,972</u>	<u>\$ 12,656</u>



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*

Jackson County Agricultural Society
Jackson County County
3498 State Route 776
Jackson, Ohio 45640

To the Board of Directors:

We have audited the financial statement of the Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated March 29, 2005, wherein we noted that sufficient competent evidential matter was not available to obtain the necessary assurances over the completeness of the Society's receipts for the years ended November 30, 2003 and 2002, and the accuracy and completeness of the Race Purse disbursements for the year ended November 30, 2002. Except as described above, 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 Society's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statement and not to opine 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 judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings as items 2003-004 through 2003-016.

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 the financial statement we audited may occur and not be timely detected by employees when 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. We consider reportable conditions 2003-005 through 2003-008 and 2003-010 listed above to be material weaknesses. In a separate letter to the Society's management dated March 29, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statement is 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-004. In a separate letter to the Society's management dated March 29, 2005, we reported other related matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

March 29, 2005

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Finding for Recovery

The Jackson Agricultural Society annually hosts two days of horse racing at the fairgrounds. As part of the event, owners of the winning horses are paid a purse in accordance with the predetermined schedule. According to the race reports provided by the presiding judge, the purse for the fourth place horse of race number nine on July 11, 2003 was \$284.20, to be received by the winner, Jerome M. Rini of Portsmouth. However, a review of the disbursements revealed that the Society paid Jerome M. Rini \$426.30 on check number 13431, dated July 11, 2003, which was signed by Society Officers Joseph Riepenhoff, President, Paula Erwin, Treasurer, and Carol Landrum, Secretary. As a result, Mr. Rini was overpaid in the amount of \$142.10.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Jerome M. Rini, and Society Officers, Joseph Riepenhoff, President, Carol Landrum, Secretary, Paula Erwin, Treasurer and Hartford Fire Insurance Company, the Treasurer's Bonding Company, jointly and severally, in the amount of one hundred forty-two dollars and ten cents (\$142.10) and in favor of the Jackson County Agricultural Society.

FINDING NUMBER 2003-002

Finding for Recovery – Repaid Under Audit

The Jackson Agricultural Society entered into a contract for parking services for the 2001, 2002, and 2003 County Fairs with Floyd Rose. The contract stipulated that the Jackson County Fairboard agreed to pay Floyd Rose \$2,400 "for this service". Testing of the Society's disbursements revealed that the Agricultural Society paid Floyd Rose \$2,500 on check number 13183, dated July 20, 2002, which was signed by Society Officers Joseph Riepenhoff, President, Paula Erwin, Treasurer, and Carol Landrum, Secretary. As a result, Mr. Rose was overpaid in the amount of \$100 for the services provided during the 2002 County Fair.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Floyd Rose and Society Officers Joseph Riepenhoff, President, Carol Landrum, Secretary, Paula Erwin, Treasurer, and Hartford Fire Insurance Company, the Treasurer's Bonding Company, jointly and severally, in the amount of one hundred dollars (\$100) and in favor of the Jackson County Agricultural Society. The finding was paid by Floyd Rose on March 7, 2005, in the amount of \$100. This was recorded on receipt number 3223.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-003

Finding for Recovery

The Jackson Agricultural Society entered into a contract with JCJ Amusements to provide rides for the Jackson County Fair for the 2002, 2003, and 2004 County Fairs. The contract stipulated that the Jackson County Agricultural Society agreed to pay JCJ Amusements 34% of the gate receipts. Additionally, in the contract JCJ Amusements agreed to pay the Society 50% of the monies received from the sale of ride passes to persons with designated passes. As part of our testing of disbursements, we tested the calculation of the total amount owed to JCJ Amusements from the gate receipts for the 2003 Jackson County Fair. We based our calculation on the ticket accountability forms provided in support of gate admissions receipts for 2003. Based on the testing performed, it was determined that the Jackson County Agricultural Society overpaid JCJ Amusements in the amount of \$601.12 for services at the 2003 Jackson County Fair on check number 13627, dated July 21, 2003, which was signed by Society Officers Gerald Jolly, Vice-President, Paula Erwin, Treasurer, and Carol Landrum, Secretary. This overpayment is due to a mathematical error in the calculation of the total attendance for Friday, July 20, 2003. The Society inadvertently included a sequence of ticket numbers totaling 295 tickets twice in their calculation of the total attendance for the day. As a result, the attendance numbers used to calculate the amount owed to JCJ Amusements included 295 too many tickets. By including 295 tickets too many, the Society overpaid JCJ Amusements approximately \$601 (295 tickets times \$6 per ticket times 34% owed to JCJ Amusements). The following shows our calculation of the actual overpayment for 2003:

