



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
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NEWS RELEASE

FOR RELEASE June 28, 2007

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Dubuque County Fair Association.

The Association had total receipts of \$1,125,949 during the year ended September 30, 2006, which included \$364,179 in admissions and \$405,121 in concession commissions.

Disbursements totaled \$1,109,907 for the year ended September 30, 2006, and included \$318,246 for special events and attractions and \$223,617 for salaries and benefits.

A copy of the audit report is available for review in the Dubuque County Fair Association's office, in the Office of Auditor of State and the Auditor of State's web site at <http://auditor.state.iowa.gov/index.html>.

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DUBUQUE COUNTY FAIR ASSOCIATION

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

SEPTEMBER 30, 2006

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Dubuque County Fair Association

Officials

<u>Name</u>	<u>Title</u>
Jeff Avenarius	President
Daryl Biechler	First Vice President
Marty McClain	Second Vice President
Greg Birkett	Director at Large First Chair
Fred Henneberry	Director at Large Second Chair
William Watters	Director at Large Third Chair
Jamie Blum	Manager
Ruth Hubbard	Office Manager

Directors

Marla Avenarius	Randy McClain
Richard Bradley	Ray Mueller
Carol Coates	Sylvester Rauen
Paul Coates	Mark Reiss
Kevin Donovan	Kim Saeugling
Virgil Hammerand	Jim Siegert
Donald Jecklin	Jerry Sigwarth
Robert Kenneally	Dan Waller
Karen Kutsch	Amanda Wessels

Dubuque County Fair Association



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Independent Auditor's Report

To the Officials of the Dubuque County
Fair Association:

We have audited the accompanying financial statement, listed as an exhibit in the table of contents of this report, of the Dubuque County Fair Association as of and for the year ended September 30, 2006. This financial statement is the responsibility of the Association's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about 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 in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statement presents fairly, in all material respects, the results of the cash transactions of the Dubuque County Fair Association as of and for the year ended September 30, 2006 on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2007 on our consideration of the Dubuque County Fair Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 17, 2007

Dubuque County Fair Association

Financial Statement

Exhibit A

Dubuque County Fair Association

Statement of Cash Transactions

Year ended September 30, 2006

Receipts:		
State allocation		\$ 10,177
County allocation		10,000
Admissions:		
Dances	\$ 71,067	
Pit passes	12,843	
Gate	140,389	
Carnival	51,000	
Reserved seats	31,255	
Octoberfest	9,282	
Summers Last Blast	8,915	
Poker Tournament	9,380	
Other	30,048	364,179
Concession commissions		405,121
Catering		64,812
Advertising		26,775
Rent:		
Building and grounds	144,664	
Storage	12,900	157,564
Parking		10,068
Fundraising events		46,778
Interest on investments		89
Miscellaneous		30,386
Total receipts		<u>1,125,949</u>
Disbursements:		
Salaries and benefits		223,617
Utilities		69,878
Repair and maintenance		40,059
Advertising		33,963
Insurance		47,912
Travel		3,173
Printing		8,087
Postage and freight		2,987
Rental		8,083
Permits and licenses		2,506
Contractual services		34,816

Dubuque County Fair Association

Statement of Cash Transactions

Year ended September 30, 2006

Disbursements (continued):		
Accounting services		7,806
Office supplies		3,057
Concessions		166,240
Operating supplies		34,928
4-H premiums		10,500
Special events and attractions		318,246
Fundraising		3,001
Auto racing		45,470
Property and equipment		33,439
Miscellaneous		12,139
Total disbursements		<u>1,109,907</u>
Excess of receipts over disbursements		16,042
Other financing sources (uses):		
County reimbursement for real estate purchase	10,000	
Loan proceeds	104,000	
Loan repayments:		
Principal	(87,096)	
Interest	(4,614)	
		<u>22,290</u>
Excess of receipts and other financing sources over disbursements and other financing uses		38,332
Balance beginning of year		<u>17,632</u>
Balance end of year		<u><u>\$ 55,964</u></u>

See notes to financial statement.

Dubuque County Fair Association

Notes to Financial Statement

September 30, 2006

(1) Summary of Significant Accounting Policies

The Dubuque County Fair Association was formed in 1954 pursuant to the provisions of Chapter 504A of the Code of Iowa.

The Association is to hold an annual fair in Dubuque County, Iowa, to further interest in agriculture and to encourage the improvement of agricultural products, livestock, articles of domestic industry, implements and other mechanical devices. The Association is to offer and award such premiums as will induce general competition and is to operate, manage and control the Dubuque County Fairgrounds and improvements.

