



**Auditor of State
Betty Montgomery**

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Pike County Agricultural Society
Pike County
P.O. Box 621
Waverly, Ohio 45690

To the Board of Directors:

We have audited the accompanying financial statement of the Pike County Agricultural Society, Pike 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 that our audit provides a reasonable basis for our opinion.

We were unable to obtain the necessary assurances concerning the completeness of the recorded admissions, privilege fees, rentals, sustaining and entry fees, donations and contributions, and other operating receipts for the years ended November 30, 2003 and 2002. It was not practical to perform alternative procedures.

The Junior Fair Livestock Sale Committee manages the annual livestock sale as part of the Pike County Fair. The financial activity of the Livestock Sale Committee is not recorded in the ledgers of the Society. Due to the lack of complete financial records of the Livestock Sale Committee, Note 6 to the financial statement does not disclose the financial activity of the Livestock Sale Committee for the years ended November 30, 2003 and 2002.

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 (GAAP).

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 the recorded admissions, privilege fees, rentals, sustaining and entry fees, donations and contributions, and other operating receipts for the years ended November 30, 2003 and 2002, and the omission of the financial activity of the Livestock Sale Committee for the years ended November 30, 2003 and 2002, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Pike County Agricultural Society, Pike 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.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Betty Montgomery
Auditor of State

July 11, 2005

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

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

	2003	2002
Operating Receipts:		
Admissions	\$91,728	\$95,959
Privilege Fees	21,959	26,069
Rentals	30,412	22,457
Sustaining and Entry Fees	22,105	21,693
Parimutuel Wagering Commission	1,620	2,133
Other Operating Receipts	15,957	11,794
Total Operating Receipts	183,781	180,105
Operating Disbursements:		
Wages and Benefits	4,870	4,999
Utilities	22,530	21,094
Professional Services	64,933	81,666
Equipment and Grounds Maintenance	24,318	21,555
Race Purse	51,644	52,420
Senior Fair	13,350	4,169
Junior Fair	9,833	12,689
Capital Outlay		5,925
Other Operating Disbursements	35,352	22,236
Total Operating Disbursements	226,830	226,753
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(43,049)	(46,648)
Non-Operating Receipts (Disbursements):		
State Support	36,925	38,627
County Support	3,300	3,300
Donations/Contributions	14,576	16,740
Investment Income		39
Net Non-Operating Receipts (Disbursements)	54,801	58,706
Excess (Deficiency) of Receipts Over (Under) Disbursements	11,752	12,058
Cash Balance, Beginning of Year	32,368	20,310
Cash Balance, End of Year	\$44,120	\$32,368

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

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**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 Pike County Agricultural Society, Pike 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 in 1986 to operate an annual agricultural fair. The Society sponsors the week-long Pike County Fair during July and/or August. Harness races are held on the two days immediately prior to the Fair. Pike County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Pike 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 include facility rental and stall rental. The reporting entity does not include any other activities or entities of Pike County, Ohio.

Note 5 summarizes the Junior Fair Board's financial activity. Note 6 omits the Junior Livestock Sale Committee's financial activity due to complete financial records not being available.

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 statement does not include these items as assets.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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, 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 Pike County Harness Races are held during the Pike 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 help 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 Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. CASH

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$44,120	\$32,368

Deposits: The Federal Deposit Insurance Corporation (FDIC) insures 100% of the Society's bank balances.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 accompanying 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)	\$ 8,389	\$ 10,812
Less: Payoff to Bettors	(6,769)	(8,679)
Parimutuel Wagering Commission	1,620	2,133
Tote Service Set Up Fee	(1,200)	(1,890)
Tote Service Commission	0	0
State Tax	(169)	(243)
Society Portion	\$ 251	\$ 0

4. RISK MANAGEMENT

The Pike County Commissioners provide general insurance coverage for all the buildings on the Pike County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000. The Society's Treasurer is bonded with coverage of \$20,000.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