Total Gate Admissions Tickets Sold per Ticket Accountability Forms for 2003	12,860
Cost per Ticket	\$ 6.00
Total Calculated Gate Admissions Receipts for 2003	<u>77,160</u>
Percentage to be paid to JCJ Amusements per the Contract	<u>34%</u>
Calculated Amount Owed to JCJ Amusements for Gate Admissions for 2003	26,234.40
Less: Net Adjustments for JCJ Amusements Concessions & Games	
space rental and other incidental costs during 2003	<u>(3,099.00)</u>
Calculated Net Amount Owed to JCJ Amusements for 2003	23,135.40
Amount paid to JCJ Amusements in 2003 (Check # 13627)	<u>23,736.52</u>
Calculated Overpayment for 2003	<u><u>\$ 601.12</u></u>

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-003 (Continued)

Finding for Recovery (Continued)

We also tested the calculation of the total amount owed to JCJ Amusements from the gate receipts for the 2002 County Fair. We based our calculation on the ticket accountability forms provided in support of gate admissions receipts for 2002. Based on the testing performed, it was determined that the Jackson County Agricultural Society underpaid JCJ Amusements in the amount of \$236.58 for services at the 2002 Jackson County Fair on check number 13185, dated July 20, 2002, which was signed by Society Officers Joseph Riepenhoff, President, Paula Erwin, Treasurer, and Carol Landrum, Secretary. The following shows our calculation of the underpayment for 2002:

Total Gate Admissions Tickets Sold per Ticket Accountability Forms for 2002	13,122
Cost per Ticket	\$ 6.00
Total	<u>78,732.00</u>
Less: Senior Citizens Discounts for 2002 (159 tickets @ \$3 each)	<u>(477.00)</u>
Total Calculated Gate Admissions Receipts for 2002	78,255.00
Percentage to be paid to JCJ Amusements per the Contract	<u>0.34</u>
Calculated Amount Owed to JCJ Amusements for Gate Admissions for 2002	26,606.70
Less: Net Adjustments for JCJ Amusements Concessions & Games space rental and other incidental costs during 2002	<u>(2,328.00)</u>
Calculated Net Amount Owed to JCJ Amusements for 2002	24,278.70
Amount paid to JCJ Amusements in 2002 (Check # 13185)	<u>24,042.12</u>
Calculated Underpayment for 2002	<u><u>\$ (236.58)</u></u>

Based on the calculations above, the Society overpaid JCJ Amusements in the net amount of \$364.54 (\$601.12 overpayment in 2003 less the \$236.58 underpayment in 2002).

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against JCJ Amusements and Society Officers Gerald Jolly, Vice-President, Carol Landrum, Secretary, Paula Erwin, Treasurer, and Hartford Fire Insurance Company, the Treasurer's Bonding Company, jointly and severally, in the amount of three hundred sixty-four dollars and fifty-four cents (\$364.54).

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-004

Noncompliance Citation and Reportable Condition

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

The Society's receipts were collected by various members of the Society. The receipts were neither paid to the Treasurer nor deposited in the designated depository on the next business day following the date of receipt. Instead, moneys were periodically paid to the Society Secretary, who in turn deposited the receipts in the designated depository. As a result, public moneys were not always deposited in accordance with the abovementioned Revised Code Section. Additionally, it was noted that there were generally very few deposits with the bank each month. Several months included only one deposit. This indicates that the Society has cash on hand for extended periods of time. Maintaining significant amounts of cash on hand for extended periods of time reduces the physical security of the assets.

We recommend that the Society either deposit all receipts to the Society Treasurer or the designated depository by the next business day following the day of receipt. If the Board of Directors feels it is appropriate, they may adopt a policy allowing amounts less than \$1,000 to be held, if properly safeguarded in a fireproof safe, lockbox, etc., for a period not to exceed 3 business days as described above. We further recommend the Society limit the number of cash collection points to help improve the physical security of the assets.

