



**Auditor of State  
Betty Montgomery**



**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Perry County Agricultural Society  
Perry County  
5445 State Route 37 East  
P.O. Box 189  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the accompanying financial statement of the Perry County Agricultural Society, Perry 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 paragraph, 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.

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.

As discussed in Note 1, the Society 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.

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, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Perry County Agricultural Society, Perry 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 January 13, 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 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 Board of Directors, the audit committee 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

January 13, 2005

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

	<b>2003</b>	<b>2002</b>
<b>Operating Receipts:</b>		
Admissions	\$245,118	\$212,424
Privilege Fees	35,121	30,575
Rentals	33,050	29,485
Sustaining and Entry Fees	27,826	30,354
Other Operating Receipts	18,446	1,508
Total Operating Receipts	359,561	304,346
<b>Operating Disbursements:</b>		
Wages and Benefits	57,151	38,003
Utilities	26,080	22,807
Professional Services	188,197	113,294
Equipment and Grounds Maintenance	94,652	74,406
Senior Fair	39,798	36,758
Junior Fair	28,158	38,168
Capital Outlay	63,133	413,285
Other Operating Disbursements	11,014	663
Total Operating Disbursements	508,183	737,384
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(148,622)	(433,038)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	7,541	8,139
County Support	9,752	9,751
Debt Proceeds	87,000	446,500
Donations/Contributions	84,532	125,638
Investment Income	145	703
Debt Service	(67,568)	(156,162)
Net Non-Operating Receipts (Disbursements)	121,402	434,569
Excess (Deficiency) of Receipts Over/(Under) Disbursements	(27,220)	1,531
Cash Balance, Beginning of Year	36,244	34,713
<b>Cash Balance, End of Year</b>	<b>\$9,024</b>	<b>\$36,244</b>

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

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**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Perry County Agricultural Society, Perry County, Ohio (the Society), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1954 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Perry County Fair during July. Perry 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 18 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Perry County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes public activity occurring on the fairgrounds. This includes the annual fair and other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including, tug pulls, horse riding, bull riding, concerts, and truck and tractor pulls. The reporting entity does not include private activities occurring at the fairgrounds such as the "Gun Bash" nor any other activities or entities of Perry County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 8 and Note 9, respectively.

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 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**

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**E. Donations and Contributions**

Donations and contributions include amounts that are required by the donor to be set aside for specific uses.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. 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 has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Society uses.

**2. CASH**

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

	2003	2002
Demand deposits	\$9,024	\$36,244

**Deposits:** The Society's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC).

**3. DEBT**

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
Construction Loan	\$241,391	5.75%
Line of Credit	93,208	6.75%
Total	\$334,599	

The line of credit bears an interest rate of 6.75% and a maximum draw of \$200,000. During fiscal year 2002, the Society borrowed \$146,000 and repaid \$117,000 against the line of credit. During fiscal year 2003, the Society borrowed \$87,000 and repaid \$24,292 against the line of credit. The balance of the line of credit is payable on demand.

The Society borrowed \$300,000 through a promissory note from People's National Bank on May 22, 2002, for the construction of a new coliseum at the fairgrounds and to refund existing debt. The loan was scheduled to be paid over 10 years beginning on September 25, 2002 and ending on September 25, 2011, with annual payments, including interest, of \$38,046.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

**3. DEBT (Continued)**

**Subsequent Event:**

The Society borrowed \$451,300, at an interest rate of 5.25%, from People's National Bank on December 27, 2003, in order to consolidate loan accounts and obtain funding for additional improvements. This loan repaid the outstanding principal balance of \$241,391, plus accrued interest, on the construction loan and loan repaid the outstanding balance of the Society's line of credit. The consolidation loan is scheduled to be paid over 10 years beginning on September 25, 2004, with annual payments, including interest, of \$58,419.

Amortization of the consolidation loan is scheduled as follows:

Year ending November 30:	Principal	Interest	Total
2004	\$40,698	\$17,721	\$58,419
2005	36,862	21,557	58,419
2006	38,798	19,621	58,419
2007	40,786	17,633	58,419
2008	42,976	15,443	58,419
2009-2013	251,180	40,925	292,105
Total	<u>\$451,300</u>	<u>\$132,900</u>	<u>\$584,200</u>

On March 29, 2004, the Society refinanced this note with People's National Bank, increasing the repayment terms of the loan to 15 years with annual payments of \$44,000.

**4. SOCIAL SECURITY**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2003.

**5. RISK MANAGEMENT**

The Perry County Commissioners provide general insurance coverage for all the buildings on the Perry County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. Commercial general liability coverage is provided by Ace American Insurance Company with a limit of \$ 5,000,000 aggregate. Crime coverage for employee dishonesty, with limits of liability of \$30,000, is provided by the Chubb Group of Insurance Companies.

The Society provides workers' compensation coverage on all employees through the State of Ohio workers compensation fund.

