



Mary Taylor, CPA  
Auditor of State



**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Changes in Cash Balance - For the Years Ended November 30, 2007 and 2006 .....	5
Notes to the Financial Statement.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings .....	13
Schedule of Prior Audit Findings .....	18

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

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 statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 4, 2008

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## 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, 2007 and 2006. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as described in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain the necessary assurances concerning the completeness of the recorded rentals and donations/contributions for the years ended November 30, 2007 and 2006. It was not practical to perform alternative procedures.

The Senior and Junior Fair Boards are responsible for the Junior Fair Division activities of the Pike County Fair. The financial activity of the Junior Fair Board was not completely recorded in the ledgers of the Society.

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). 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. Since the 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, 2007 and 2006 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, 2007 and 2006, 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 rentals and donations/contributions for the years ended November 30, 2007 and 2006, and the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2007 and 2006, 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, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

For the years ended November 30, 2007 and 2006, the Society included activity of the Junior Livestock Sale Committee and Junior Fair Board in the Society's financial statement.

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 December 4, 2008, 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.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2008



**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
<b>Operating Receipts:</b>		
Admissions	\$108,408	\$101,058
Privilege Fees	30,415	29,267
Rentals	32,092	33,658
Sustaining and Entry Fees	21,045	19,540
Livestock Sale Proceeds	346,964	356,243
Junior Fair	0	17,229
Other Operating Receipts	16,166	13,466
	<u>555,090</u>	<u>570,461</u>
<b>Operating Disbursements:</b>		
Wages and Benefits	7,666	13,021
Utilities	21,333	23,694
Professional Services	71,140	79,882
Equipment and Grounds Maintenance	25,063	34,922
Race Purse	43,914	48,031
Senior Fair	489	968
Junior Fair	19,557	23,177
Capital Outlay	38,898	0
Livestock Sale	347,115	345,017
Other Operating Disbursements	45,080	15,991
	<u>620,255</u>	<u>584,703</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(65,165)</u>	<u>(14,242)</u>
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	28,882	29,154
County Support	3,500	3,300
Donations/Contributions	25,395	7,884
Investment Income	1,440	312
	<u>59,217</u>	<u>40,650</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(5,948)	26,408
Cash Balance, Beginning of Year	<u>94,358</u>	<u>67,950</u>
<b>Cash Balance, End of Year</b>	<u><b>\$88,410</b></u>	<u><b>\$94,358</b></u>

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

**This page intentionally left blank.**

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006**

**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. In addition, the Society included the activity of the Junior Livestock Sale Committee and Junior Fair Board in the reporting entity of the Society for the years ended November 30, 2007 and 2006. The reporting entity does not include any other activities or entities of Pike County, Ohio.

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. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes 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 records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**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.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

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

**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. See Note 3 for additional information.

**2. CASH**

The carrying amount of cash at November 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$88,410	\$94,358

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

**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, 2007 and 2006 was \$25,233 and \$25,309, respectively. These are included as State Support.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**3. HORSE RACING (Continued)**

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.

	2007	2006
Total Amount Bet (Handle)	\$ 5,655	\$ 5,088
Less: Payoff to Bettors	(4,516)	(4,061)
Parimutuel Wagering Commission	1,139	1,027
Tote Service Commission	(988)	(890)
State Tax	(151)	(137)
Society Portion	\$ -	\$ -

There was no net portion remaining for the Society after the Tote Services and state taxes were paid for the years ended November 30, 2007 and November 30, 2006.

**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. SUBSEQUENT EVENT**

The Society obtained a loan on April 7, 2008 for \$120,000 for the construction of the Art Hall Building.

**6. 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 assists the Senior Fair Board with the Junior Fair Division activities of the Pike County Fair. The accompanying financial statement includes this activity.

**7. 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. A commission on auction sales covers auction costs. The accompanying financial statement includes the Junior Livestock sales activities.