FINDING NUMBER 2003-005

Material Weakness – Race Purse Disbursements

Disbursements should be recorded, when paid, in the appropriate expense account. Sufficient documentation should be retained to support the disbursement. Such documentation may include invoices, receipts, purchase orders, contracts, or other documentation and the purpose of the disbursement if not obvious from the existing documentation.

The Society did not maintain supporting documentation for the race purse disbursements from the harness stakes races held as part of the 2002 Jackson County Fair. These disbursements amounted to \$52,216 and comprised 19.5 percent of the total disbursements for 2002. Race purse disbursements are prepared in accordance with race reports prepared by the presiding judge. These reports summarize the results of each race and document the purse amounts to be disbursed to each horse owner. The Society could not locate the reports supporting the 2002 disbursements. As a result, the Society could not substantiate the amounts paid as race purse disbursements for 2002.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-005 (Continued)

Material Weakness – Race Purse Disbursements (Continued)

We recommend the Society maintain supporting documentation for all disbursements. The Race Reports supporting the race purse disbursements should be maintained on file as support for the amounts disbursed as race purses.

FINDING NUMBER 2003-006

Material Weakness – Ticket Accountability Forms

All tickets for admittance to the fair and its events should be consecutively pre-numbered. Separate tickets should be used to account for each type of admission. The numbered sequence of tickets given to distribution locations should be recorded. All unsold tickets and cash for sold tickets should be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt should be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office should be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations should be performed for tickets assigned to each location sale. A single, pre-numbered cash receipt should be assigned to account for the cash associated with all reconciliations.

The Society maintained ticket accountability forms for the gate admission tickets and a ticket record book for season tickets, but did not maintain numerical control over the exhibitor's tickets and student tickets sold for entrance to the Fairgrounds. The ticket accountability forms for the gate admissions tickets were not signed by the individual reviewing and verifying the information. Additionally, the files did not contain a ticket accountability form for Monday, July 14, 2003. We also noted that the ticket accountability form for Monday, July 15, 2002 did not contain the beginning and ending ticket numbers. It only documented the total number of tickets. Further, it was noted that tickets were sold at a local factory to employees. However, no ticket accountability documentation was maintained for these tickets. The Society just receipted the money collected at the factory and posted it as admissions receipts. All of the tickets issued for entrance to the fair contained preprinted numbers that would allow for numerical control through the use of ticket accountability forms. The lack of ticket accountability could result in individuals gaining access to the fairgrounds without paying for the passes.

Our review of the ticket accountability forms for the gate admissions revealed five instances in 2003 and nine instances in 2002 in which ticket numbers were changed as indicated by white-out on the forms and alterations of the numbers in different colors of ink. This could lead to questions concerning the validity of the information recorded on the forms. Additionally, a review of the sequences of ticket numbers included on the ticket accountability forms indicated that the tickets were not always sequentially issued. This could raise questions regarding the validity of the information recorded on the ticket accountability forms.

We recommend that ticket accountability forms be utilized for all tickets issued. The ticket accountability forms should document the first ticket number sold, the last ticket number sold, total tickets sold, and money collected. This information should be recorded separately for each individual and business selling the tickets. Additionally, a separate person should verify the information recorded on the ticket accountability form. The number of tickets sold should be compared with the money collected to help assure the completeness of the receipts. The individual performing the verification and review of the ticket accountability forms should sign and date the forms indicating any variances noted. We further recommend that the tickets be sequentially issued to help provide some assurance as to the accuracy of the information recorded on the ticket accountability forms.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-007

Material Weakness – Concessions and Commercial Space Privilege Fees

Deposits and intermediate and final payments for concessions and commercial space privilege fees should be receipted and deposited separately as cash receipts. Contracts associated with the rental should indicate the receipt number assigned to account for the deposit and interim and final payments.

The concessions contracts were not always clear in the amounts due and paid. The contract forms were not properly utilized in that the total amount due less the deposits amounts were not always properly completed by the Society. Additionally, the receipt numbers for the related payments were not recorded on the contracts. Not including the associated receipt numbers on the contracts could make it difficult to determine if and when the contract was paid in full. Additionally, the contracts did not always indicate the size of the space to be rented and the related cost. This could lead to questions regarding whether the Society collected privilege fees in accordance with an approved fee schedule.

