



**Auditor of State
Betty Montgomery**

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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**Auditor of State
Betty Montgomery**

Jackson County Agricultural Society
Jackson County
3362 State Route 776
Jackson, Ohio 45640

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 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 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

November 13, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson County Agricultural Society
Jackson County
3362 State Route 776
Jackson, Ohio 45640

To the Board of Directors:

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

As described more fully in Note 1, the Society has prepared this financial statement using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (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 statements do 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 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 third 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.

The Society did not maintain sufficient supporting documentation for certain disbursements amounting to \$23,602 in 2005 (9% of 2005 total disbursements) and \$30,869 in 2004 (13% of 2004 total disbursements), as reflected in the accompanying financial statement, to support they were proper Society obligations and were properly classified. Of these recorded disbursements, \$372 in 2004 were cash disbursements from undeposited cash receipts.

The Society did not maintain sufficient records, documents or evidential matter to support the completeness of the 2005 and 2004 receipts, which were recorded as \$75,593 (30% of total receipts) and \$73,693 (27% of total receipts), respectively, as reflected in the accompanying financial statement.

Also, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting receipts and disbursements as discussed in paragraphs six and seven, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Jackson County Agricultural Society, Jackson County, as of November 30, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 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

November 13, 2006

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

	2005	2004
Operating Receipts:		
Admissions	\$94,003	\$97,844
Privilege Fees	14,738	15,430
Rentals	32,515	26,430
Sustaining and Entry Fees	27,754	36,285
Parimutuel Wagering Commission	1,506	1,364
Other Operating Receipts	4,454	4,042
Total Operating Receipts	174,970	181,395
Operating Disbursements:		
Wages and Benefits	358	259
Utilities	23,208	19,724
Professional Services	77,203	77,571
Equipment and Grounds Maintenance	50,903	14,571
Race Purse	48,706	55,730
Senior Fair	7,202	7,656
Junior Fair	10,247	7,103
Capital Outlay	15,100	3,409
Other Operating Disbursements	6,234	26,986
Total Operating Disbursements	239,161	213,009
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(64,191)	(31,614)
Non-Operating Receipts (Disbursements):		
State Support	32,044	33,921
County Support	6,000	10,000
Debt Proceeds	7,641	17,161
Donations/Contributions	30,441	28,943
Investment Income	1,035	380
Debt Service: Principal	(22,449)	(33,929)
Debt Service: Interest	(451)	(232)
Net Non-Operating Receipts (Disbursements)	54,261	56,244
Excess (Deficiency) of Receipts Over (Under) Disbursements	(9,930)	24,630
Cash Balance, Beginning of Year	64,845	40,215
Cash Balance, End of Year	\$54,915	\$64,845

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

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**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 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 Jackson County Agricultural Society, Jackson County (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded to direct the operation of an annual agricultural fair. The Society filed for incorporation in 1986. The Society sponsors the week-long Jackson County Fair during July. During the fair, harness races are held. Jackson County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 21 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Jackson County and pay an annual membership fee to the Society.

Reporting Entity

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

Notes 6 and 7, respectively, summarizes the Junior Fair Board's and the Junior Livestock Sale Committee's financial activity.

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

B. Basis of Accounting

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

D. 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.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1).

Management is unaware of any actions or events that would jeopardize the Society's tax status.

E. Race Purse

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

Sustaining and Entry Fees

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

Ohio Fairs Fund

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

F. Pari-mutuel Wagering

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

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

2. BUDGETARY ACTIVITY

The Uniform Agricultural Society Accounting System User Manual requires each Society to prepare an annual budget of its revenues and expenses to cover the period December 1 through November 30. Contrary to the Society's budgetary policy actual disbursements exceeded budgeted disbursements for the years ended November 30, 2005 and 2004.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

3. CASH AND INVESTMENTS

The carrying amount of cash at November 30 was as follows:

	2005	2004
Demand deposits	\$54,915	\$64,845

Deposits: The bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) with the exception of deposits exceeding FDIC insured amounts by \$44,590 during fair week in 2005 and by \$37,111 during fair week in 2004.

4. 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 \$24,304 and \$25,848 respectively, as State Support.

Pari-mutuel Wagering

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

	2005	2004
Total Amount Bet (Handle)	\$ 17,394	\$ 17,583
Less: Payoff to Bettors	(13,976)	(14,091)
Pari-mutuel Wagering Commission	3,418	3,492
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(1,711)	(1,718)
State Tax	(365)	(430)
Society Portion	\$ 1,142	\$ 1,144

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

5. RISK MANAGEMENT

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

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation. Coverage is currently in effect through February, 2006.

