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Accounting for the State Fair of Texas

BY J. H. NANCE

It is estimated that approximately \$84,000,000 is invested in grounds and buildings for agricultural fairs held by members of the International Association of Fairs and Expositions. This does not include the many county and district fairs held all over this continent. At least two fairs had attendances last year of over one million each, and nine others reported attendances in excess of three hundred thousand each. When these facts are taken into consideration, the dearth of fair-accounting literature becomes astonishing. It is no doubt due to the fact that many of the larger fairs receive state grants and are audited by state officers.

No general outline of accounting for agricultural fairs can be given, owing to the diversity in ownership, management, etc. This article will deal, in more or less detail, with accounting for one specific fair, the State Fair of Texas, which is, I believe, the leading fair in point of attendance in the United States.

Management of the State Fair of Texas is in the hands of a board of directors, who are elected by the stockholders. A president and vice-presidents, serving for terms of one year, are elected by the directors from membership of the board. All directors and officers, with the exception of the secretary, serve without remuneration. The secretary is selected by the board of directors and is employed on a salary on a full-time basis.

The auditor is appointed by the president and is usually employed on an annual basis, devoting the time necessary to the fair's operations. The ticket stock room, the ticket-counting room, the money changers and the cashier's cage as well as the employees in the auditor's office proper are directly responsible to the auditor. The auditor employs and trains all the necessary employees for the above-named departments, and they all report to him through their respective department heads.

Contracts with varying terms are signed each year with the numerous concessionaires. These contracts are filed with the auditor, who makes the necessary arrangements to comply with the fair's fiscal obligations according to the terms of the contracts, and also to safeguard the fair's interests in accounting for its proportion of income.

The ticket stock room has charge of all tickets purchased by the fair, which include football tickets, auditorium attraction tickets, automobile admission tickets to the fair grounds, and tickets to carnival shows and other attractions on the amusement grounds. Complete stock records are kept, and, during the period of the fair, physical inventories are taken frequently to see that tickets are not withdrawn without proper authority, and also to prevent a shortage of any particular class of tickets due to an unforeseen demand for them. All tickets received from the printer are immediately charged to stock by series and numbers, and no tickets are issued without proper receipts.

The ticket-counting room's operations consist of the counting, daily, of all ticket collections from carnival shows, automobile gates and the auditorium. With the exception of the man in charge, the employees in this department are women. They begin their work about nine thirty in the evening, as the shows are beginning to close, and work until the day's receipts are all counted and the reports compiled.

Money changers are provided for the pedestrian gates to the fair grounds and in some years for the grand-stand admission gates. Admission tickets are not used at these entrances, and turnstile operators require exact change for admission. The money changers work in shifts, being relieved at meal times and other convenient intervals. They work in booths placed in front of the turnstiles.

The cashier's cage, the center of financial activities of the fair, is manned by expert tellers provided by the bank designated as the fair depository and is operated like a bank. All receipts from whatever source are recorded on deposit slips ruled as ordinary bank deposit slips. Cash payments are made on properly approved petty-cash vouchers, for which cheques to cover are drawn daily after the disbursements are audited. Cash is, of course, balanced daily. The bookkeeper, employed in the auditor's office, records each day the receipts of the cashier's cage during the previous day as determined from deposit slips and deposits in the depository bank. This enables the auditor to check the cash balance reported to him by the cashier in charge with the cash balance shown by the cashbooks as determined by the bookkeeper.

Entrance gates to the fair open about seven o'clock in the morning. Shortly before this hour the cashier's cage and ticket

stock room are opened for the day. Vehicle-gate ticket sellers procure rolls of tickets from the stock room and the necessary change from the cashier. Receipts for change are carried by the cashier on stick files; whenever a ticket seller returns his change his receipt is handed to him, thus closing the transaction. At any time the cashier can determine the number and identity of ticket sellers on duty by receipts for change on file. Money changers for pedestrian gates secure their supply of change from the cashier, who handles their receipts in the manner above described for vehicle-ticket sellers. The money changers check in to the cashier every time they are relieved, usually three or four times a day. Any cash differences are recorded on vouchers which are retained and adjusted at the next pay period.