Our testing of commercial space contracts revealed that the Society received \$1,644 in commercial space privilege fees receipts which could not be agreed to specific contracts. For instance, duplicate receipt number 6091, dated July 18, 2003 was written for a total amount of \$1,709 and indicated that of that total, \$1,469 was for commercial space privilege fees. The duplicate receipt indicated that the money was received from Gilbert Hartley, a Board of Directors Member. Mr. Hartley collected the money from the various individuals/organizations renting commercial space, and then paid it in to the secretary to be recorded. This receipt included receipts from several different exhibitors paid to Gilbert Hartley. However, no documentation was provided for audit that would enable us to determine to which contracts these receipts should be applied. The commercial space contracts did not include the duplicate receipt number where the receipts were recorded to enable us to agree the receipts to contracts.

We recommend the Society properly complete the concessions and commercial space contracts to include all of the necessary information, including the size of the space to be utilized by the person or organization and the associated fee. The contracts should document the total amounts due, the amounts of any deposits paid and the amount remaining and payable. We further recommend the Society clearly identify the duplicate receipt number associated with payments on the contracts. In accordance with the November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies, a multi-part pre-numbered receipt should be completed for each cash receipt for such privilege fees. A copy of the receipt should be given to the person or organization making the payment. A cash receipt should be prepared for all cash receipts regardless of whether other documentation evidences receipt. The implementation of these controls would better enable the Society to determine whether the concessionaires and exhibitors have fully paid the required amounts in accordance with their contracts.

FINDING NUMBER 2003-008

Material Weakness – Cashbook Maintenance

Properly and timely completed bank reconciliations should be completed to help ensure the completeness of recorded transactions as well as to ensure that transactions were recorded in the proper period. A properly completed bank reconciliation should include a comparison of the total cash balance per the books of the Society to the total bank cash balances per the bank statements. All bank accounts of the Society should be included in the monthly reconciliation.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-008 (Continued)

Material Weakness – Cashbook Maintenance (Continued)

Testing of the monthly reconciliations revealed that the Society did not maintain a detailed list of receipts in the cashbook. Instead, receipts were recorded as a monthly total that agreed with the deposits made to the bank and the interest earned on the checking account. The receipts were recorded in the Cash column but were not recorded in the Fund column. The Society also maintains a separate savings account that is not included in the cashbook balance. Additionally, any receipts deposited in the savings account, and interest earned on the savings account, are not recorded in the cashbook. For example, the Society received \$33,985.87 in March of 2002. The money was deposited in the savings account. The receipts were not recorded in the cashbook until July, 2002 when the money was transferred from the savings account to the checking account. Additionally, the Society received \$32,716 in March, 2003. The money was deposited in the savings account. The receipts were not recorded in the cashbook until July, 2003 when the money was transferred from the savings account to the checking account. This is a result of the Society only recording the deposits per the bank statement for the checking account as the receipts for the month. This practice could result in receipts being recorded in an improper period. This would be especially true if a similar transaction were to occur near November 30. It would be possible that the receipt would not be recorded in the financial statements of the proper year under such practices.

Further, a review of the monthly bank reconciliations revealed that the Society does not include the savings account in the monthly reconciliation process. The cashbook is reconciled to the bank statement for the checking account, but omits the savings account. This could result in errors or irregularities going undetected for long periods of time.

We recommend the cashbook include a detailed list of all of the receipts of the Society. The cashbook should include the balance and the transactions of the savings account as well as the checking account. This will help to ensure that transactions are recorded in the proper period. We further recommend the monthly reconciliation include the savings account as well as the checking account. Including the balance and the activity of the savings account in the cashbook would enable the Society to effectively reconcile the ledgers to the total cash balances in the accounts. Maintaining the complete information in the cashbook would also better enable the Society to monitor their actual financial condition and make more informed decisions.

FINDING NUMBER 2003-009

Reportable Condition – Annual Budget

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that each agricultural society shall prepare an annual budget of its revenues and expenses. The Budget shall cover the period December 1 through November 30. The budget shall be considered and approved by the board of directors prior to the first day of the ensuing fiscal year. The budget shall be prepared at the level of accounts from the chart of accounts which are used by the society.