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

5. RISK MANAGEMENT (Continued)

withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Society's share of these unpaid claims is approximately \$21,040.

This policy includes crime coverage for employee dishonesty with limits of liability of \$5,000,000. The Society's Treasurer is bonded with coverage of \$20,000.

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 responsible for the Junior Fair Division activities of the Jackson County Fair. The Society disbursed \$10,247 and \$7,103 directly to vendors to support Junior Fair activities for the years ended November 30, 2005 and 2004, respectively. These expenses are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursements. Jackson County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

6. JUNIOR FAIR BOARD (Continued)

The Junior Fair Board's financial activity for the years ended November 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Beginning Cash Balance	\$732	\$382
Receipts	2,282	2,191
Disbursements	<u>(2,764)</u>	<u>(1,841)</u>
Ending Cash Balance	<u>\$250</u>	<u>\$732</u>

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 Jackson County's auction. Monies to cover the cost of the auction are generated through a commission charged per head for all livestock and are retained by the Junior Livestock Committee. The Committee charges \$40 per head for Grand and Reserve Champions and \$10 per head for the remaining livestock sold at the auction. The accompanying financial statement does not include the Junior Livestock Committee's activity. The Junior Livestock Committee's financial activity for the years ended November 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Beginning Cash Balance	\$ 9,873	\$ 9,972
Receipts	208,316	204,500
Disbursements	<u>(207,009)</u>	<u>(204,599)</u>
Ending Cash Balance	<u>\$ 11,180</u>	<u>\$ 9,873</u>



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson County Agricultural Society
Jackson County
3362 State Route 776
Jackson, Ohio 45640

To the Board of Directors:

We have audited the financial statement of the Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004 and have issued our report thereon dated November 13, 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 qualified our opinion due to insufficient documentation to support certain receipts and disbursements. Except as described above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures 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 reportable condition. 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 statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-002 through 2005-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements 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 material weaknesses. We consider reportable conditions 2005-002 through 2005-007 and 2005-011 listed above to be material weaknesses. In a separate letter to the Society's management dated November 13, 2006 we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2005-001 and 2005-002. In a separate letter to the Society's management dated November 13, 2006 we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 13, 2006

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Noncompliance Citation – Ohio Rev. Code Section 9.38

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 following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

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

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

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

Officials Response:

Reviewed current policy Board has for three days – will make timely deposits. Guy Waugh will take from grounds as he is there every day to secretary – so noted in minutes October 10, 2006.

FINDING NUMBER 2005-002

Noncompliance Citation and Material Weakness – Ohio Rev. Code Section 149.351(A)

Ohio Rev. Code Section 149.351(A) requires all records which are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided under section 149.38 to 149.42 of the Ohio Rev. Code.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-002 (Continued)

Noncompliance Citation and Material Weakness - Ohio Rev. Code Section 149.351(A) (Continued)

Support was not available for eighteen percent of the disbursement transactions tested for the period January 1, 2004 through December 31, 2005. This amounted to \$23,602 in 2005 (9% of 2005 total disbursements) and \$30,869 in 2004 (13% of 2004 total disbursements), as reflected in the audited financial statement, to support that the disbursements were proper Society obligations and were properly classified. Of these recorded disbursements, \$372 in 2004 was cash disbursements from undeposited cash receipts.

The failure to maintain supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected by management for an extended period of time. In addition, lack of adequate supporting documentation could result in the Society making inappropriate disbursements for goods or services not actually received by the Society. Furthermore, failure to retain such documentation has resulted in a qualified audit opinion regarding the Society's expenditures.

We recommend the Society maintain documentation to support all expenditures. Such documentation may include invoices, receipts, purchase orders, contracts, or other documentation of what was purchased, from whom it was purchased, and the purpose of the purchase if not obvious from the existing documentation.

Officials Response:

New Treasurer will implement new policy.

FINDING NUMBER 2005-003

Material Weakness – Budgetary Requirements

The Auditor of State's prescribed Uniform System of Accounting for Agricultural Societies, revised November 2002, 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 about the reasons.