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

5. 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 Pike County Fair. The Society disbursed \$5,882 and 6,575 directly to vendors to support Junior Fair activities for the years ended November 3, 2003 and 2002 respectively. These expenses are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursements. Pike County paid the Society \$500 to support Junior Club work for each year ending November 30, 2003 and 2002. 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:

	<u>2003</u>	<u>2002</u>
Beginning Cash Balance	\$1,027	\$1,087
Receipts	5,062	2,607
Disbursements	<u>(4,422)</u>	<u>(2,667)</u>
Ending Cash Balance	<u>\$1,667</u>	<u>\$1,027</u>

6. 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 through the Pike County Fair's auction.

The accompanying financial statement does not include the activities of the Junior Livestock Committee. Information regarding the Junior Livestock Committee's financial activity was not available for the years ended November 30, 2003 and 2002.

8. SUBSEQUENT EVENTS / CONTINGENT LIABILITIES

The Society is a defendant in a lawsuit filed subsequent to the date of the financial statements. The Society's management cannot presently determine the outcome of this suit since it has not yet answered the complaint.



**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***

Pike County Agricultural Society
Pike County
P.O. Box 621
Waverly, Ohio 45690

To the Board of Directors:

We have audited the financial statement of the Pike County Agricultural Society, Pike County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated July 11, 2005, wherein we noted that sufficient competent evidential matter was not available to obtain the necessary assurances over the completeness of the Society's recorded admissions, privilege fees, rentals, sustaining and entry fees, donations and contributions, and other operating receipts for the years ended November 30, 2003 and 2002, and the omission of the financial activity of the Livestock Sale Committee for the years ended November 30, 2003 and 2002. Except as discussed in the preceding sentence, 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 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 2003-013.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial 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 2003-004, and 2003-009 through 2003-012 listed above to be material weaknesses. In a separate letter to the Society's management dated July 11, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
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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 we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2003-001 through 2003-003. In a separate letter to the Society's management dated July 11, 2005, we reported other 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.

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Betty Montgomery
Auditor of State

July 11, 2005

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 Pike County Agricultural Society entered into a "privilege contract" for the lease of a commercial booth at the 2002 Pike County Fair with the Piketon Nursing Center. The contract stipulated that the Piketon Nursing Center agreed to pay the Pike County Agricultural Society \$110 for this booth space. Testing of the Agricultural Society's receipts revealed that the Agricultural Society did not receive this \$110, as per the contract.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against the Piketon Nursing Center, Linda Murphy, Society Treasurer, and The Ohio Fair Participating Plan, the Treasurer's Bonding Company, jointly and severally, in the amount of one hundred ten dollars (\$110) and in favor of the Pike County Agricultural Society.

FINDING NUMBER 2003-002

Finding for Recovery – Repaid Under Audit

The Pike County Agricultural Society entered into a "privilege contract" for the lease of concession space at the 2002 Pike County Fair with Steve Rader (aka H & R Concessions). The contract stipulated that Steve Rader agreed to pay the Pike County Agricultural Society \$200 for this concession space. Testing of the Society's receipts revealed that the Agricultural Society only received \$100 of the \$200 due as per the contract.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due but not collected is hereby issued against Steve Rader (aka H & R Concessions), Linda Murphy, Society Treasurer, and The Ohio Fair Participating Plan, the Treasurer's Bonding Company, jointly and severally, in the amount of one hundred dollars (\$100) and in favor of the Pike County Agricultural Society.

The finding was paid by Steve Rader in the amount of \$100 by check dated May 24, 2005. The Society recorded this as receipt number 5511 on June 1, 2005.