Budgeted revenues and expenses should be distributed to the month they are likely to be received and expended. The distributed monthly budget should be integrated into the Society's accounting system.

Actual revenues and expenses should be compared to the budgeted amounts each month, and reported to and reviewed by the board of directors. The Board of Directors should determine the reasons why actual expenses exceeded or were less than budgeted expenditures by making inquiries to fair management.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-009 (Continued)

Reportable Condition – Annual Budget (Continued)

The Jackson County Agricultural Society did not adopt an annual budget for fiscal year 2003 or 2002. An annual budget, if carefully prepared, can be a useful tool for management to monitor the financial activities of the Society.

We recommend the Board of Directors adopt an annual budget that includes both estimated receipts and appropriations. A budget is an effective management tool in monitoring expected revenues and disbursements in relation to amounts actually received and expended. We further recommend the Board of Directors periodically review comparisons of budgeted and actual activity and inquire if actual results depart significantly from expectations.

FINDING NUMBER 2003-010

Material Weakness – Rental Receipts

Deposits and intermediate and final payments for campground, fairground, building, or stall rentals should be receipted and deposited separately as cash receipts. Contracts associated with the rental should indicate the receipt number assigned to account for the deposit and interim and final payments. Additionally, contracts for the rental of camp sites, fairgrounds, buildings, barns and stalls should clearly document the terms of the rental including, but not limited to the rental rates, duration of the rental, total amount due, when payments are due, and rental termination policies and procedures

The Society received rental receipts from renting the use of the grounds, camp sites, barns, stalls, and various buildings located at the County Fairgrounds throughout the year. However, the agreements/contracts for the rental of the various items listed above did not sufficiently document the amounts to be received from the rental. There was a general lack of documentation supporting the amount of the recorded receipts. For instance, in the case of rental receipts from the camp sites, the agreements provided no documentation to substantiate the number of days and/or the dollar amount for the rental of the camping space. The same lack of documentation existed for the rental of the grounds and buildings of the Society.

The Society utilized lease agreements for the rental of horse stalls throughout the year. The lease agreements included the name of the lessee and the number of stalls to be used. The agreement listed three different fees for the rental based on the location of the stall and whether or not the lessee will use the track. However, there was no indication on the signed lease agreements of the location of the stall rented or whether the agreement included track use. Additionally, the agreement provided no indication of the duration of the lease of the stall. It was noted that the leases are actually on a month to month basis depending on how well the owners' horses do during the racing season. Additionally, the rental receipts are collected by one of the members of the Society who then paid the receipts into the Society Secretary. The Society Secretary then prepared a duplicate receipt and deposited the money. The lack of documentation to substantiate the amount of the receipts and the process of collection described above could result in questions regarding the completeness of the receipts paid in to the Society Secretary, deposited in the bank and recorded in the ledgers of the Society.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-010 (Continued)

Material Weakness – Rental Receipts (Continued)

We recommend the Society modify the current written rental agreements/contracts for the rental of the grounds, camp sites, barns stalls, buildings, etc. The rental agreement should clearly state the terms including, but not limited to, the agreed upon price, as well as the rules for the use of the assets. The agreement should document the duration of the agreement for the rental of the grounds, camp sites, buildings, barns, stalls, etc and the total cost associated with the agreement. Since the period of the lease of the horse stalls is generally unknown, and the leases are considered to be on a month to month basis, we recommend the Society develop new lease agreements with the horse owners which requires a specified period , such as 30 or 60 days, of notice be provided to terminate the lease agreement. Additionally, a duplicate receipt should be prepared by the individual collecting the rent payments for each individual receipt. The receipt should be signed by the individual receiving payment and a copy provided to the individual or organization making the payment. Once the money has been collected, the money should be paid to the Society Treasurer in accordance with Ohio Revised Code Section 9.38. A pay-in should be prepared by the Society Treasurer. The receipt should be recorded in the receipts ledger and cash book and be deposited in the designated depository.

FINDING NUMBER 2003-011

Reportable Condition – Financial Monitoring

Actual revenues and expenses should be compared to budgeted amounts each month, and reported to and reviewed by the Board of Directors. The Board of Directors should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, Agricultural Societies should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Society should look for ways to increase revenues and/or decrease expenditures budgeted in the up coming months so as to achieve the budgeted cash balance.