A. Reporting Entity

For financial reporting purposes, the Dubuque County Fair Association has included all funds, organizations, agencies, boards, commissions and authorities. The Association has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Association to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Association. The Dubuque County Fair Association has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Accounting

The Dubuque County Fair Association maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Association is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Association in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Association's deposits in banks at September 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Association is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Association; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Association had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3, as amended by Statement No. 40.

(3) Risk Management

The Dubuque County Fair Association is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Association assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Pending Litigation

The Association is named as a defendant in a personal injury lawsuit. Monetary damages, if any, are undetermined at this time.

(5) Notes Payable

The Association has a revolving line of credit of \$100,000 which is typically renewed during February of each year. On February 1, 2006, the Association renewed the revolving line of credit at 5.75% per annum interest to be repaid by February 1, 2007. During fiscal year 2006, the Association cumulatively borrowed \$104,000 on this line of credit and repaid \$80,000. The balance at September 30, 2006 was \$24,000.

On January 13, 2005, the Association entered into a loan agreement for \$56,000 for the purchase of real estate. The agreement requires annual payments of \$10,000 and a final payment estimated at \$8,328, including 6.00% per annum interest, beginning on August 1, 2005. The Association has entered into an agreement with the Dubuque County Board of Supervisors (County) whereby the County will reimburse the Association for the annual payments specified in the loan agreement. The loan balance and the amount receivable from the County at September 30, 2006 was \$40,780.

(6) Compensated Absences

Association employees accumulate an established amount of earned personal time off based on the number of years of service for subsequent use or for payment upon termination, resignation, retirement or death. These accumulations are not recognized as disbursements by the Association until used or paid. The Association's approximate liability to employees for earned personal time off at September 30, 2006 is \$19,000.

This liability has been computed based on rates of pay in effect at September 30, 2006.

Dubuque County Fair Association



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of a Financial Statement Performed in Accordance with
Government Auditing Standards

To the Officials of the Dubuque County
Fair Association:

We have audited the financial statement of the Dubuque County Fair Association as of and for the year ended September 30, 2006, and have issued our report thereon dated April 17, 2007. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Dubuque County Fair Association's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Dubuque County Fair Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a 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 in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A), (B), (C), (D), (F) and (J) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dubuque County Fair Association's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and other matters, non-compliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Association's operations for the year ended September 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Association. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Dubuque County Fair Association and other parties to whom the Association may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Dubuque County Fair Association during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 17, 2007

Dubuque County Fair Association

Schedule of Findings

Year ended September 30, 2006

Findings Related to the Financial Statement:

REPORTABLE CONDITIONS:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the Association:

- (1) Accounting system – performing all general accounting functions.
- (2) Cash – preparing bank account reconciliations, initiating disbursement functions and recording cash.
- (3) Receipts – journalizing and posting.
- (4) Disbursements – check signing, recording and reconciling.
- (5) Financial reporting – preparing, reconciling and distributing.

In addition, the check signature stamp is available to all office personnel.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Association should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, the check signature stamp should be stored in a secure location.

Response – The above duties are being distributed among other staff. Also, the check stamp will be secured.

Conclusion – Response accepted.

(B) Bank Reconciliation – Although the bank reconciliation was prepared monthly, there was no evidence of review by an independent person of the monthly bank reconciliations. In addition, some variances between the book balance and the bank balance were not investigated and resolved. Also, a liability was established in the accounting system for old outstanding checks which were not included in the monthly reconciliation.

Recommendation – To improve financial accountability and control, the monthly bank reconciliation should be reviewed by an independent person and evidence of this review should be documented. In addition, variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. Also, old outstanding checks should be treated as outstanding checks on the bank reconciliation. Checks greater than two years old should be remitted to the Treasurer of State as required by Chapter 556.11 of the Code of Iowa.

Dubuque County Fair Association

Schedule of Findings

Year ended September 30, 2006

Response – The bank reconciliation will be reviewed by an independent person each month. Additionally, variances will be investigated and resolved. Also, old outstanding checks will be included in the bank reconciliation and funds from checks greater than two years old will be remitted to the Treasurer of State.

Conclusion – Response accepted.

- (C) Disbursements – Some disbursements were not supported by an invoice or other adequate documentation. Some checks were signed in advance. The amount and vendor were filled in at the time goods were purchased. Also, some unused checks were not adequately controlled and safeguarded.

Certain disbursements were not approved prior to payment. Additionally, some pre-numbered checks used for local purchases and payroll were not accounted for. Also, checks greater than \$3,000 were not signed by the Fair Manager and President or Vice-President as required in Section X of the Association bylaws.