FINDING NUMBER 2003-003

Noncompliance Citation

Ohio Rev. Code Section 9.38 requires, in part, that public money must be deposited with the treasurer of the public office *or* to a designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds on thousand dollars. 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 (such as 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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)

Noncompliance Citation – Ohio Rev. Code Section 9.38 (Continued)

The Society's receipts were either collected by the Treasurer or certain members of the Society's Board. The receipts collected by Board members 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 Treasurer, who in turn deposited the receipts in the designated depository. Generally, the receipts collected by the Board members were paid to the Treasurer only once per month. As a result, public moneys were frequently held for a period up to one month, sometimes longer, before being deposited. Therefore, receipts were not deposited in accordance with the abovementioned Revised Code Section. Additionally, it was noted that there were generally very few deposits, frequently only one or two deposits, with the bank each month. This is a potential indication 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 the Society deposit all receipts to the Treasurer or the designated depository by the next business day following the day of receipt. If the Board 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.

FINDING NUMBER 2003-004

Material Weakness

Ohio Admin. Code Section 117-2-02(B) requires the Society's internal controls to reasonably assure that financial statement elements are properly classified and described and appropriate disclosures are made as prescribed by the auditor of state for entities that do not follow generally accepted accounting principles. This includes maintaining adequate supporting documentation for all transactions reported in the financial statements.

The Annual Reports prepared by the Society's Treasurer were not properly supported by accounting records. The Treasurer indicated the software utilized to maintain the ledgers did not contain all of the receipt and disbursement accounts that were needed. Due to this, she recorded the receipts and disbursements in the nearest account. When we asked for the computer ledgers, the Treasurer indicated the information in the system would not agree to the annual reports for the reasons noted above so she wasn't going to provide them to us. We then asked how she prepared the annual reports. The Treasurer indicated she prepared the annual reports from the manually prepared monthly summaries that she provided to Board members at their meetings. We obtained copies of these summaries and noted that account codes were not included and they did not detail the transactions by check or receipt number. Without the inclusion of these identifying numbers, it is difficult to ensure that all transactions were properly recorded. We also noted these summaries were not actual monthly summaries, but were for the periods between Board meetings, which were often more than a month. As a result, these summaries the Treasurer used to prepare the annual reports included transactions that occurred outside of the fiscal years. We attempted to reconcile these summaries to the annual reports but were unable. We then asked the Treasurer to prepare transaction details that would support the annual reports. When we received this new documentation a couple months later, we noted it was nothing more than the aforementioned summaries totaled together. There still was no transaction detail and the new information still did not agree to the annual reports. Such discrepancies indicate the annual reports were not properly supported by underlying records and could result in material misstatement of the financial statements. We eventually were able to use the summaries and additional detail provided and match the check and receipt numbers in order to develop receipts and disbursements listings to either support amounts on the annual

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 (Continued)

Noncompliance Citation – Ohio Admin. Code Section 117-2-02(B) (Continued)

reports or determine required adjustments.

We recommend the Treasurer maintain ledgers that properly support the Society's Annual Report. Since the computer system utilized by the Treasurer does not include all of the necessary accounts, we recommend the Treasurer add the accounts to the computer system or consult with the software vendor or other knowledgeable individual to update the computer system and/or software. We further recommend that all transactions posted to the ledgers or computer system include the check number or receipt number to identify each transaction.

FINDING NUMBER 2003-005

Reportable Condition

Ohio Admin. Code Section 117-2-02(B) requires the government's internal controls to reasonably assure that all account balances and transactions have occurred and are not fictitious. This includes maintaining adequate supporting documentation for all disbursements made.

Proper supporting documentation was not maintained for 11% of the disbursements tested. For instance, there was not sufficient documentation to support the amount of the disbursements for the rides provided at the fair in 2002 and 2003. Additionally, there was not sufficient supporting documentation to support the amount of the disbursements for the stunt show or the junior premiums and ribbons. This can result in questions regarding whether or not the disbursements were for allowable purposes or were properly approved.

We recommend that proper and complete supporting documentation be maintained for all disbursements of the Agricultural Society.