The Jackson County Agricultural Society did adopt an annual budget for fiscal years 2005 and 2004 which was prepared at the level of accounts. However, the budget was not distributed to the Board monthly, was not integrated into the Society's accounting system, and was not compared to actual revenues and expenses throughout the ensuing year. As a result, actual receipts totaling \$252,131 exceeded estimated receipts totaling \$242,800 in 2005 by \$9,331 and actual receipts totaling \$271,800 exceeded estimated receipts totaling \$248,500 in 2004 by \$23,300. In addition, actual expenses totaling \$262,061 exceeded budgeted expenses totaling \$236,500 in 2005 by \$25,561 and actual expenses totaling \$247,170 exceeded budgeted expenses totaling \$229,000 in 2004 by \$18,170.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

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

FINDING NUMBER 2005-003 (Continued)

Material Weakness – Budgetary Requirements (Continued)

At the legal level of accounts for expenditures, actual expenses exceeded budgeted expenses in the following line items at November 30, 2005 and 2004:

<u>2005</u>	Budget Amount	Actual Amount	Variance
Benefits	\$300.00	\$357.86	(\$57.86)
Admin. Expense	6,000.00	6,485.74	(485.74)
Utilities	20,000.00	23,208.02	(3,208.02)
Race Expenses	52,000.00	52,773.07	(773.07)
Property Services	12,000.00	18,615.35	(6,615.35)
Advertising	13,000.00	13,146.14	(146.14)
Repairs	5,000.00	14,708.35	(9,708.35)
Rent/Lease	2,200.00	2,360.00	(160.00)
Capital Expense	10,000.00	15,100.10	(5,100.10)
Debt services	15,000.00	22,898.55	(7,898.55)
Senior Fair	1,000.00	1,683.90	(683.90)
Junior Fair Expense	7,500.00	10,247.27	(2,747.27)
Miscellaneous	500.00	1,256.00	(756.00)
<u>2004</u>	Budget Amount	Actual Amount	Variance
Benefits	\$200.00	\$258.84	(\$58.84)
Admin Expense	3,500.00	3,783.78	(283.78)
Race expense	2,800.00	2,827.51	(27.51)
Race Expenses	55,000.00	59,510.33	(4,510.33)
Advertising	13,000.00	13,482.13	(482.13)
Rent/Lease	2,200.00	2,265.00	(65.00)
Capital Expense	2,100.00	3,409.00	(1,309.00)
Debt Services	17,000.00	34,161.00	(17,161.00)
Senior Fair	800.00	1,334.97	(534.97)
Contest Expense	6,000.00	6,321.40	(321.40)
Junior Fair Expense	7,100.00	7,103.47	(3.47)

An annual budget, if carefully prepared and monitored, can be a useful tool for management to monitor the financial activities of the Society. The lack of financial monitoring caused the Society to exceed the budgeted resources and could allow deficit spending to occur.

We recommend the Board of Directors periodically review comparisons of budgeted and actual activity and inquire if actual results depart significantly from expectations.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-003 (Continued)

Material Weakness – Budgetary Requirements (Continued)

Officials Response:

The above recommendation will be implemented through a new policy as indicated in the October 10, 2006 Board meeting minutes.

FINDING NUMBER 2005-004

Material Weakness – Ticket Receipts

The Auditor of State's prescribed Uniform System of Accounting for Agricultural Societies, revised November 2002, states that all tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission (season, admission, privilege, etc). 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.

In addition, a single pre-numbered cash receipt should be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office should be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations should be performed for tickets assigned to each location sale. A single, pre-numbered cash receipt should be assigned to account for the cash associated with all reconciliations.

The Society maintained ticket accountability forms for the gate admission tickets and a ticket record book for season tickets, but did not maintain numerical control over the exhibitor's tickets and student tickets sold for entrance to the Fairgrounds. The ticket accountability forms for the gate admissions tickets were not signed by the individual reviewing and verifying the information and did not document the amount collected. Additionally, the files did not contain ticket accountability forms for the 2004 fair. The receipt book only documented the total number of tickets sold. Further, it was noted that tickets were sold at a local factory to employees. However, no ticket accountability documentation was maintained for these tickets. The Society just receipted the money collected at the factory and posted it as admissions receipts.

All of the tickets issued for entrance to the fair contained preprinted numbers that would allow for numerical control through the use of ticket accountability forms. In addition, our review of the ticket accountability forms that were available for the gate admissions revealed three instances in 2005 in which ticket numbers were changed as indicated by white-out on the forms and/or alterations of the numbers.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-004 (Continued)

Material Weakness – Ticket Receipts (Continued)