There is no documentation of the extent to which the Board of Directors uses financial information to monitor the financial activity of the Society. The lack of financial information provided to the Board of Directors for review each month, hampers the Board of Director's ability to effectively monitor the financial activity and position of the Society. For each regular Board of Director's meeting, the Society Treasurer should provide a detailed budget and financial statements, lists of investments, cash balances, and checks paid.

The Board of Directors should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Society. This information can help answer questions such as the following:

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-011 (Continued)

Reportable Condition – Financial Monitoring (Continued)

Inquiries Relevant to Overall Agricultural Society Operations:

- 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 Society maximizing its return on invested cash balances?
- Is the Society able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Society, we recommend the Board of Directors review and accept/approve the monthly financial information provided by the Society Treasurer. The review of this information should be noted in the minutes of the meetings of the Board of Directors.

FINDING NUMBER 2003-012

Reportable Condition – Disbursement Approval

Expenditures of the Society should be approved by the Board of Directors prior to incurring the obligation to ensure that the expenditure was allowable and necessary for the operation of the Society. The Society did document the Board of Director's approval of some of the Society's bills in the minutes of the Board of Directors meetings. However, the bills listed in the minutes were not a comprehensive listing of the bills that were paid. Additionally, the Society did not utilize vouchers for the approval of invoices. This could result in questions as to whether all of the disbursements were approved by the Board of Directors. Additionally, numerical control was not maintained over supporting documentation (i.e. invoices, bills, etc.) for the non-payroll disbursements. This can make it difficult to locate supporting documentation for specific disbursements of the Society.

We recommend that the Society Treasurer prepare a comprehensive listing of the monthly bills and/or disbursements to be made for each month. To provide assurance that all disbursements are approved by the Board of Directors, this list should be presented to the Board of Directors at the monthly meeting for their approval. The Board of Directors' approval should be documented by the signature of the Board of Directors. Board of Directors' approval could also be documented through the utilization of vouchers. A voucher containing the check number, date, payee, amount, and appropriate account coding of the expenditures should be prepared for all disbursements. The voucher should be attached to the corresponding invoices and presented to the Board of Directors for approval prior to making payment. Approvals should be evidenced by the signatures and dates of the individuals approving payments. The implementation of a voucher process would also enable the Society to maintain numerical control over the supporting documentation for the disbursements.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-013

Reportable Condition – Debt Proceeds and Payments

Rollovers of notes should be recorded as receipts and disbursements. The Society obtained new bank loans during the audit period to refinance loans that matured in May, 2002 and May, 2003. When the new loans were obtained, the proceeds were directly used to pay off the maturing loans. The Society never truly received the cash. As a result, the Society did not record the proceeds of the newly obtained loans. Additionally, the Society only recorded the amount of the checks actually written for the difference between the old loans and the new loans as well as the interest on the loans as the debt payments for the year. However, the full balance of the loans being retired should be recorded as debt payments. By not recording the proceeds of debt and debt payments as described above, the financial statements understate the amounts.

We recommend that upon the issuance of new debt, the face value of the debt be recorded as proceeds. If the Society does not actually receive the cash from the debt issuance, the proceeds should be recorded as a memo entry. Additionally, upon the retirement of existing debt by issuing new debt, the face value of the maturing debt should be recorded as the debt payments. A memo expenditure should be recorded for the difference between the face value of the debt and the amount actually disbursed via a check issued by the Society Treasurer. This will help to ensure that the debt activity is properly reported in the financial statements.

FINDING NUMBER 2003-014

Reportable Condition – Check Cashing

Agricultural Societies should not make payments out of un-deposited receipts. Rather, the receipts should be deposited in the Society's checking account. Disbursements should be made by check against the bank account.

A review of the canceled checks associated with the disbursements selected for testing provided indication that the Society cashed checks for certain vendors at the fairgrounds. Specifically, a review of check number 13627, dated July 19, 2003 in the amount of \$23,736.52 was endorsed by "JCJ Amusements" followed by the signature of the owner "Vicky Jinright". Following this endorsement was an endorsement "For Deposit Only Jackson County Fairboard". There was no stamp or printed information on the back of the check to indicate that the check had cleared the bank. We noted similar endorsements on check numbers 13553, 13624 and 13625 in the amounts of \$60, \$720 and \$500, respectively. Such endorsements indicate that, while the Society wrote checks for the disbursements, the Society actual used un-deposited receipts to make the abovementioned disbursements.

