



**Auditor of State
Betty Montgomery**

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

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**Auditor of State
Betty Montgomery**

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

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statement due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare a financial statement pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 30, 2006

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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, 2005 and 2004. 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 four 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.

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, 2005 and 2004. It was not practical to perform alternative procedures.

We were unable to obtain the necessary assurances concerning the completeness of the recorded rides contracts, horse/mule judges, horse and tractor pull purses, junior and senior fair premiums, demolition derby and parking contract disbursements for the years ended November 30, 2005 and 2004. It was not practical to perform alternative procedures.

The Junior Fair Board is responsible for the Junior Fair Division activities of the Pike County Fair. The Junior Fair Board accounts for its activities separately. The financial activity of the Junior Fair Board is not recorded in the ledgers of the Society. Due to the lack of complete financial records of the Junior Fair Board, Note 5 to the financial statement does not disclose the financial activity of the Junior Fair Board for the years ended November 30, 2005 and 2004.

The Pari-Mutuel Wagering Commission is the Society's share of total pari-mutuel wagers after paying winning bettors of the harness racing. Due to the lack of complete financial records of the Pari-mutuel Wagering Commission, Note 3 to the financial statement does not disclose the Society's net portion for the years ended November 30, 2005 and 2004.

As described more fully in Note 1, the Society 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). Although we cannot reasonably determine the effects on the financial statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the years ended November 30, 2005 and 2004. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statement. Since this Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2005 and 2004 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2005 and 2004, or its changes in financial position for the years then ended.

Also, 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, 2005 and 2004, and the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2005 and 2004, and the omission of the financial activity of the Pari-mutuel Wagering Commission for the years ended November 30, 2005 and 2004, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Pike County Agricultural Society, Pike County, as of November 30, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2005 and 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2006, 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.



Betty Montgomery
Auditor of State

August 30, 2006

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2005 AND 2004**

	2005	2004
Operating Receipts:		
Admissions	\$ 98,380	\$ 100,338
Privilege Fees	23,957	26,139
Rentals	31,966	29,045
Sustaining and Entry Fees	23,550	27,900
Parimutuel Wagering Commission	352	625
Other Operating Receipts	10,382	14,542
 Total Operating Receipts	 188,587	 198,589
Operating Disbursements:		
Wages and Benefits	7,013	6,081
Utilities	20,459	21,777
Professional Services	67,621	60,188
Equipment and Grounds Maintenance	49,858	42,209
Race Purse	49,011	55,554
Senior Fair	5,924	7,930
Junior Fair	10,754	10,320
Capital Outlay	2,935	2,175
Other Operating Disbursements	25,883	30,550
 Total Operating Disbursements	 239,458	 236,784
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (50,871)	 (38,195)
Non-Operating Receipts/(Disbursements):		
State Support	32,044	33,982
County Support	3,300	3,300
Donations/Contributions	23,753	16,517
 Net Non-Operating Receipts/(Disbursements)	 59,097	 53,799
 Excess (Deficiency) of Receipts Over/(Under) Disbursements	 8,226	 15,604
 Cash Balance - Beginning of Year	 59,724	 44,120
 Cash Balance - End of Year	 \$ 67,950	 \$ 59,724

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, 2005 AND 2004**

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 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 omits the Junior Fair Board's financial activity due to complete financial records not being available. Note 6 summarizes 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 statement does not include these items as assets.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(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 the 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, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$67,950	\$59,724

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

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(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, 2005 and 2004 was \$32,044 and \$33,982, 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.

Information regarding the calculation of the Pari-mutuel Wagering Commission was not available for the years ended November 30, 2005 and 2004.

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.

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 \$10,754 and \$10,320, directly to vendors to support Junior Fair activities for the years ended November 3, 2005 and 2004, 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, 2005 and 2004. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. Information regarding the Junior Fair Board's financial activity was not available for the years ended November 30, 2005 and 2004.