At the end of the vehicle-ticket seller's day, he first checks up with the ticket stock room, where his supply of unsold tickets is kept until he goes on duty the following day. The ticket stockman fills out a slip showing the amount due from the seller for sold tickets, which consists of the difference between the quantity received for by him in the morning and the quantity produced by him at the time of settlement. The seller next reports to the cashier and turns in the amount indicated on the slip from the ticket stockman, which represents his sales for the day, together with the change advanced to him by the cashier. Daily settlements are made in every case, so that when the vehicle-ticket seller's work for the day is over and he has settled with the ticket stockman and cashier, his account with the fair is in balance.

Tickets to auditorium attractions are printed in sets, one for each numbered seat. They are sold under the jurisdiction of the auditorium house manager, who maintains ticket offices in the auditorium at the fair grounds and in a hotel down town. Tickets are issued to the ticket seller in charge upon receipt to the ticket stock room. Cash receipts of the auditorium ticket seller are collected daily by an assistant auditor, who gives his receipt to the ticket seller and in turn receives a receipt from the cashier when the funds have been deposited. After each performance in the auditorium a settlement sheet is prepared. The auditorium is grouped by sections according to the prices of the tickets. Unsold tickets are first counted according to sections and prices, and after passes are accounted for, the difference between the auditorium capacity and the unsold tickets is entered as a charge

against the ticket seller. This figure is then confirmed by counting the collections for the performance, likewise by sections. The auditorium ticket seller is charged with the settlement-sheet balance on each performance and is credited with daily remittances to the cashier. Owing to the merging of cash for advance sales for several performances, a final accounting can not take place until after the concluding performance.

Under the usual form of contract, the fair furnishes all tickets for the carnival shows. Before the opening of the carnival company's engagement, its representative makes a requisition on the fair's ticket stock room for the quantities of various denominations of tickets it will require. Tickets are sold by employees of the carnival shows but are collected by representatives of the fair. As soon as the shows close for the night, collectors representing the fair bring their collection cans to the ticket-counting room, where the tickets are counted and a report is made showing the quantity of each class of tickets collected for each show. The carnival company makes a daily report to the fair listing the sales by shows and classes of tickets, and the proportion and amount due to the fair according to the contract. This amount is paid daily in cash. The carnival company's daily report together with the report of collections counted come to the auditor's office where they are compared. This audit precludes use of any spurious tickets and assures the fair that its receipts from this source are correct. The carnival company reports then go to the ticket stock room where the carnival company is credited with sales by quantities of tickets. At the conclusion of the engagement, the carnival company must return all unsold tickets, which, together with the sales accounted for daily, must balance with the tickets charged to the company.

Another amusement company, operating permanent riding devices on the fair grounds, accounts for its receipts in a manner similar to that of the carnival company. However, the riding device company uses registering turnstiles instead of tickets. Before the fair opens, the fair auditor, together with a representative of the riding device company, records the reading of all turnstiles. Daily reports of the riding device company show opening and closing numbers for each attraction and the fair's proportion of the receipts, which is paid daily. At the conclusion of the fair, readings are taken again to check against the closing numbers on the last daily report. On certain of the attractions fair em-

ployees check the rerides and make daily reports to the auditor's office to assist further in checking the daily reports.

Football games played during the fair are also handled on a percentage basis. Some weeks before the fair a set of tickets, one for each numbered seat, printed for each particular game, is divided and sent to the different universities as specified by them. From time to time before the game, cash received from ticket sales is turned over to the fair. On the night before the game, representatives of the universities turn over all unsold tickets to fair representatives who handle ticket sales on the day of the game. After the game, business managers of the two participating universities and a fair representative meet for the final settlement. The unsold tickets are first counted, and the liability for sold tickets for each university and the fair is determined, and the capacity of the stadium balanced with the set of tickets. Certain expenses in which the universities participate are then deducted, the fair percentage is deducted, and the amounts accruing to each university are ascertained after taking into consideration the amounts previously remitted. After all allowances, expenses, etc., are determined, the fair makes all disbursements in cash or cheques. The fair must also provide from its percentage for expenses in which the universities do not participate.