**6. CONTINGENT LIABILITIES**

The Society is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, counsel believes that the resolution of this matter will not materially adversely affect the Society's financial condition.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

**7. RELATED PARTY TRANSACTIONS**

During 2002 and 2003, the Society constructed and made improvements to a new coliseum at the fairgrounds. Certain labor and materials for these projects were provided by businesses owned by members of the Board of Directors. The Society paid \$26,733 and \$31,505 in 2002 and 2003, respectively, to these businesses and individuals.

**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 Perry County Fair. During 2003, the Society disbursed \$1,856 directly to the Junior Fair Board and \$26,302 directly to vendors to support Junior Fair activities. During 2002, the Society disbursed \$38,168 directly to vendors to support Junior Fair activities. These expenses are reflected as disbursements in the accompanying financial statements as Junior Fair Disbursements. The Society was reimbursed \$500 by Perry County for its support of Junior Club work for both fiscal year 2003 and 2002. The Society was reimbursed \$3,332 and \$4,641 by the State of Ohio for its support of Junior Fair activity for fiscal years 2003 and 2002, respectively. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's unaudited financial activity for the years ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$ 237	\$ 1,204
Receipts	1,856	6
Disbursements	(1,375)	(973)
Ending Cash Balance	\$ 718	\$ 237

**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 auction. Monies to cover the cost of the auction are generated through a 6% commission for grand champion and reserve grand champion livestock, and a 4.5% commission for all other livestock and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's unaudited financial activity for the years ended November 30, 2003 and 2002 are as follows:

	2003	2002
Beginning Cash Balance	\$ 1,411	\$ 4,852
Receipts	12,727	7,688
Disbursements	(10,520)	(11,129)
Ending Cash Balance	\$ 3,618	\$ 1,411



**Auditor of State  
Betty Montgomery**

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

Perry County Agricultural Society  
Perry County  
5445 State Route 37 East  
P.O. Box 189  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the accompanying financial statement of the Perry County Agricultural Society, Perry County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated January 13, 2005, wherein we noted that sufficient competent evidential matter was not available to gain necessary assurances over the completeness of the Society's receipts. 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 Society'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 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 instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to the Society's management in a separate letter dated January 13, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Society'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 judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2003-001 through 2003-008.

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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. We consider the reportable conditions listed above as items 2003-006 and 2003-008 to be material weaknesses. 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 Society's management in a separate letter dated January 13, 2005.

This report is intended solely for the information and use of management, the audit committee and the Board of Directors, 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

January 13, 2005

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Noncompliance Citation and Reportable Condition – Security of Public Deposits**

Ohio Rev. Code § 135.12(B) requires, in part, the Agricultural Society to meet every five years for the purpose of designating the public depositories of the public monies of the subdivision. In addition, Ohio Rev. Code § 135.18(A) requires the Treasurer of the Society to obtain from the depository evidence of eligible securities pledged as collateral for all public monies on deposit in excess of federal deposit insurance, prior to initial deposit. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

The Board of Directors had not formally designated a public depository for the Society. In addition, the Society had deposits of approximately \$205,000 in excess of federal deposit insurance during 2002 and the Society obtained or maintained no evidence of collateral being pledged to secure these amounts.

We recommend once every five years the Board approve the designation of the public depositories in which the Society shall deposit public monies during that five year period. Periodically, the Treasurer should request evidence of deposits being secured from the depository when public monies on deposit are in excess of the Society's federal deposit insurance coverage.

**FINDING NUMBER 2003-002**

**Noncompliance Citation and Reportable Condition – Timely Deposits**

Ohio Rev. Code § 9.38 requires, in part, that a person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or to a designated depository on the business day next, if the total amount of such monies received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited.

During the audit period, we noted moneys were not consistently deposited in a designated depository in a timely manner. The results of our tests indicated 19% of deposits made included moneys which had been received in excess of 3 business days previous to the date of deposit and, in one instance, moneys were held in excess of one month prior to being deposited. The Society had not adopted a formal policy permitting this practice.

We recommend the Board of Directors adopt a policy concerning the deposit of funds in accordance with the above section.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-003**

**Reportable Condition – Annual Budget**

The Board of Directors did not adopt an annual budget for fiscal year 2003 or 2002. As a result, there was no budgetary control over expenditures.

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 being received and spent. The Board should also review comparisons of budgeted and actual activity periodically and inquire if actual results depart significantly from expectations.

**FINDING NUMBER 2003-004**

**Reportable Condition – Contracts**

Our tests of expenditures for capital improvements indicated that payments were made for work performed where no written contract existed. In certain instances, payments were made to companies owned by members of the Board of Directors. Although the approval of the Board of Director's was noted in the Society's minutes as to the general nature of this work and the amounts to be paid, no specific terms of the work to be performed were noted.

This could result in contract modifications being made without the Board of Directors' concurrence and could allow work to be performed outside of what was intended by the Board of Directors.

We recommend written contracts be signed by the Board of Directors and the contractor document the terms of the work to be performed for each project. The Board should consider obtaining bids and awarding contracts to the lowest bidders.