Recommendation – All disbursements should be supported by an original invoice or other adequate documentation. Petty cash should be used for small purchases where payment is required at the time of purchase. Otherwise, the employee should pay for the goods and be reimbursed later by the Association or store credit should be obtained and the Association billed for purchases. A list of employees authorized to make credit purchases should be provided to the vendors. Unused checks should be kept in a locked area accessible only to authorized employees.

The original invoices and other supporting documentation should include evidence of approval for payment. All checks should be accounted for on at least a monthly basis. Also, checks greater than \$3,000 should be signed by both the Fair Manager and President or Vice-President as required in Section X of the Association bylaws.

Response – Original invoices or adequate documentation will be required for all disbursements. Other items listed above are being implemented.

Conclusion – Response accepted.

- (D) Receipts – The Association issues prenumbered receipts for some transactions, but the prenumbered receipts are not accounted for. In addition, an initial listing of the remaining receipts is not prepared.

Recommendation – The numerical sequence of prenumbered receipts should be accounted for. In addition, an initial listing of the remaining receipts should be prepared. Someone independent of the collection of receipts should verify that receipts were deposited in the bank and document this review.

Response – The procedures described in the above recommendation have been established.

Conclusion – Response accepted.

Dubuque County Fair Association

Schedule of Findings

Year ended September 30, 2006

- (E) Concessions Inventory – Although an annual count of inventory is performed, inventory on hand, inventory purchased and inventory used are not reconciled monthly.

Recommendation – Inventory on hand, inventory purchased and inventory used should be reconciled monthly by an employee independent of the inventory record keeping function.

Response – Inventory will be reconciled monthly by a person independent of the record keeping function.

Conclusion - Response accepted.

- (F) Accounting Procedures – The Association does not have a written accounting procedures manual.

Recommendation – An accounting procedures manual should be developed to establish and document procedures within the accounting process.

Response – The Association will develop a written accounting procedures manual.

Conclusion - Response accepted.

- (G) Information Systems – The Association does not have written policies for the computer-based financial system for:

- Password privacy and confidentiality.
- Requiring changes in passwords a minimum of every 60 to 90 days.
- Requiring backups of financial records be performed daily, weekly, monthly and yearly.
- Requiring the use of an anti-virus program on computers.

Also, the Association does not have anti-virus software installed on all computers. The Association does not have a written disaster recovery plan.

Recommendation – The Association should adopt written policies addressing the above items in order to improve the Association's control over its computer-based system. The Association should also develop a written disaster recovery plan and store backups of financial records off site.

Response – The Association will adopt written policies regarding the above items.

Conclusion – Response accepted.

Dubuque County Fair Association

Schedule of Findings

Year ended September 30, 2006

- (H) Paid Time Off – The Employee Manual of the Association specifies “All Paid Time Off (PTO) should be taken not later than the calendar year immediately following the year in which they accrue, unless prior approval is obtained from the supervisor.” One employee’s PTO balance exceeds the maximum amount allowed to be carried over by Association policy and there is no evidence prior approval was obtained from the supervisor to exceed the allowable balance.

Recommendation – The Association should resolve this issue and ensure all employees with a balance in excess of the allowable balance obtain prior approval from the supervisor to carry forward the balance as required by the Employee Manual.

Response – The Association will resolve this issue with the employee and require approval as stated in the Employee Manual.

Conclusion – Response accepted.

- (I) Payroll – Time sheets were not approved before the payroll checks were prepared.

Recommendation – Time sheets should be reviewed and approved by a responsible official before the payroll checks are prepared.

Response – Manager approval is now required prior to check preparation.

Conclusion – Response accepted.

- (J) Journal Entries – Several journal entries were made during the year, but there was no evidence of review by an independent person.

Recommendation – All journal entries should be reviewed by an independent person with evidence of review documented.

Response – A procedure has been established to require a review of journal entries by an independent person.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Dubuque County Fair Association

Schedule of Findings

Year ended September 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenditures - We noted certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Target	Gift cards for employees	\$250

According to the opinion, it is possible for certain expenses to meet the test of serving a public purpose under certain circumstances, although such expenses will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Association should thoroughly consider and document the public purpose of these disbursements. If this practice is continued, the Association should establish written policies and procedures, including the requirement for proper documentation.

Response - A written policy will be established.

Conclusion - Response accepted.

- (2) Travel Expense - No disbursements of Association money for travel expenses of spouses of Association officials or employees were noted.
- (3) Bond Coverage - Surety bond coverage of Association officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (4) Association Minutes - No transactions were found that we believe should have been approved in the Association minutes but were not. However, the minutes were not signed.

Recommendation - The Association minutes should be signed to authenticate the record.

Response - The Association minutes will be signed by the Secretary.

Conclusion - Response accepted.

- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Association's investment policy were noted.

Dubuque County Fair Association

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Jeffrey L. Lenhart, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State