



Mary Taylor, CPA  
Auditor of State



**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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Mary Taylor, CPA  
Auditor of State

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

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

January 29, 2009

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# Mary Taylor, CPA

Auditor of State

## 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 the Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2007 and 2006. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as described in paragraph six, 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.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require, agricultural 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 statement referred to above for the years ended November 30, 2007 and 2006 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2007 and 2006 or its changes in financial position for the years then ended.

The Society did not maintain sufficient records, documents, or evidential matter to support the completeness of the 2007 and 2006 receipts which were recorded as \$20,680 (8.6 percent of total operating receipts) and \$51,169 (23.2 percent of total operating receipts) respectively, as reflected in the accompanying financial statement. These receipts consisted of Privilege Fees (2006), Sustaining and Entry Fees (2006 and 2007), Rentals (2006 and 2007), Sponsorship/Promotions (2006 and 2007), and Donations/Contributions (2006 and 2007). In addition, we were unable to satisfy ourselves as to the completeness of these receipts by other auditing procedures.

Also, in our opinion, except for the effect of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence supporting receipts as discussed in the paragraph above, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Jackson County Agricultural Society, Jackson County, Ohio, 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2009, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Mary Taylor, CPA**  
Auditor of State

January 29, 2009



**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

	<u>2007</u>	<u>2006</u>
<b>Operating Receipts:</b>		
Admissions	\$90,949	\$77,098
Privilege Fees	10,353	11,739
Rentals	36,280	45,098
Sustaining and Entry Fees	23,787	22,033
Parimutuel Wagering Commission	1,437	1,190
Other Operating Receipts	<u>10,679</u>	<u>6,088</u>
 Total Operating Receipts	 <u>173,485</u>	 <u>163,246</u>
<b>Operating Disbursements:</b>		
Wages and Benefits	50	113
Utilities	33,342	24,384
Professional Services	41,539	32,425
Equipment and Grounds Maintenance	14,475	21,210
Race Purse	43,684	43,203
Senior Fair	8,394	6,859
Junior Fair	10,045	10,180
Capital Outlay	21,289	1,200
Other Operating Disbursements	<u>48,422</u>	<u>47,654</u>
 Total Operating Disbursements	 <u>221,240</u>	 <u>187,228</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>(47,755)</u>	 <u>(23,982)</u>
<b>Non-Operating Receipts:</b>		
State Support	29,045	29,155
County Support	3,000	3,000
Donations/Contributions	7,899	5,122
Sponsorships/Promotions	19,230	18,588
Proceeds from Sale of Asset	7,035	
Investment Income	<u>1,664</u>	<u>1,466</u>
 Net Non-Operating Receipts	 <u>67,873</u>	 <u>57,331</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 20,118	 33,349
 Cash Balance, Beginning of Year	 <u>88,304</u>	 <u>54,955</u>
 <b>Cash Balance, End of Year</b>	 <u><u>\$108,422</u></u>	 <u><u>\$88,304</u></u>

*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, 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 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 in 1986 to operate an annual agricultural fair. 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 Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of 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 as well as track and stall rental. The reporting entity does not include any other activities or entities of Jackson County, Ohio.

Notes 5 and 6, 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**

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

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Property, Plant, and Equipment**

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

**D. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509(a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

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

**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 report 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 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	<u>\$108,422</u>	<u>\$88,304</u>

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation with the exception of deposits exceeding FDIC insured amounts.

In July, August, and September 2007, deposits of up to \$56,941 were not insured, contrary to Ohio law.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

**3. HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year 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)	\$16,088	\$12,947
Less: Payoff to Bettors	(10,855)	(8,646)
Parimutuel Wagering Commission	5,233	4,301
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(3,199)	(2,584)
State Tax	(397)	(327)
Society Portion	\$1,437	\$1,190

**4. RISK MANAGEMENT**

The Society is exposed to various risks of property and casualty losses.