**FINDING NUMBER 2003-005**

**Reportable Condition – Bank Reconciliations**

Our review of the Society's year-end reconciliations for fiscal years 2003 and 2002 indicated that checks were included on the Society's outstanding check list which had not cleared the bank for a period in excess of one year. In addition, no evidence was presented to indicate that bank reconciliations were reviewed by someone other than the person performing the reconciliation.

Failure to adequately monitor the Society's reconciliation process could allow errors and/or irregularities to occur and remain undetected.

We recommend attempts be made to contact payees for which long outstanding checks remain. If attempts to contact them are unsuccessful, then these amounts should be paid into an unclaimed monies fund and held for a period of five years. If amounts remain unclaimed after five years, then they should be paid into the Society's operating fund. We also recommend reconciliations be reviewed by the Board of Directors or its designee. The reconciliations should be signed and dated by the individual(s) performing the review.



**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-006**

**Material Weakness – Receipts**

Our review of the Society's receipt process indicated the following weaknesses:

- Receipts were not always posted to the accounting system in a timely manner.
- Receipt numbers and dates were not posted to the Society's accounting system. Instead, the Society posted transactions to the system from deposit tickets.
- Duplicate receipts were attached to deposit slips; however, a calculator tape evidencing the reconciliation of these receipts to the deposit was not attached.
- Receipt books were utilized by various individuals; however, the Society had not established controls to determine by whom each specific receipt book was held.

Failure to properly issue and maintain receipt transactions could result in errors or irregularities occurring and remaining undetected and did result in the inability to determine whether all receipts issued could be accounted for. Significant time was needed during the audit to reconcile receipts to individual deposits and to trace receipts to the accounting system to gain assurance they have been properly posted.

We recommend the following:

- Pre-numbered duplicate receipts should be utilized as the source document for posting transactions to the accounting system for those transactions where monies are collected. The Society should establish a policy to clarify those transactions requiring the issuance of a receipt. All receipt numbers and receipt dates should be posted to the system and postings should be made in a timely manner.
- Receipts should be reconciled to each deposit and a calculator tape attached to the deposit as evidence this procedure has been performed.
- The Society should establish control over the various receipt books in use. The Society should require each individual to sign for a receipt book when a new book is issued.
- Duplicate receipts should remain intact within each receipt book and turned into the Secretary.

**FINDING NUMBER 2003-007**

**Reportable Condition – Payroll Disbursements**

Postings of payroll disbursements to the accounting system did not reflect actual amounts paid to payees. The Treasurer posted payroll disbursements for wages in the gross amounts. Checks for Medicare and Social Security were posted at the employer's amounts. As a result, check amounts posted to the accounting system did not agree to the actual cancelled checks. Cancelled paychecks showed wages in the net amount. Canceled checks for Federal taxes and withholdings reflected the total of the employee and employer shares. Also, certain check numbers, payees, and amounts were not posted to the system at all because the remittance was for the employee share only (i.e. state income tax withholdings and child support payments), and the amount had been posted to the wages line item as part of gross wages.

The posting of transactions in this method could result in errors or inaccuracies occurring and remaining undetected.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-007 (Continued)**

**Reportable Condition – Payroll Disbursements (Continued)**

We recommend the Treasurer post payroll disbursements to the accounting system using the actual check numbers, payees, and amounts. This will allow payroll disbursements to be reflected more accurately and completely in the Society's accounting system

**FINDING NUMBER 2003-008**

**Material Weakness – Non-Payroll Disbursements**

During our tests of the Society's non-payroll expenditures, we noted the following weaknesses:

- The Treasurer was the only signatory on the Society's checks.
- The Society did not utilize vouchers for the approval of invoices and no other evidence of the Board's approval was maintained.
- Invoices supporting payments could not always be located by the Society in a timely fashion.
- The Society utilized credit cards for certain purchases; however, the Board of Directors had not adopted a formal policy regarding the proper usage of credit cards.

Failure to require dual signatures on the Society's checks or to properly approve payments could result in payments being made for improper purposes. Although all invoices requested were subsequently located, the Society's failure to maintain numerical control over invoices increases the likelihood of supporting documentation being lost or misplaced. In addition, the Society's failure to adopt a formal policy regarding the use of credit cards could result in errors or irregularities occurring and remaining undetected.

We recommend the following:

- The Society should require the use of dual signatures on all checks issued. The additional signature should be that of the President of the Board of Directors, or another Director, as designated by the Board.
- A voucher containing the check number, date, payee, amount, and appropriate account coding of the expenditure should be prepared for all payments. The voucher should be attached to the corresponding invoices and presented to the appropriate committee (such as the finance committee) designated by the Board of Directors for approval, prior to payments being made. Approvals should be evidenced by the signatures and dates of those individuals approving payments.
- Supporting documentation should be maintained on file in an orderly fashion. Invoices could be maintained by the Society in numerical order, by voucher number.
- The Board of Directors should adopt a formal policy in regards to the Society's credit cards. This policy should outline such items as the purposes for which credit cards may be used and individuals authorized to use them. The policy should prohibit personal use and detail the documentation required to be maintained.



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**PERRY COUNTY AGRICULTURAL SOCIETY**

**PERRY 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  
FEBRUARY 15, 2005**