FINDING NUMBER 2003-006

Reportable Condition

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 Pike County Agricultural 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 Pike County Agricultural Society did not provide premium cards to document the amounts of premiums paid.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 2003-006 (Continued)

Reportable Condition (Continued)

Testing of the 2002 Junior Fair Premiums paid in cash revealed some discrepancies. The Society initially wrote checks to "Cash" in the amount of \$4,000 from July 31 to August 3, 2002 per review of the disbursements records. We reviewed the duplicate receipts noting that \$178 was redeposited. Based on this information, it was determined that the Society must have disbursed \$3,822 in Junior Fair Premiums. However, based on a review of the Society's Annual Report, it was determined that the Society reported that they disbursed \$3,867 in Junior Fair Cash Premiums. However, due to the unavailability of records to support the actual amount of cash payments for premiums, we were unable to verify the accuracy of either the reported amount or the calculated amount.

Testing of the 2003 Junior Fair Premiums paid in cash revealed some discrepancies. The Society initially wrote checks to "Cash" in the amount of \$4,000 from July 29 to August 1, 2003 per review of the disbursements records. We reviewed the duplicate receipts noting that \$49 was redeposited. Based on this information, it was determined that the Society must have disbursed \$3,951 in Junior Fair Premiums. However, based on a review of the Society's Annual Report, it was determined that the Society reported that they disbursed \$4,144 in Junior Fair Cash Premiums. Due to the unavailability of records to support the actual amount of cash payments for premiums, we were unable to verify the accuracy of either the reported amount or the calculated amount.

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 utilize premiums cards to document the cash payments of the premiums. 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.

FINDING NUMBER 2003-007

Reportable Condition

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.

The Pike 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 (Continued)

Reportable Condition (Continued)

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 2003-008

Reportable Condition

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that societies shall consider their (1) unexpended expense budgets, (2) available cash balances, and (3) previous commitments to expend which have not yet resulted in cash disbursements prior to making new commitments to expend money.

Previous commitments to spend money which have not resulted in cash disbursements are often documented by the society's unpaid bills. However, it is common for purchase commitments to be made which have not yet resulted in the delivery of goods or services and for which invoices have not yet been delivered. These commitments are documented in the form of purchase orders. Use of purchase orders by agricultural societies is strongly encouraged but not required. Smaller societies may find it possible to keep track of all previous commitments and their effects on the expense budget without using purchase orders.

The Pike County Agricultural Society did not adopt an expense budget and did not utilize purchase orders in the purchasing process. Additionally, it was noted that goods and services were purchased by various members of the Society with no documented approval of the full Board. Sound internal control procedures in the absence of the use of purchase orders should require the expenditures of the Society to 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's approval of some of the Society's bills in the minutes of the Board 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.

We recommend the 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, this list should be presented to the Board members at the monthly meeting for their approval. The Board's approval should be documented by the signature of the Board members. Board 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 be presented to the Board for approval prior to making payment. Approvals should be evidenced by the signatures and dates of the individuals approving payments.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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

Material Weakness

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that all tickets for admission to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distributions locations shall be recorded. All unsold tickets and cash for sold tickets shall 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 shall be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office shall be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations shall be performed for groups of tickets assigned to each local merchant for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

The Society maintained ticket accountability forms for the gate admission tickets but did not maintain numerical control over all of the season tickets. Season tickets sold at the gates to the fair were accounted for on the ticket accountability forms. No numerical control was maintained for the season tickets sold elsewhere.

This resulted in 67% and 51% of season ticket receipts for 2002 and 2003, respectively, only being supported by duplicate receipts written by the Treasurer. The duplicate receipts did not document the season ticket number of the tickets for which the monies were received. 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 tickets. This also does not provide sufficient evidence to assure the completeness of the recorded season ticket receipts.

We recommend the Society utilize ticket accountability forms for all tickets issued. Season tickets not issued at the gates should be accounted for utilizing ticket accountability forms. A form should be used to total all of the tickets available for sale, the total tickets sold, and the amount of money collected. Additionally, the Board of Directors should collect all unsold tickets to ensure that all of the season tickets were either sold or returned to the Board of Directors.