The Jackson County Commissioners provide general insurance coverage for all the buildings on the Jackson County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

The Society insures against injuries to employees through the Ohio Bureau of Workers Compensation.

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.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

**4. RISK MANAGEMENT (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 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.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

**4. RISK MANAGEMENT (Continued)**

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$10,000. This payable includes the subsequent year's contribution due if the Society terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>	
2005	\$10,520
2006	8,384
2007	8,628

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**5. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Jackson County Fair. The Society disbursed \$10,045 and \$10,180 directly to vendors in 2007 and 2006, respectively, to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Jackson County paid the Society \$500 annually to support Junior Club work. 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	\$1,545	\$250
Receipts	1,389	2,256
Disbursements	(1,612)	(961)
Ending Cash Balance	\$1,322	\$1,545

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

**6. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Jackson County's auction. A commission per head on auction sales of \$45 for Grand Champion, \$35 for Rate-of-Gain Champion, and \$15 for all other market animals is retained by the Junior Livestock Sale Committee to cover auction costs. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Beginning Cash Balance	\$9,698	\$11,180
Receipts	202,313	234,300
Disbursements	<u>(202,385)</u>	<u>(235,782)</u>
Ending Cash Balance	<u><u>\$9,626</u></u>	<u><u>\$9,698</u></u>





# 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*

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, 2007 and 2006, and have issued our report thereon dated January 29, 2009, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also qualified our opinion due to insufficient documentation to support 2007 and 2006 receipts which were recorded as \$20,680 (8.6 percent of total operating receipts) and \$51,169 (23.2 percent of total operating receipts), respectively, as reflected in the accompanying financial statement. These receipts consisted of Privilege Fees (2006), Sustaining and Entry Fees (2006 and 2007), Rentals (2006 and 2007), Sponsorship/Promotions (2006 and 2007), and Donations/Contributions (2006 and 2007). In addition, we were unable to satisfy ourselves as to the completeness of these receipts by other auditing procedures. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statement, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

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

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

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2007-002 through 2007-006.

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

Our consideration of 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 number 2007-002, 2007-004, 2007-005, and 2007-006 are also material weaknesses.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated January 29, 2009.

#### **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 an instance of noncompliance that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

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 January 29, 2009.

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 audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 29, 2009

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Noncompliance Citation**

Ohio Revised 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 Rental, Sustaining Entry Fees, Promotion/Sponsorship, and Gift/Donations receipts were collected by various members of the Society. The receipts were frequently 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. This indicated that the Society had cash on hand for extended periods. Maintaining significant amounts of cash on hand for extended periods increases the risk of misappropriation.

We recommend the Society either deposit all receipts with the 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:**

The Board will discuss the recommendation.

**FINDING NUMBER 2007-002**

**Material Weakness**

Proper 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. Properly completed bank reconciliations should include a comparison of the total cash balance per the books of the Society to the bank balances per the bank statements. All bank accounts of the Society should be included in the monthly reconciliation.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-002 (Continued)**

**Material Weakness (Continued)**

A review of the monthly bank reconciliations revealed the Society did not perform reconciliations for the months of December 2006 through June 2007 and August 2007 through October 2007. Additionally, the savings account was not included in the bank reconciliations that were performed. The bank statement is reconciled to the checkbook, but not the cashbook. This could allow errors and/or irregularities to occur and remain undetected for an extended period of time.

We recommend the Treasurer, or other appointed official, prepare monthly reconciliations including 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:**

The checking account is reconciled monthly; however, it was not documented. Henceforth, documentation will be provided.

**FINDING NUMBER 2007-003**

**Significant Deficiency**

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, the Society should compare their actual cash balance to budgeted cash balance at the end of each month. When the actual cash balance is below the budgeted cash balance, the Society should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance. In addition, the Board of Directors should review and approve bank reconciliations and expenditures monthly.

