



Mary Taylor, CPA
Auditor of State

CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY

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Mary Taylor, CPA

Auditor of State

Champaign County Agricultural Society
Champaign County
384 Park Avenue
PO Box 38157
Urbana, Ohio 43078

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 Society 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 4, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Champaign County Agricultural Society
Champaign County
384 Park Avenue
PO Box 38157
Urbana, Ohio 43078

To the Board of Directors:

We have audited the accompanying financial statements of Champaign County Agricultural Society, Champaign County, (the Society) as of and for the years ended November 30, 2007 and 2006. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient evidential matter supporting rentals receipts for 2007 and 2006, nor were we able to satisfy ourselves as to the completeness and accuracy by other auditing procedures. Rental receipts account for 21 and 22 percent of total operating receipts for 2007 and 2006, respectively.

As described more fully in Note 1, the Society has prepared these financial statements 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 statements 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 statements do 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. 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 statements referred to above for the years ended November 30, 2007 and 2006 do 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.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting the amounts reported for rental receipts, the financial statements referred to above present fairly, in all material respects, the cash balances of Champaign County Agricultural Society, Champaign 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.

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 June 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 4, 2008

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

	<u>2007</u>	<u>2006</u>
Operating Receipts:		
Admissions	\$377,411	\$366,656
Privilege Fees	74,040	70,846
Rentals	166,531	168,412
Sustaining and Entry Fees	69,940	74,430
Parimutuel Wagering Commission	9,297	15,148
Other Operating Receipts	99,517	76,801
Total Operating Receipts	<u>796,736</u>	<u>772,293</u>
Operating Disbursements:		
Wages and Benefits	85,266	88,960
Utilities	113,087	102,228
Professional Services	132,720	130,900
Equipment and Grounds Maintenance	156,483	181,798
Race Purse	106,669	112,552
Senior Fair	66,160	59,117
Junior Fair	41,676	45,200
Capital Outlay	45,567	225,341
Other Operating Disbursements	103,134	118,673
Total Operating Disbursements	<u>850,762</u>	<u>1,064,769</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(54,026)</u>	<u>(292,476)</u>
Non-Operating Receipts (Disbursements):		
State Support	29,044	29,155
County Support	23,300	5,300
Debt Proceeds	32,929	200,000
Donations/Contributions	83,203	83,343
Investment Income	576	669
Debt Service	<u>(71,151)</u>	<u>(53,008)</u>
Net Non-Operating Receipts (Disbursements)	<u>97,901</u>	<u>265,459</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	43,875	(27,017)
Cash Balance, Beginning of Year	<u>57,747</u>	<u>84,764</u>
Cash Balance, End of Year	<u><u>\$101,622</u></u>	<u><u>\$57,747</u></u>

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

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**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Champaign County Agricultural Society, Champaign 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 1841 to operate an annual agricultural fair. The Society sponsors the week-long Champaign County Fair during August. During the fair, harness races are held. Champaign County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 26 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Champaign County and pay an annual membership fee to the Society.

1. 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, track and stall rental, and community events including flea markets. The reporting entity does not include any other activities or entities of Champaign County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and 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. Accounting Basis

These financial statements follow 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.

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

C. Cash and Investments

The Society's funds are maintained in checking and savings accounts. The Society has no investments.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. 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.

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Stake races are held during the Champaign 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.

1. Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing Association 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 report these fees as Sustaining and Entry Fees.

2. 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.

G. Pari-mutuel Wagering

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

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

2. CASH

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

	<u>2007</u>	<u>2006</u>
Demand deposits	\$101,622	\$57,747

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2007 and 2006 was \$25,233 and \$25,309, 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.

	2007	2006
Total Amount Bet (Handle)	\$45,991	\$74,281
Less: Payoff to Bettors	(36,694)	(59,133)
Parimutuel Wagering Commission	9,297	15,148
Tote Service Commission	(4,264)	(6,902)
State Tax	(1,252)	(2,126)
Society Portion	<u>\$3,781</u>	<u>\$6,120</u>

4. DEBT

Debt outstanding at November 30, 2007 was as follows:

	Principal	Interest Rate
Wardell Land Purchase	\$70,449	5.50%
Swine Building Renovation	38,641	5.25%
Poultry Barn	546	5.25%
Horse Arena	35,409	5.25%
Horse Barn	180,000	7.00%
Kubota Tractor	25,000	7.00%
Goat Pens	6,964	6.875%
Total	<u>\$357,009</u>	

A. Loans

The Society entered into the \$134,275 Wardell Farm Land loan in 1996 with Citizen's National Bank for purchasing farm land and refinanced the \$101,000 loan on February 27, 2004 with Perpetual Federal Savings Bank. The loan bears an interest rate of 5.5 percent and matures July 27, 2014.