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 directly to market or through the Pike County's auction.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

6. JUNIOR LIVESTOCK SALE COMMITTEE (Continued)

The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Beginning Cash Balance	\$ 8,232	\$ 17,114
Receipts	374,403	369,063
Disbursements	<u>(362,022)</u>	<u>(377,945)</u>
Ending Cash Balance	<u>\$ 20,613</u>	<u>\$ 8,232</u>

7. CONTINGENT LIABILITIES

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



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, 2005 and 2004, and have issued our report thereon dated August 30, 2006, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also 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 or recorded rides contracts, horse/mule judges, horse and tractor pull purses, junior and senior fair premiums, demolition derby and parking contract disbursements for the years ended November 30, 2005 and 2004, and the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2005 and 2004, and the omission of the financial activity of the Pari-mutuel Wagering Commission for the years ended November 30, 2005 and 2004. 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 2005-004 through 2005-010.

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 2005-008 through 2005-010 listed above to be material weaknesses. In a separate letter to the Society's management dated August 30, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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 2005-001 through 2005-003. In a separate letter to the Society's management dated August 30, 2006, 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.



Betty Montgomery
Auditor of State

August 30, 2006

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery

In the prior audit, a Finding for Recovery was issued regarding the following:

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, former 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.

These monies were not received during our audit period.

FINDING NUMBER 2005-002

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 one 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.

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. As a result, public moneys were not always deposited in accordance with the above mentioned Revised Code Section. Additionally, it was noted that there were generally very few 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-003

Noncompliance Citation

Ohio Admin. Code Section 117-2-02(B)(5) requires the Society's internal controls to reasonably assure that financial statement elements are properly classified and described and appropriation 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 Agricultural Society's Treasurer were not properly supported by accounting records. The Treasurer utilized software to maintain the ledgers that 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. Since the information in the system would not agree to the annual reports for the reason noted above, the computer ledgers were not provided. The Treasurer 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 also received a manually prepared "ledger" which totaled the monthly summaries together. There was no transaction detail and the information did not agree to the monthly reports or 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 detail compiled to match the check and receipt numbers in order to develop receipts and disbursements listings to either support amounts on the annual 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 some 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 2005-004

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 22.6% and 32.4% of the disbursements tested in 2004 and 2005, respectively. For instance, there was not sufficient documentation to support the amount of the disbursements for the rides provided at the fair in 2004 and 2005. Additionally, there was not sufficient supporting documentation to support the amount of the disbursements for the horse/mule judges, horse and tractor pull purses, junior and senior fair premiums, demolition derby and parking contract. Additionally, approval of disbursements was not supported by the minute record.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-004 (Continued)

Reportable Condition (Continued)

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, as well as the approval, be maintained for all disbursements of the Society.

FINDING NUMBER 2005-005

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 account," 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 account.

The Pike County Agricultural Society did not properly establish the petty cash account for 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 account by resolution nor did they designate the custodian. The Pike County Agricultural Society did not provide premium cards to document the amounts of premiums paid.

Testing of the 2004 Junior and Senior Fair Premiums paid in cash revealed some discrepancies. The Society initially wrote checks to "Cash" in the amount of \$4,000 for Junior Fair Premiums and \$1,500 for Senior Fair Premiums per review of the disbursements records. We reviewed the duplicate receipts noting that \$0 was redeposited. Based on this information, it was determined that the Society must have disbursed a total of \$5,500 in Fair Premiums. The amounts included in the annual report were combined as Premiums, Ribbons, etc. Therefore, 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 2005 Junior and Senior Fair Premiums paid in cash also revealed some discrepancies. The Society initially wrote checks to one of the Board of Directors in the amount of \$4,000 for Junior Fair Premiums and \$1,500 for Senior Fair Premiums per review of the disbursements records. We reviewed the duplicate receipts noting that \$1,135 was redeposited, however there was no detail with the deposit indicating which portion was for Junior and Senior Fair Premiums. Based on this information, it was determined that the Society must have disbursed a total of \$4,365 in Fair Premiums. The amounts included in the annual report were combined as Premiums, Ribbons, etc. Therefore, 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-005 (Continued)

Reportable Condition (Continued)

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 2005-006

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 2005 or 2004. 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 2005-007

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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-007 (Continued)

Reportable Condition (Continued)

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 meetings for 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 presented 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.