There was no documentation supporting the Board of Directors' review of monthly bank reconciliations for any Society account, approval of expenditures for 9 out of the 24 months in 2006 and 2007, or the extent to which the Board used financial information to monitor the financial activity of the 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 Society.

The lack of controls over expenditures and financial reporting could adversely affect 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:

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-003 (Continued)**

**Significant Deficiency (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 Agricultural 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. We recommend that the Treasurer provide a detailed budget and financial statements, cash balances, and checks paid, and completed bank reconciliations for each regular Board meeting. The review of this information should be noted in the minutes of the meetings of the Board.

**Officials' Response:**

The Treasurer will talk to the Board about instituting monthly reviews.

**FINDING NUMBER 2007-004**

**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.

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, signed 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 failed to provide support for several categories of receipts including building rentals, campsite rentals, contest fees, ground space rentals, stall/barn rentals, and entry fees which resulted in the inability to determine the Society collected and posted the proper amounts in 2007 and 2006. There was a failure to provide supporting documentation in these categories for \$43,399 of receipts in 2006 and \$14,281 in 2007.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

The Society received rental receipts from renting the use of the grounds, campsites, barns, stalls, and various buildings located at the County Fairgrounds throughout the year. However, the campground agreements/contracts for the rental of the campsites 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. In 2007, there were 180 contracts on file out of which 99 did not have the dates of the rental and 17 were not signed by the renter. In 2006, there were 144 campground contracts on file out of which 73 did not document the rental period, 70 did not indicate the total charge for the rental, and 29 were not signed by the renter.

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 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. Additionally, all agreements provided noted that the rental was for one year despite the actual rental period differing from this prescribed one year period. It was noted that the leases were actually on a month-to-month basis depending on how well the owners' horses did during the racing season. In 2006, no contracts/agreements were on file with the Society for 2 out of the 12 individuals renting stalls.

In 2007, there were no contracts/agreements maintained for any of the 12 stall/barn renters from whom the Society received payments. Rental receipts are collected by one of the members of the Society who then paid the receipts into the Secretary. The Secretary then prepared a duplicate receipt and deposited the money. The Society does not document any calculation or description of variances between actual receipts and monthly amount due for the stall rental.

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. In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts due were collected and 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 accurately and completely fill out the current written rental agreements/contracts for the rental of all grounds, campsites, barns stalls, buildings, etc. The signed 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 signed agreement should document the duration of the agreement for the rental of the grounds, campsites, buildings, barns, stalls, etc and the total cost associated with the agreement. We recommend the Society amend agreements to agree to actual terms and price should conditions arise during the rental period resulting in a modification of the original agreement. A duplicate receipt should be prepared for each individual collection of money by the individual collecting the receipts. 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 designated depository or Treasurer in accordance with Ohio Revised Code Section 9.38. A pay-in should be prepared by the Treasurer. The receipt should be recorded in the receipts ledger and cashbook and be deposited in the designated depository

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-004 (Continued)**

**Material Weakness (Continued)**

We further recommend the Society maintain a log of stall/barn renters to allow for documentation of amounts due, payments due dates, and outstanding balances for each renter.

**Officials' Response:**

The Board will monitor this more closely and take appropriate steps to correct.

**FINDING NUMBER 2007-005**

**Material Weakness**

The Agricultural 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 for Gifts and Donations as well as Promotions and Sponsorships received by various individuals on behalf of the Society were not evidenced in the minutes of the Board of Directors' meetings. The only supporting documentation for 23 percent of transactions in 2006 and 23.6 percent of transactions in 2007 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. This was \$6,399 and \$7,450, respectively.

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. 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 the Board of Directors establish a formal process for handling receipts for Gifts and Donations as well as Promotions and Sponsorships to ensure acceptance is recorded in the minute record of open meetings or proper supporting documentation is maintained which should include the person/organization from which the money was received, the date received, and the amount received. We further recommend the Society maintain a copy of the remittance letter or any letter accompanying a receipt to help substantiate the amount recorded in the ledgers.