As for speed pit events, tickets were not issued and no ticket accountability forms were used. In addition, checks were written for cash to allow for change at speed pit events which was to be re-deposited after each event. Notations were to be made to identify re-deposited change. However, this practice was not consistent which allowed the change to become intermingled with event receipts. For example, check # 14265 in the amount of \$500.00 was written to First National Bank on May 24, 2005 with the notation "speed pit". The check was endorsed by Board member Greg Pugh and cleared the bank on May 26, 2005. There was no indication that the \$500.00 was re-deposited after the May 2005 speed pit event. On October 5, 2006, Mr. Pugh stated the \$500.00 was for change at the May speed pit event and was not re-deposited after the event so that he could use it for change for subsequent events. However, there was no indication of checks written for cash for speed pit events again until August 2, 2005 and there was no indication of the re-deposit of the \$500.00 between the May and August speed pit events or throughout the remaining part of 2005. On October 10, 2006, Director Carl Huntley stated he received monies in the amount of \$500 from the place Greg Pugh had left it and that he included it within receipt #3384 for another speed pit event. The \$500 was not distinctly identified within this receipt and, due to the lack of documentation to support the completeness of speed pit event receipts, there was no documentation indicating otherwise.

Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts collected were accounted for on the Society's financial statements which has resulted in a qualified audit opinion regarding the Society's receipts.

We recommend that tickets be issued for entrance to all events and ticket accountability forms be utilized for all tickets issued. The ticket accountability forms should document the first ticket number sold, the last ticket number sold, total tickets sold, and money collected. This information should be recorded separately for each individual and business selling the tickets. Additionally, a separate person should verify the information recorded on the ticket accountability form. The number of tickets sold should be compared with the money collected to help assure the completeness of the receipts. The individual performing the verification and review of the ticket accountability forms should sign and date the forms indicating any variances noted. We further recommend that the tickets be sequentially issued to help provide some assurance as to the accuracy of the information recorded on the ticket accountability forms. Cash advanced to make change for events should be approved by the Board and accounted for separately. The advance as well as the return of the advance should be clearly identified in the Society's records so that all are accounted for.

Officials Response:

New Treasurer will adopt recommendations.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-005

Material Weakness – Concession and Privilege Fee Receipts

The Auditor of State's prescribed Uniform System of Accounting for Agricultural Societies, revised November 2002, states that deposits and intermediate and final payments for concessions and commercial space privilege fees should be receipted and deposited separately as cash receipts. Contracts associated with the rental should indicate the receipt number assigned to account for the deposit and interim and final payments.

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

Our testing of commercial space contracts revealed that the Society received commercial space privilege fees receipts which could not be agreed to specific contracts. For instance, duplicate receipt number 3355, dated August 18, 2005 was written for a total amount of \$2,101 and indicated that it was for commercial space privilege fees. The duplicate receipt indicated that the money was received from Gilbert Hartley, a Board of Directors Member. Mr. Hartley collected the money from the various individuals/organizations renting commercial space, and then paid it in to the secretary to be recorded. This receipt included receipts from several different exhibitors paid to Gilbert Hartley. However, no documentation was provided for audit that would enable us to determine to which contracts these receipts should be applied. The commercial space contracts did not include the duplicate receipt number where the receipts were recorded to enable us to agree the receipts to contracts.

Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts collected were accounted for on the Society's financial statements which has resulted in a qualified audit opinion regarding the Society's receipts.

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

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-005 (Continued)

Material Weakness – Concession and Privilege Fee Receipts (Continued)

Officials Response:

Each Director will be issued a receipt book. A receipt will be issued for each contract. Receipts will be stapled to the contracts when submitted to the Secretary for posting. Beginning in 2006, a per-unit fee will be charged for commercial and concession contracts.

FINDING NUMBER 2005-006

Material Weakness – Bank Reconciliations

When designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

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

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

We recommend the monthly reconciliation include the savings account as well as the checking account. The reconciliation should be made to the cashbook balance. Maintaining the complete information in the cashbook would also better enable the Society to monitor their actual financial condition and make more informed decisions.

Officials Response:

New Treasurer will implement new procedures.

FINDING NUMBER 2005-007

Material Weakness

The Society should maintain an accounting system and accounting records sufficient 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.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-007 (Continued)

Material Weakness – Rental Receipts (Continued)

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

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

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

Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts collected were accounted for on the Society's financial statements which has resulted in a qualified audit opinion regarding the Society's receipts.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-007 (Continued)

Material Weakness – Rental Receipts (Continued)

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

Officials Response:

The above recommendation will be implemented through a new policy as indicated in the October 10, 2006 Board meeting minutes.

FINDING NUMBER 2005-008

Reportable Condition – Monitoring Controls

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

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

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

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-008 (Continued)

Reportable Condition – Monitoring Controls (Continued)

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

Inquiries Relevant to Overall Society Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Society maximizing its return on invested cash balances?
- Is the Society able to achieve the financial goals as set by the original or amended budgets?