We recommend all disbursements of the Society be made by check drawn on the Society's checking account. The Society should not subsequently cash these checks for the vendors. Additionally, the Society's ability to cash a check in an amount in excess of \$23,000 indicates that an excessive amount of cash was on hand. We further recommend the Society deposit cash more frequently during fair week to prevent having excess cash on hand which increases the susceptibility of theft or loss.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-015

Reportable Condition – Junior Fair Premiums

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that a society may establish one or more petty cash accounts to distribute premium money to exhibitors. Such account must be authorized by the society's board of directors. If such a petty cash account is authorized by the board of directors, the amount initially deposited in the account, called the "imprest amount," shall be authorized by the society's board of directors. The board of directors shall also designate a person as the custodian of the petty cash. To provide the petty cash, the Treasurer should write a check to the custodian of the petty cash in the following manner: "John Doe, Petty Cash Custodian", where John Doe is the custodian as designated by the board of directors. Receipts, in the form of premium vouchers, should be maintained and added to the petty cash remaining to equal the imprest amount.

The Society did not properly establish the petty cash account for Junior Fair Premiums. The Board of Directors did not pass a resolution authorizing the establishment of the account. Additionally, the Board of Directors did not establish the imprest amount by resolution nor did they designate a custodian. The Society did utilize premium cards to document the amounts of premiums paid. However, testing of the cards revealed that the amount actually paid was not always clear. Several of the cards have multiple amounts documented on them. Additionally, the cards state that the cards must be stamped by the County Agent to be valid. Testing of the premium cards revealed that some of the cards had a date stamp while some did not. Additionally, testing revealed that many of the cards were initialed. There was no clear documentation of which cards were actually paid and the amounts paid from each card.

Testing of the 2003 Junior Fair Premiums paid in cash revealed some discrepancies. The Society initially wrote a check to "Cash" in the amount of \$4,000 on July 9, 2003 per review of the canceled check and the disbursements ledger. The disbursements ledger did not indicate the amount of the cash that was redeposited at the end of the fair. We reviewed the duplicate receipts noting that \$1,834 was redeposited. This amount was recorded in an account entitled "Redeposits". Based on this information, it was determined that the Society must have disbursed \$2,166 in Junior Fair Premiums. However, based on a review of the Annual Report and the disbursements ledgers, it was determined that the Society reported that they disbursed only \$1,280.19 in Junior Fair Cash Premiums, leaving \$885.81 unaccounted for. However, testing of the November, 2003 Reconciliation to the Annual Report revealed several accounting errors in which we were ultimately able to determine that the \$885.81 variance was the result of these errors. Based on these errors, the Society, in the preparation of the Annual Report, altered the Junior Fair Premiums amount on the Annual Report in an attempt to balance the Annual Report with the bank statements. Additionally, we compared the premium cards to the reported disbursements. However, as a result of the problems noted in the previous paragraph, we were unable to adequately support the amount. Our testing of the cards revealed that the Society should have paid more premiums than they actually did.

We recommend the Society properly authorize all petty cash accounts and follow the guidelines as outlined in the 2002 Revision of the Uniform System of Accounting for Agricultural Societies. We further recommend the Society continue to utilize the premiums cards to document the cash payments of the premiums. However, the cards should be properly utilized and clearly identify the amounts disbursed as premiums. The total amounts disbursed per the premiums cards should agree to the difference between the imprest amount of the petty cash account and the amount redeposited at the end of the Fair. The Society should reconcile the cards to the actual cash disbursed and investigate any discrepancies. Documentation of this reconciliation process should be maintained.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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

FINDING NUMBER 2003-016

Reportable Condition – Checks Payable to Cash

Agricultural Societies should not make payments out of un-deposited receipts. Rather, the receipts should be deposited in the Society's checking account. Disbursements should be made by check against the bank account.