FINDING NUMBER 2003-010

Material Weakness

The Society collected privilege fees for concession space during the annual Pike County Fair from various concessionaires during 2002 and 2003. Sound internal control policies should require the rental of space to the various concessionaires be documented on Concession contracts which clearly outlines the terms of the agreement including the amount to be received for the use of the concession space.

The Society utilized contract forms for the rental of concession space. However, testing of the 2003 concessions privilege fees receipts revealed that there was \$3,823 in receipts for which no contract was provided for audit in support of the amount. This amount comprised 17.4 percent of the total concessions privilege fees receipts for 2003. During 2003, we also noted that \$132 in season tickets and \$400 in camp site rental receipts were recorded as concessions privilege fees, resulting in the overstatement of the concessions privilege fees and the understatement of the admissions and rental receipts in the respective amounts disclosed above. The amounts related to camp site rental and season tickets were documented on the concessions privilege contracts but were recorded as privilege fees in the Society's records.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 (Continued)

Testing of the 2002 concessions privilege fees receipts revealed that there was \$3,562 in receipts for which no contract or other sufficient support was provided for audit in support of the amounts. This amount comprised 16.2 percent of the total concessions privilege receipts for 2002. During 2002, we also noted that \$450 in season tickets receipts and \$400 in camp site rental receipts were recorded as concessions privilege fees, resulting in the overstatement of the concessions privilege fees and the understatement of the admissions and rental receipts in the respective amounts disclosed above. The amounts related to camp site rental and season tickets were documented on the concessions privilege contracts but were recorded as privilege fees in the Society's records.

The lack of complete documentation indicated that the concessions contracts were not consistently used for the rental of all of the concessions space during 2002 and 2003. The use of such contracts enable the Society to better monitor its collection of privilege fees from the rental of concessions space. Additionally, one instance was noted in which the full amount owed to the Society per a concessions contract was not paid to the Society as reported in finding number 2003-002 above.

We recommend the Society obtain completed concessions contracts for the rental of all concessions spaces. The contracts should clearly document the total privilege fees to be paid to the Society. Additionally, the Society should document the payments received on each of the contracts by indicating that a payment was made and documenting the corresponding receipt number. We further recommend the Society reconcile the amounts owed per the contracts to the amounts received to ensure that all such moneys owed to the Society are paid in full in accordance with the contracts. Additionally, if season tickets or camp sites are sold/rented to concessionaires, the Society should complete the appropriate documentation such as the ticket accountability forms for the season tickets or the Camping Permit for the camp site and record the receipts in the appropriate accounts to ensure that the financial statements properly report the receipts of the Society.

FINDING NUMBER 2003-011

Material Weakness

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that deposits and intermediate and final payments for campground rentals shall be receipted and deposited separate as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payments.

Additionally, contracts/permits 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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)

Material Weakness (Continued)

The Society received rental receipts from renting the use camp sites located at the County Fairgrounds throughout the year. However, the agreements/contracts for the rental of the various items listed above did not always sufficiently document the amounts to be received from the rental of the camp sites. While the camp site rental fee was approved by the Board of Directors, the 2002 camping permits, as maintained on file, did not clearly indicate the amounts owed to the Society. Additionally, we noted that the Treasurer indicated on the camping permits that the fee had been paid. However, the contracts associated with the rentals did not indicate the receipt number assigned to account for the payments. Including this reference number could aid the Society in ensuring that all of the receipts owed to them have actually been received should a question arise in the future.

During 2002, we noted that 14.4 percent of the recorded camp site rental receipts were not supported by camping permits. During 2003, we noted that 24.7 percent of the recorded camp site rental receipts were not supported by camping permits. As noted in our testing of concessions privilege fees, some of the camp site rental fees were recorded as concessions privilege fees. Camping permits were not included for the rental of all camp sites. We noted \$400 in 2002 and \$400 in 2003 in camp site rental fees recorded as privilege fees, we were unable to obtain sufficient supporting documentation to support the completeness and accuracy of the recorded receipts.