FINDING NUMBER 2005-008

Material Weakness

The Society collected Sustaining and Entry Fees, Other Operating Receipts, and Donations and Contributions during the annual Pike County Fair from various individuals for 2004 and 2005. Sound internal control policies require that some form of documentation be provided to support the amounts received. In addition, they require management and the Board to monitor the financial activity of the Society.

The Society recorded \$27,900 and \$23,550 in 2004 and 2005, respectively, in Sustaining and Entry Fee receipts. The only documentation provided for audit was the duplicate receipts prepared by the Treasurer. We were, therefore, unable to obtain sufficient supporting documentation to support the completeness and accuracy of the recorded receipts.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-008 (Continued)

Material Weakness (Continued)

The Society recorded \$14,542 in 2004 in Other Operating Receipts. We noted that 28 percent of recorded receipts was for Other Sales, for which there was no documentation provided for audit other than the duplicate receipts prepared by the Treasurer. We were, therefore, unable to obtain sufficient supporting documentation to support the completeness and accuracy of the recorded receipts.

The Society recorded \$16,516 and \$23,753 in 2004 and 2005, respectively, in Donations and Contributions receipts. During 2004, we noted that 51.7 percent of the recorded receipts was not supported by any documentation other than the duplicate receipt prepared by the Treasurer. During 2005, we noted that 44.3 percent of the recorded receipts was not supported by any documentation other than the duplicate receipt prepared by the Treasurer. In addition, we noted numerous instances in which receipts from donations received by the Society were not evidenced in the minutes of the Board meetings. We were, therefore, unable to obtain sufficient supporting documentation to support the completeness and accuracy of the recorded receipts.

We recommend that the Society maintain supporting documentation for all monies received. This support should be filed with the duplicate receipt in order to ensure record retention. 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. In addition, 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. 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.

FINDING NUMBER 2005-009

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 distribution 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. 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 Pike County Agricultural 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. Season tickets sold elsewhere were not accounted for on ticket accountability forms. This resulted in 41% and 55% of season ticket receipts for 2005 and 2004, respectively, only being supported by duplicate receipts written by the Treasurer. 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-009 (Continued)

Material Weakness (Continued)

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 2005-010

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 payment.

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. The Society provided no contracts/agreements for audit to support the rental of the various items listed above.

Stall and building rental receipts were generally collected by a board member or the groundskeeper, since the Treasurer did not regularly work at the fairgrounds. The board member/groundskeeper 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 individual collecting the monies 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 Agricultural 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.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004
(Continued)**

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

FINDING NUMBER 2005-010 (Continued)

Material Weakness (Continued)

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 require 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.

Officials' Response

The officials did not respond to any of the findings above.

**PIKE COUNTY AGRICULTURAL SOCIETY
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Finding for Recovery against Piketon Nursing Center in the amount of \$110	No	Not Corrected – Reissued as Finding 2005-001
2003-002	Finding for Recovery against Steve Rader in the amount of \$100	Yes	Repaid under Prior Year Audit
2003-003	ORC 9.38 Noncompliance	No	Not Corrected – Reissued as Finding 2005-002
2003-004	Inadequate financial statements	No	Not Corrected – Reissued as Finding 2005-003
2003-005	Inadequate supporting documentation for disbursements	No	Not Corrected – Reissued as Finding 2005-004
2003-006	No establishment of Petty Cash Fund	No	Not Corrected – Reissued as Finding 2005-005
2003-007	No annual budget prepared	No	Not Corrected – Reissued as Finding 2005-006
2003-008	No adoption of expense budget or use of purchase orders	No	Not Corrected – Reissued as Finding 2005-007
2003-009	Inadequate ticket accountability	No	Not Corrected – Reissued as Finding 2005-009
2003-010	Inadequate support for concession receipts	No	Corrected
2003-011	Inadequate support for camping rentals	No	Corrected
2003-012	Inadequate support for rental receipts	No	Not Corrected – Reissued as Finding 2005-010
2003-013	Inadequate support for gifts and donations	No	Not Corrected – Reissued as Finding 2005-008



**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

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
NOVEMBER 9, 2006**