The Society wrote several checks payable to the order of "Cash" during 2002 and 2003. A review of the cashbook for 2002 and 2003 revealed that the Society wrote checks to "Cash" totaling \$13,090 and \$15,000 for 2002 and 2003, respectively. We reviewed the ledgers noting that of these amounts, \$7,000 during 2002 and \$11,000 during 2003 were for change at the Fairgrounds. Additionally, it was noted that \$5,000 during 2002 and \$4,000 during 2003 were used to make premium payments to the Junior Fair participants. In addition to the abovementioned checks, during 2002, the Society wrote additional checks to "Cash" in the amounts of \$180 for prize money for winners of the Kiddie Tractor Pull, and \$160 for vet awards during the 2002 fair. We also noted a check to "Cash" in the amount of \$750 for which the cash was used to pay for radio advertising.

In an effort to determine that the amounts of the checks written to "Cash" for change was properly accounted for, we reviewed the receipts ledger and the annual report to determine that all of the cash was redeposited. We noted that all \$7,000 of the cash for change during 2002 was redeposited. However, during 2003, we were only able to definitively determine that \$9,000 of the \$11,000 was redeposited. Based on the records provided for audit, however, we cannot determine if the remaining \$2,000 was ever redeposited or if it was commingled with other funds and improperly recorded as receipts in the ledgers of the Society. Additionally, it was noted that the Society cashed some of the checks that they wrote to vendors. It is possible that the \$2,000 was commingled with other funds and included as part of this type of activity.

The necessity for such large amounts of cash on hand for change at the fairgrounds is questionable. The Society should limit the amount of cash on hand at the fairgrounds to the amount needed to effectively manage the admissions booths and possibly keep some cash on hand to make change for those people paying cash for the use of camp sites. The Society should not maintain cash on hand to provide change for concessionaires and other such vendors on site during the County Fair.

The November 2002 Revision of the Uniform System of Accounting for Agricultural Societies provides guidelines for the establishment and operation of a petty cash account. It states that a society may establish a petty cash account if the establishment is authorized by the society's board of directors. Additionally, if the petty cash account is authorized by the board of directors, the amount initially deposited in the account, called the "imprest amount," shall be authorized by the board of directors. The board of directors shall also designate a person as custodian of petty cash. The board of directors may establish a higher imprest amount during the period immediately before, during and after its annual fair to facilitate any required use of cash. During non-fair periods, the petty cash imprest amount should be no more than \$500. During fair periods, the petty cash imprest amount may be up to \$1,000.

Receipts shall be required for all petty cash disbursements. The petty cash custodian shall assure that the sum of receipts for petty cash expenditures plus remaining petty cash always equals the "imprest amount." Petty cash shall be replenished up to the "imprest amount" by society check made payable to the petty cash custodian in the form "John Doe, Petty Cash Custodian", where John Doe is the name of the person authorized by the board of directors to be the petty cash custodian. The expenditures made by petty cash disbursements shall be distributed to the accounts upon the replenishment of the petty cash fund.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENT
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2003-016 (Continued)

Reportable Condition – Checks Payable to Cash (Continued)

We recommend the Society follow the guidelines outlined in the November 2002 Revision of the Uniform System of Accounting for Agricultural Societies for the establishment and operation of a petty cash account. Additionally, the Society should review the practice for the amount of cash obtained for use as change at the fairgrounds and adopt a policy whereby a reasonable amount of cash is established for use as change at the fairgrounds. The policy should include clear guidelines for the use of the cash as change and the proper accountability for the cash. The amount of the change on hand at the fairgrounds should remain constant each day with the cash amount obtained for change being redeposited at the end of the County Fair. Maintaining the change amount at the same amount each day would help to enable the Society to agree the daily receipts for admissions to the daily deposits and ticket counts if adequate records are maintained properly. Such procedures would help to increase the physical security over the assets of the Society and could help to provide better accountability and fewer chances for errors in the reporting the financial activity of the Society.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60740-001	Insufficient rental receipts support documentation	No	Not Corrected. Reissued as Finding Number 2003-007.
2001-60740-002	The cashbook was not maintained in sufficient detail to determine fund balances in the General Operating Fund and the State and Local Fund	No Longer Valid	The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies no longer requires the use of multiple funds to account for the Activity of the Society.
2001-60740-003	Lack of ticket accountability for season tickets	Partially Corrected	Not fully corrected. A Management Letter Comment was issued for 2003.



**Auditor of State
Betty Montgomery**

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JACKSON COUNTY AGRICULTURAL SOCIETY

JACKSON 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
MAY 10, 2005**