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

Officials Response:

The above recommendation will be implemented through a new policy as indicated in the October 10, 2006 Board meeting minutes.

FINDING NUMBER 2005-009

Reportable Condition – Accounting for Debt Activity

The Society should maintain an accounting system and accounting records sufficient 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

Rollovers of notes should be recorded as receipts and disbursements. The Society obtained new bank loans during the audit period to refinance loans that matured in May, 2004 and May, 2005. When the new loans were obtained, the proceeds were directly used to pay off the maturing loans. The Society never truly received the cash. As a result, the Society did not record the proceeds of the newly obtained loans. Additionally, the Society only recorded the amount of the checks actually written for the difference between the old loans and the new loans as well as the interest on the loans as the debt payments for the year. However, the full balance of the loans being retired should be recorded as debt payments. The audited financial statement has been adjusted to record the debt activity.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-009 (Continued)

Reportable Condition – Accounting for Debt Activity (Continued)

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

Officials Response:

Debt paid in full in 2005.

FINDING NUMBER 2005-010

Reportable Condition – Petty Cash Account

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

The Society did not properly establish the petty cash account for Junior Fair Premiums. Additionally, the Board of Directors did not establish the imprest amount by resolution nor did they designate a custodian. The Society did utilize premium cards to document the amounts of premiums paid.

We recommend the Society properly authorize all petty cash accounts and follow the guidelines as outlined in the 2002 Revision of the Uniform System of Accounting for Agricultural Societies. We further recommend the Society continue to utilize the premiums cards to document the cash payments of the premiums. 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.

Officials Response:

Petty cash will be issued for all premiums – New procedure implemented – see minutes October 10, 2006.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2005-011

Material Weakness – Donation Receipts

The Society should maintain an accounting system and accounting records sufficient 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

Receipts from donations received by various individuals on behalf of the Society were not evidenced in the minutes of the Board of Directors' meetings. Generally, the only supporting documentation for the donations was the duplicate receipts prepared by the Secretary of the Board of Directors when the receipts were paid in to her to be recorded in the ledgers and deposited.

Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period of time. In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts collected were accounted for on the Society's financial statements which has resulted in a qualified audit opinion regarding the Society's receipts.

We recommend the Board of Directors establish a formal process in which to handle all donations to assure that all donations are accounted for, such as formally accepting all donations in open meetings and documenting the donations in the minutes of those meetings. The documentation should include the person/organization from which the donation was received as well as the amount of the donation. We further recommend the Society maintain a copy of the remittance advice or any letter accompanying a donation to help substantiate the amounts recorded in the ledgers.

Officials Response:

All donations will be documented in minutes of meetings.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON 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 For overpayment of a race purse.	Yes	
2003-002	Finding for Recovery For overpayment of a parking contract.	Yes	
2003-003	Finding for Recovery For overpayment of the ride company contract.	Yes	
2003-004	Ohio Rev. Code §9.38 for timely deposit.	No	Not Corrected, reissued as Finding number 2005-001.
2003-005	No support for race purse disbursements.	Yes	
2003-006	Misuse of ticket accountability forms.	No	Not Corrected, reissued as Finding number 2005-004.
2003-007	Lack of support for concession and privilege space fees.	No	Not Corrected, reissued as Finding number 2005-005.
2003-008	Reconciliations balanced to the checkbook instead of the cashbook.	No	Partially Corrected, reissued as Finding number 2005-006.
2003-009	Budgets were approved. However, were not integrated into the accounting system or used for comparison through out the year.	No	Not Corrected, reissued as Finding number 2005-003.
2003-010	Rental receipts were not maintained for the building and grounds rentals, stall rentals or the campground rentals.	No	Not Corrected, reissued as Finding number 2005-007.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-011	Financial monitoring by the Board of Directors.	No	Not Corrected, reissued as Finding number 2005-008.
2003-012	Approval of disbursements by Board.	No	Not Corrected, reissued as part of Finding number 2005-008.
2003-013	Posting of Proceeds of Notes and subsequent payment of debt on refinancing.	No	Not Corrected, reissued as Finding number 2005-009.
2003-014	Cashing checks out of undeposited receipts.	No	Partially Corrected. Referred to management in a separate letter dated November 13, 2006.
2003-015	Jr. Fair premium payments with cash.	No	Partially Corrected, reissued as part of Finding number 2005-010.
2003-016	Checks payable to cash	No	Partially Corrected, reissued as part of Finding number 2005-010.



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AGRICULTURAL SOCIETY

JACKSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 30, 2006**