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

4. DEBT (Continued)

The Society entered into the \$7,928.64 Goat Pen note in May 2007 with Perpetual Federal Savings Bank to purchase and construct new goat pens. The loan bears an interest rate of 6.875 percent and matures September 30, 2014.

The Society entered into the \$25,000 Kubota Tractor note in January 2007 with Perpetual Federal Savings Bank to purchase a tractor. The loan bears an interest rate of 7 percent and matures January 4, 2012.

The Society entered into the \$200,000 Horse Barn note in May 2006 with Perpetual Federal Savings Bank to build and construct a horse barn. The loan bears an interest rate of 7 percent and matures May 27, 2016.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Wardell Farm Land	Goat Pens	Kubota Tractor	Horse Barn	Interest	Total
2008	\$10,100	\$991	\$4,347	\$20,000	\$17,726	\$53,164
2009	10,100	991	4,652	20,000	15,399	51,142
2010	10,100	991	4,977	20,000	13,049	49,117
2011	10,100	991	5,326	20,000	10,676	47,093
2012	10,100	991	5,698	20,000	8,280	45,069
2013-2017	19,949	2,009		80,000	12,499	114,457
Total	\$70,449	\$6,964	\$25,000	\$180,000	\$77,629	\$360,042

B. Lines of Credit

On May 7, 2002, a line of credit was established for \$120,500 at 5.25% interest for the renovation of the swine building. At November 30, 2007, the balance of the letter was \$38,641. Repayment is based on funds received from various organizations and 10% of hog sale. The line of credit matures on July 7, 2012.

On June 6, 2001, a line of credit was established for \$16,000 at 5.25% interest for the completion of sheep pens. Repayment is in the amount of \$3,200 plus interest on an annual basis. The line of credit was paid in full during June 2006.

On June 19, 2001, a line of credit was established for \$20,000 at 5.25% interest for the construction of a poultry barn. At November 30, 2007, the balance of the letter was \$546. Repayment is in the amount of \$2,860 plus interest on an annual basis. The line of credit matures on June 19, 2008.

On May 23, 2001, a line of credit was established for \$120,000 at 5.25% interest for the completion of the horse arena. At November 30, 2007, the balance of the letter was \$35,409. Repayment is in the amount of \$12,000 plus interest on an annual basis. The line of credit matures on May 23, 2011.

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

5. RISK MANAGEMENT

The Champaign County Commissioners provide general insurance coverage for all the buildings on the Champaign 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 \$500,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$13,500. The Society's management is bonded with coverage of \$1,000,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2008.

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 Champaign County Fair. The Society disbursed \$41,676 and \$45,200 in 2007 and 2006, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity.

The Junior Fair Board's financial activity for the years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$247	\$288
Receipts	846	409
Disbursements	(443)	(450)
Ending Cash Balance	\$650	\$247

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 Champaign County's auction. A commission on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$12,211	\$19,131
Receipts	479,042	448,180
Disbursements	(483,791)	(455,100)
Ending Cash Balance	\$ 7,462	\$12,211

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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*

Champaign County Agricultural Society
Champaign County
384 Park Avenue
PO Box 38157
Urbana, Ohio 43078

To the Board of Directors:

We have audited the financial statements of the Champaign County Agricultural Society, Champaign County, (the Society) as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated June 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 qualified our report on rental receipts due to the lack of sufficient evidential matter supporting the receipts. 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 statements, 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.

**Internal Control over Financial Reporting
(Continued)**

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-007.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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 2007-002 and 2007-003 are also material weaknesses.

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

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

June 4, 2008

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Finding For Recovery – Board Member

Mr. Jim Kerns, board member, received check number 13197 dated July 6, 2006, in the amount of \$1,541.92; however, the board only approved reimbursement of supplies to Jim Kerns in the amount of \$41.92. As a result, \$1,500 in unapproved compensation was provided to Mr. Kerns.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Jim Kerns, in the amount of \$1,500 in favor of the Society's general fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. Seward v. National Surety Corp., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex. Rel. Village of Linndate v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property 1980 Op. Atty Gen. No. 80-074.

Accordingly, a Finding for Recovery is hereby issued against Melvin Cook, board president, Lisa McKeever, former Treasurer and Ohio Farmers Insurance Company, her bonding company, jointly and severally, in the amount of \$1,500 in favor of the Society's general fund. Melvin Cook and Lisa McKeever shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Jim Kerns.

Officials' Response:

Board member Jim Kerns has advised that he will reimburse the Board the \$1,500 unapproved compensation he received on July 6, 2006.