We recommend the Society issue and maintain a copy of the camping permit to each individual/group that rents a camp site at the Fairgrounds, including those camp sites rented to concessionaires. The camping permit should clearly document the amount to be paid to the Society. The Society should document on the copy of the permit when the payment was received and the corresponding receipt number. We further recommend the Society reconcile the camping permits to the recorded receipts to ensure that the full amount owed to the Society is received. Camp site rental receipts received from concessionaires should be recorded as camp site rental receipts rather than as concessions privilege fees. Maintaining proper and complete supporting documentation can help to ensure the completeness and accuracy of the recorded receipts.

FINDING NUMBER 2003-012

Material Weakness

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that deposits and intermediate and final payments for campground, fairground or building rentals, and privilege fees (including ride company guaranteed contract fees) shall be receipted and deposited separate as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payments.

The Society should utilize written contracts/agreements to clearly document the terms of the rental including, but not limited to, the rental rates, duration of the rental, total amount due, when payment are due, and the rental termination policies and procedures. Additionally, these contracts can serve as documentation to support the recorded receipts.

The Society received rental receipts from renting the use of the grounds, barns, stalls and various buildings located at the County Fairgrounds throughout the year. There was a general lack of documentation supporting the amount of the recorded receipts. In addition, the Society provided no contracts/agreements for audit to support the rental of the various items listed above.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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 2003-012 (Continued)

Material Weakness (Continued)

Stall and building rental receipts were generally collected by a Board member other than the Treasurer since the Treasurer did not regularly work at the fairgrounds. The Board member collecting the receipts prepared duplicate receipts to document the receipt of the money. These receipts were generally paid-in to the Treasurer at the regular meetings of the Board. The Treasurer then prepared a duplicate receipt as a pay-in, recorded the receipts, and deposited the money. Testing of the receipts revealed that the duplicate receipts prepared by the collecting Board member were not always maintained on file to substantiate the amount of the receipts recorded by the Treasurer. 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 Treasurer, deposited in the bank and recorded in the financial statements of the Society. Additionally, the practice of only paying-in such receipts once per month to the Treasurer resulted in cash being held undeposited for extended periods of time. Such practices increase the susceptibility to loss and or theft of Society receipts and could result in receipts being recorded in the financial statements of the wrong period.

We recommend the Society utilize written rental agreements/contracts for the rental of the grounds, 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, 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 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 Treasurer of the Society in accordance with Ohio Rev. Code Section 9.38. A pay-in should be prepared by the Treasurer. The receipt should be recorded in the receipts ledger and cash book and be deposited in the designated depository.

FINDING NUMBER 2003-013

Reportable Condition

Sound internal control policies require management and the Board to monitor the financial activity of the Society. A policy requiring all donations received by the Society to be formally acknowledged and documented in the minutes could provide some assurance that receipts from donations are properly recorded in the financial statements. Receipts from donations received by the Society were not evidenced in the minutes of the Board meetings. Generally, the only supporting documentation for the donations was the duplicate receipts prepared by the Treasurer when the receipts were paid in to her to be recorded in the ledgers and deposited. This could result in questions regarding the completeness of the recorded receipts.

We recommend the Board of Directors formally accept all donations in open meetings and document the donations in the minutes of those meetings. The documentation should include the person/organization from which the donation was received as well as the amount of the donation. We further recommend the Society maintain a copy of the remittance advice or any letter accompanying a donation to help substantiate the amounts recorded in the ledgers.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE 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>
2001-60766-001	Insufficient Rental Receipts Support Documentation	No	Not Corrected – Reissued as Findings 2003-010 and 2003-011
2001-60766-002	Annual report did not agree to the ledgers maintained.	No	Not Corrected – Reissued as Finding 2003-003



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

PIKE COUNTY AGRICULTURAL SOCIETY

PIKE 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
AUGUST 25, 2005**