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## 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, 2007 and 2006, and have issued our report thereon dated December 4, 2008, wherein we noted the Society followed 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 rentals and donations/contributions for the years ended November 30, 2007 and 2006, and the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2007 and 2006. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-003 through 2007-006.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001 and 2007-003 through 2007-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated December 4, 2008.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated December 4, 2008.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2008



**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING NUMBER 2007-001**

**Noncompliance Citation/Material Weakness**

Ohio Admin. Code Section 117-2-02(A) states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. 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 details that were needed for support. The Treasurer prepared the annual reports from the General Ledger and included estimates for some accounts, since there were no transactions recorded for the period from December 2005 through March 2006, due to a transition in Treasurers. Without the inclusion of these identifying numbers, it is difficult to ensure that all transactions were properly recorded. We attempted to reconcile the General Ledger to the annual reports but were unable for some accounts, mainly the utility accounts for 2006 for which estimates were used. Such discrepancies indicate the annual reports were not properly supported by underlying records and could result in material misstatement of the financial statements. This resulted in increased audit costs.

We recommend the Treasurer maintain ledgers that properly support the Agricultural Society's Annual Report. 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 2007-002**

**Noncompliance Citation**

Auditor of State Bulletin 2004-010 states an auditor can regard electronic imaging of checks as evidence when performing an audit. The Bulletin provides, in part, that a bank may use the electronic image to create a "substitute check" for a bank that chooses to continue receiving paper checks. This substitute check has the same legal effect as the original paper check. A substitute check is a paper reproduction of the original check that: contains an image of the front and back of the original check; bears a magnetic ink character recognition (MICR) line containing all of the information appearing on the original check's MICR line, with certain exceptions; conforms, in paper stock, dimension, and otherwise, with generally applicable banking industry standards for substitute checks; and is as suitable for automated processing as the original check. A substitute check that meets these requirements and bears the following legend is considered to be the legal equivalent of the original paper check.

For governments that do not receive their cancelled original or substitute checks, AOS suggests these governments request that their banks send images of the front and back of all issued checks. This will enable governments to review and scrutinize the transactions and ensure that the payees as well as the various endorsements are appropriate. As monthly [or other periodic] bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, governments should immediately request their bank investigate these items for possible adjustment to the government's account. Furthermore, a government may want to request a substitute check or the best available source document from the bank (e.g., copy of the front and back of the check) when a questionable item is identified that requires investigation.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

**Noncompliance Citation - Auditor of State Bulletin 2004-010 (Continued)**

The Society began using American Savings Bank in April 2006. The bank did not provide optical imaging of canceled checks or the canceled checks themselves. The bank did not provide optical images of the reverse side of the cancelled checks for the disbursements. By not having the front side of the check, it is not possible to ensure the payee, date, or authorized signatures are appropriate. By not having the reverse side of the check, it is not possible to ensure that the payees as well as the various endorsements are appropriate. This could result in a lack of sufficient audit evidence or could relate in a failure to follow the records retention laws.

We recommend the Treasurer consult with the bank to have the bank provide images of both the front and reverse side of each canceled check for disbursements. As an alternative, the bank could send the original canceled checks back to the Society.

**FINDING NUMBER 2007-003**

**Material Weakness**

Sound financial reporting is the responsibility of the Society's Treasurer and Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

- Checking account balance with First National Bank was incorrectly recorded as a Donations/Contributions receipt for \$20,473 upon being deposited into checking account with American Savings Bank in 2006.
- State Junior Fair reimbursement of \$3,845 was incorrectly reported as County Support and should have been State Support in 2006.
- Speed Fees of \$11,890 in 2006 and \$13,495 in 2007 were incorrectly reported as State Support and should have been Sustaining and Entry Fees.
- Rental receipts of \$2,420 were incorrectly recorded as beginning balance on system and were not reported in 2006. Also, rental receipts were decreased by \$2,223 for the difference between the annual financial report and the amount recorded. Also, rental receipts of \$7,980 were not recorded for amounts deposited in January thru March 2006.
- Disbursement line items were increased by \$16,304 for the amounts unrecorded on the records from December 2005 thru March 2006: Wages and Benefits - \$2,483; Utilities - \$143; Professional Services - \$2,774; Equipment and Grounds Maintenance - \$3,128; Junior Fair - \$5,239; Other Operating Disbursements - \$2,537.
- Livestock sales receipts of \$356,243, disbursements of \$345,018, and balance of \$11,225 were not reported in 2006.
- Junior Fair receipts of \$17,229 and account balance of \$17,229 were not reported in 2006.
- Beginning December 1, 2005 cash fund balance was increased by \$23,436 due to footing errors in the year-end report and to agree to the prior year report. This was due to change in Treasurers.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Material Weakness (Continued)**

To ensure the Society's financial statements and notes to the statements are complete and accurate, the Society should adopt policies and procedures, including a final review of the statements and notes by the Society's Treasurer and Board of Directors, to identify and correct errors and omissions.