**Officials' Response:**

The Board will review the recommendation.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2007-006**

**Material Weakness**

The Uniform System of Accounting for Agricultural Societies (November 2002 Revision) states that agricultural societies shall deposit all cash receipts into a society-owned bank account. A multi-part pre-numbered receipt should be completed for each cash receipt, except for ticket sales. A copy of the receipt shall be given to the person or organization making the payment. The society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively.

The Society did not issue sequentially numbered duplicate receipts to persons and/or organizations issuing payments for various types of receipts such as Rentals, Ground Space Fees ( a type of Privilege fees), Contest Fees (a type of Sustaining entry Fees), Promotions/Sponsorships, Gifts/Donations, and certain Other Receipts. Duplicate receipts were on file for all items; however, these duplicate receipts were written by the Secretary upon receipt of monies from Board members as the Board members were the ones collecting the monies from the individual persons and/or organizations issuing payments. Failure to issue pre-numbered duplicate receipts to payees eliminates a significant control point, obscures the audit trail, and provides the opportunity for errors and/or irregularities to occur and remain undetected by management for an extended period of time. The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of the privilege fees in 2006, sustaining and entry fees in 2006 and 2007, rental receipts in 2006 and 2007, sponsorship/promotions in 2006 and 2007, and donations/contributions in 2006 and 2007, resulting in a qualified opinion on the financial statement. This consisted of receipts which were recorded as \$20,680 (8.6 percent of total operating receipts) and \$51,169 (23.2 percent of total operating receipts) respectively, as reflected in the accompanying financial statement.

We recommend the Board of Directors require pre-numbered duplicate receipt books be maintained by all board members collecting receipts. We further recommend the Board of Directors require pre-numbered duplicate receipt be completed showing payee, date, amount of receipt, and purpose of receipt for each receipt of funds collected with a copy of said receipt being issued to the payee.

**Officials' Response:**

The Board will discuss recommendation and take the necessary steps to correct.



**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	Receipts were not deposited or paid to the Treasurer within the required three days.	No	Not corrected, reissued as Finding Number 2007-001.
2005-002	Failure to maintain supporting documentation for Society disbursements.	Partially Corrected	Partially corrected. Referred to management in a separate letter.
2005-003	Failure to follow budgetary requirements such as monthly review, posting of budgetary amounts to the books, and actual amounts for receipts and expenditures exceeding budgeted amounts.	No	Not corrected. Referred to management letter in a separate letter.
2005-004	Failure to maintain numerical control over exhibitor tickets; failure to maintain ticket accountability forms for Admissions; failure to have support for all Admissions receipts.	Partially Corrected	Partially corrected. Referred to management in a separate letter.
2005-005	Failure to have contracts with all required information for Concessions and Privilege fees.	Partially Corrected	Partially corrected. Referred to management in a separate letter.
2005-006	Failure to include all accounts (checking and savings) in the monthly bank account reconciliations.	No	Not corrected, reissued as Finding Number 2007-002.
2005-007	Failure to have contracts or completed contracts for rental receipts.	No	Not corrected, reissued as Finding Number 2007-004.

**JACKSON COUNTY AGRICULTURAL SOCIETY  
JACKSON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-008	Failure of the Board to provide adequate legislative monitoring through review of bank statements, budgeted amounts, and monthly reports.	No	Not corrected, reissued as Finding Number 2007-003.
2005-009	Failure to properly record the proceeds from debt and payoff of debt.	Yes	Finding no Longer Valid.
2005-010	Failure to have Board approval for establishment of petty cash fund to handle Junior Fair Premium.	Partially corrected	Partially corrected. Referred to management in a separate letter.
2005-011	Failure to provide adequate support for Donation receipts or approve Donation amounts in the minute record.	No	Not corrected, reissued as Finding Number 2007-005.



**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 12, 2009**