FINDING NUMBER 2007-002

Noncompliance Citation and Material Weakness

Ohio Rev. Code Section 149.351 states all records are the property of the public office concerned and 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 commission provided for under Section 149.41, Revised Code.

The Society failed to maintain several records including:

- Manual receipts;
- Rental contracts;
- Camping permits (2006 records were not available, 2007 records were incomplete);
- Privilege fee contracts;
- Admissions gate index cards for the horse gate;
- November 30, 2006 outstanding check lists for the sale bank account;

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

Additionally, the records that were maintained were not always complete to include:

- Signatures required to complete the record (i.e., contract) were not acquired;
- Fee amount charged was not completed or was incorrect;
- Manual receipts generally lacked account coding;
- Deposit slips were carbon copies and it was not always identifiable as to what receipts the deposits pertained to;

To ensure the Society's financial statements and notes to the financial statements are complete and accurate, the Society should adopt policies and procedures to review financial statement supporting documentation including receipts, vouchers, annual reports, and notes.

Officials' Response:

The Society will, in the future, retain all records of receipts, contracts, permits, etc. as advised by the Auditor.

FINDING NUMBER 2007-003

Material Weakness

Rental Revenue

The Society receives rental revenue from various vendors for rentals of buildings, grounds, arenas, camping areas, etc. The Society completes rental contracts with vendors describing the rental agreement issues including the type of rental and fee. During the audit period, several rental contracts were not made available and no other supporting documentation was obtained to verify the amount of rental income received by the Society. During 2006, the Board agreed to compensate the Board President ten percent of rental income collected for his duties involved with the rental contracts. He received these payments in both 2006 and 2007. Based on the lack of evidential matter surrounding the rental income fees, the amount provided to the Board President may be incorrect; therefore misstating Wages/Benefits disbursements. The Society should incorporate adequate procedures to properly document and account for rental income, which includes the following:

- Maintaining signed rental contracts indicating fees due and amounts paid
- Preparing detailed receipts for amounts collected
- Completing accurate deposit slips which agree to receipts
- Recording amounts properly in the accounting records

The Board should also review the payments made to the Board President to determine if a reasonable amount was paid in relation to the revenues that are supported. In addition, future payments approved for the Board President should also be reviewed in detail prior to payment in order to determine if proper supporting documentation is maintained.

Officials' Response:

The Board will review rental documents prior to the Board President receiving compensation. Contracts and deposits will be maintained in a more detailed manner.

FINDING NUMBER 2007-004

Significant Deficiency

Premium Vouchers

The *Uniform System of Accounting for Agricultural Societies* manual (November 2002 revision published by the Auditor of State's Office) allows agricultural societies to establish premium petty cash accounts upon approval of the Society's board of directors. Amounts are to be established by the board of directors and are not to exceed \$1,000. A society may establish one or more petty cash accounts to distribute premium money to exhibitors. For example, one account may be established for open class premiums and another for junior fair premiums.

In both fiscal years 2006 and 2007, \$16,000 in cash was withdrawn for the payment of premium vouchers. Premium petty cash accounts were not established by the society. Furthermore, the amounts were recorded as a disbursement and no corresponding return of unused funds was recorded in the disbursements ledger which indicates the total amounts of the petty cash amounts were disbursed. Revenue and/or disbursements could be stated incorrectly based on the current accounting method.

The Society should establish premium petty cash accounts if it intends to pay cash for the premium vouchers. The following controls should be implemented to maintain accountability over the cash and disbursements:

- The amounts initially deposited in the premium petty cash accounts, called the "imprest amounts," 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 accounts,
- Receipts, in the form of premium vouchers, should be maintained and added to the petty cash remaining to equal the imprest amount, (e.g., if the established amount of the swine premium petty cash account has been established at \$1,000 and \$100 of premium tickets have been paid out, then the sum of the premium tickets should be \$100 and the remaining petty cash should be \$900),
- Petty cash shall be replenished up to the "imprest amount" by society check made payable to the petty cash custodian in the form "John Doe, Petty Cash Custodian," where John Doe is the name of the person authorized by the board of directors to be the petty cash custodian,
- The expenditures made by petty cash disbursements shall be distributed to the accounts upon the replenishment of the petty cash fund, and
- All premium vouchers should be maintained and reconciled to the accounting records.

Officials' Response:

Premium petty cash accounts will be established to pay cash for the vouchers and the imprest account will be maintained and reconciled as required.