**FINDING NUMBER 2007-004**

**Material Weakness**

The Society collected Donations and Contributions during the annual Pike County Fair from various individuals for 2006 and 2007. 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 \$28,357 and \$25,395 in 2006 and 2007, respectively, in Donations and Contributions receipts. An audit adjustment was made to reduce \$20,473 from the 2006 receipts, as noted in Finding Number 2007-003, leaving \$7,884. During 2006, we noted that 49 percent of the adjusted receipts were not supported by any documentation other than the duplicate receipt prepared by the Treasurer. During 2007, we noted that 69.5 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, due to inconsistent preparation of the minutes by the Treasurer. 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 2007-005**

**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.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-005 (Continued)**

**Material Weakness (Continued)**

The Society should utilize written contracts/agreements and camp site permits 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 and permits can serve as documentation to support the recorded receipts.

The Society received rental receipts from renting the use of the grounds, barns, stalls, various buildings and camp sites located at the County Fairgrounds throughout the year. There was a general lack of documentation supporting the amount of the recorded receipts. The Society did provide some contracts/agreements and spreadsheets for audit to support the rental of the stalls in 2007. However, these contracts/agreements and spreadsheets were determined to not be complete or accurate, since the amount calculated from them was much less than the amount recorded in this account. Camp site permits were not provided for audit.

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. The duplicate receipts prepared by the individuals collecting the monies were not provided for audit 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 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 require a specified period, such as 30 or 60 days, of notice be provided to terminate the lease agreement. For camp site permits, the Society should issue and maintain a copy of each permit, including those camp sites rented to concessionaires. 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.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

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

**FINDING NUMBER 2007-006**

**Significant Deficiency**

Ohio Admin. Code Section 117-2-01(D) states that when designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Treasurer performed bank reconciliations for each month of the audit period on the back of the bank statements. However, the Treasurer did not include all reconciling items on these reconciliations, such as stop payment service charges, a receipt recorded not shown as deposited, checks recorded as void but deducted on the bank statement, and a check that cleared the bank for \$7,000 more than was recorded in September 2007. These errors resulted from the reconciliations not being fully completed. There were variances between the bank balance and book balance each month that were either not investigated further or the Treasurer was unable to determine the cause. Also, it was noted that the outstanding check lists for each month of the audit period were not accurate due to checks being included on the list that weren't outstanding or checks that were outstanding not being included on the list.

These items should have been included as reconciling items on the bank reconciliation in the month they occurred and for each month thereafter until the Treasurer corrected them on the Society's books. Performing bank reconciliations without including all reconciling items does not provide adequate assurance in support of the Society's book balance and can result in errors or irregularities going undetected for an extended period of time. Audit adjustments have been made to report these items correctly on the 2006 and 2007 financial statement in the audit report, as noted in Finding Number 2007-003.

We recommend the Treasurer continue to perform monthly bank reconciliations. However, we recommend that she include all reconciling items in the reconciliation, along with the pertinent amount of detail, and that any and all discrepancies be investigated and resolved in a timely manner.

**Officials' Response**

We did not receive a response from Officials to the findings reported above.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2005-001	Finding for Recovery against Piketon Nursing Center in the amount of \$110	Yes	
2005-002	Ohio Rev. Code Section 9.38 Noncompliance	No	Not Corrected – Reissued as Management Letter Noncompliance
2005-003	Inadequate financial statements	No	Not Corrected – Reissued as Finding 2007-001
2005-004	Inadequate supporting documentation for disbursements	Yes	
2005-005	No establishment of Petty Cash Fund	No	Not Corrected – Reissued as Management Letter Comment
2005-006	No annual budget prepared	No	Not Corrected – Reissued as Management Letter Comment
2005-007	No adoption of expense budget or use of purchase orders	No	Not Corrected – Reissued as Management Letter Comment
2005-008	Inadequate support for sustaining and entry fees and donations/contributions	No	Partially Corrected – Reissued as Finding 2007-004
2005-009	Inadequate ticket accountability	No	Not Corrected – Reissued as Management Letter Comment
2005-010	Inadequate support for rental receipts	No	Not Corrected – Reissued as Finding 2007-005



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 24, 2008**