FINDING NUMBER 2007-005

Significant Deficiency

Bank Reconciliations

The Society has two checking accounts and several savings accounts. The Treasurer performed bank reconciliations throughout the period for both checking accounts separately by using the Quickbooks system. A total reconciliation for all accounts was not completed. Review of bank reconciliations noted the following issues:

- Difficult to determine if accounts are reconciled
- Incorrect information included in bank reconciliations due to transaction recording errors
- Old outstanding checks
- Un-posted interest

Although, the Society's books were reconciled by the end of 2007, the 2006 bank reconciliations contained several errors and were not balanced. Inaccurate bank reconciliations can cause financial reporting misstatements and weak cash controls over the Society's funds. The Society should implement policies and procedures to improve the reconciliation process including:

- Performing total cash balance reconciliation that includes all checking and savings accounts
- Writing off long-outstanding reconciling items such as checks older than 3 months
- Posting all interest for accounts prior to year-end
- Entering accurate information in to reconcile the accounts
- Provide additional information on bank reconciliations showing how account is balanced
- Reviewing transactions entered to ensure double-booking did not occur
- Maintaining additional copies of bank reconciliations and support in case of loss

These procedures will help improve the accuracy of cash balances and financial reporting with respect to revenues, expenses, and cash balances reported throughout the year as well as at year-end. The Board should extensively review the bank reconciliations and ensure accurate supporting documentation is maintained that supports the reconciled accounts.

Officials' Response:

The Society will make every effort for bank reconciliations to be more detailed.

FINDING NUMBER 2007-006

Significant Deficiency

Ticket Sales

The majority of the Society's revenue is admission sales. The Society tracks ticket sales on index cards to determine if tickets are properly accounted for. Review of admissions indicated the following:

- 2006 admission index cards were not maintained for the horse gate
- Incorrect admission rates were charged in 2007 in some instances

Although other procedures were performed to determine the accuracy of the admissions revenue, the Society should implement the following procedures to help prevent future misstatements:

**FINDING NUMBER 2007-006
(Continued)**

- Utilize consecutively pre-numbered tickets for fair admittances;
- Use separate tickets to account for each type of admission;
- Record the numbered sequence of tickets given to distribution locations;
- Return all unsold tickets and cash for sold tickets and compare with the tickets issued;
- Issue a single pre-numbered cash receipt for each batch of tickets sold and reconcile receipts and tickets; and
- Charge correct amounts per approved rates.

The above procedures will help to strengthen internal accounting controls, to reduce errors, and to provide adequate documentation for financial statement presentation. The Board should review admission reconciliations in order to provide additional control and assurance over the major source of income for the Society.

Officials' Response:

The Society will make every effort to track ticket sales more efficiently.

FINDING NUMBER 2007-007

Significant Deficiency

Authorization and Accounting of Privilege Fee Contracts

The Society enters into agreements with vendors to receive fees for the rent of space at the merchant building and other locations for fair week. The following issues were identified during testing:

- Several privilege contracts were not signed by both parties (fair board member and vendor), and in some cases neither party,
- The Treasurer lowered the amount due for a privilege contract by \$125 that was paid in cash. The contract was signed by the Treasurer and the monies received and deposited by the Treasurer.
- The receipts ledger grouped several manual receipts together which made accounting for all receipts difficult; and
- Deposit slips were not always clear as to what vendors had paid and were carbon copies that were not easily readable.

The above issues demonstrate a lack of authorization procedures implemented over the recording of privilege fees, afford opportunities for fraud and misstatement of revenues, and do not allow for proper tracking of reported revenues.

We recommend the society take the following steps:

- The revenue ledger should include details including:
 - account
 - vendor
 - purpose
 - date
 - receipt number
 - amount
- Deposit slips should be filled out indicating:
 - Receipt number(s) and/or descriptions
 - Amount received

**FINDING NUMBER 2007-007
(Continued)**

- Receipts should be issued in sequence and include:
 - Accounts posted
 - Vendor
 - Purpose
 - Date received
 - Amounts received (form of receipt, i.e., cash/check)
 - Voided receipts should be marked void and retained

- Privilege contracts should be signed by an authorized representative of the Board and the vendor and should include:
 - Accounts posted
 - Vendor
 - Purpose
 - Date received
 - Amounts received (form of receipt, i.e., cash/check)

To improve controls, lessen the likelihood of fraud, allow for proper tracking of revenues, and improve financial reporting, the Fair Board and Treasurer should implement the above procedures.

Officials' Response:

Auditor's recommendations of procedures will be implemented.

**CHAMPAIGN COUNTY AGRICULTURAL SOCIETY
CHAMPAIGN 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; <i>Explain</i>
2005-001	Insufficient Revenue Detail: -Revenue ledger did not include accounts -Ticket sales were not tracked -Several rental contracts were not maintained -Deposit slips were not linked to specific receipts -Receipts were incomplete and lacked necessary detail -Untimely postings -Voided receipts were not retained	No	Not Corrected, repeated as Findings 2007-002, 2007-003, and 2007-006



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

CHAMPAIGN 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
JULY 17, 2008**