In addition to supervising the departments already mentioned, the auditor's office is charged with the responsibility of auditing all receipts and disbursements of the fair. This includes a physical check of all outdoor space as well as space in the exhibit buildings to be sure that there is account of all revenue-producing space. Before the fair is over this inventory is checked against space contracts in the office of the superintendent of concessions, to determine that all space has been properly billed. Then the inventory is checked against cash receipts to learn whether billable space has been paid for or contracted for by responsible firms. It is essential that this check be made at least a week before the fair closes so that proper collection procedure may be followed in ample time.

Advertising space in programmes must be checked and billed and payment collected.

Various attractions from time to time require special audits during the progress of the fair.

Deposit slips covering entrance fees paid to the various livestock and poultry departments must be audited. Physical test

checks are made of animals and fowls, and exhibitors' names are checked against cash receipts to verify the payment of entrance fees. These entrance fees are listed in the fair catalogue, which is issued several months in advance of the annual fair period.

Purchase invoices must be checked with purchase orders, and approval of the proper department head for all purchases secured.

Payrolls, which are disbursed in cash, are compiled by the various departments, approved by the department head and by the fair's secretary and audited by the auditor's office. For the period of sixteen days two pay-periods of eight days each are used.

Premium reports from the various departments offering premiums are turned over to the auditor's office for payment. All premiums are paid by cheque, and a separate bank account is maintained for such disbursements.

A form of ticket known as a customers' ticket, honored at both vehicle and pedestrian entrance gates, must be audited. These tickets are issued numerically and without payment to responsible local business houses, several weeks in advance of the fair, merely upon acknowledgment of a recognized employee of the firm. Business houses accepting customers' tickets present them to employees, customers and other friends. After the fair, customers' tickets which have been honored are assorted numerically and counted. From receipts on file, responsibility for all numbered tickets can be determined and invoices are written up accordingly. The auditor is charged with the responsibility of the assorting and invoicing and has accounting supervision of the collections.

An outline of the accounting system in use is given below, to show the difference between accounts carried by the fair and those of commercial enterprises.

The general ledger is divided into two sections, termed the operating and the permanent improvement sections. Buildings and permanent improvements to the grounds are financed by the fair, though title to the grounds and buildings is vested in the city of Dallas, whose interests are taken care of by the park board.

The operating section of the general ledger must be discussed—the balance-sheet first, followed by the operating accounts. The usual asset and liability accounts are carried as follows:

- Petty cash
- Bank accounts
- Accounts receivable

Supplies—inventories
Automobiles
Tools and equipment
Furniture and fixtures

Accrued interest
Accounts payable
Notes payable
Surplus

These accounts are self-explanatory. Particular attention is called to the absence of reserve and capital accounts. Reserves for depreciation are not maintained, as all fixed property used for fair purposes is owned by the city. Permanent improvements are carried on the books as long as they are in use; when sold or abandoned they are charged to surplus. Absence of capital stock is explained as follows: The fair was chartered as a non-profit-sharing enterprise and receipts from the sale of stock were credited to surplus. Stockholders receive an annual pass to the fair for each share of stock held, and they elect directors at the annual meeting. In the usual sense of the term there is no capital stock.

Operating revenues are grouped and detailed as follows:

Admissions—Main entrance, auditorium (separate accounts for each attraction), exhibitors' tickets, delivery licences, vehicle tickets, grand-stand, customers' tickets.

Rentals—Agricultural building, automobile building, dairy building, educational building, exposition building, art building, auditorium, grand-stand, race department, cattle division, horse division, jacks and mules division, sheep and goats division, swine division, rabbit division, poultry division, horse show, live-stock arena, caged birds, outdoor space.

Concessions—Restaurant, cold drinks, cotton seed, novelties and jewelry, candy, cigars and tobacco, wheels, grand-stand, stadium, live-stock arena, auditorium, miscellaneous.

Per cent. shows—Carnival shows, football (separate account for each game), kennel shows, riding devices, separate accounts for various trains, dance hall, etc.

Miscellaneous—Art catalogue sales, interest earned, rain insurance, miscellaneous refunds, stock premium donations, horse-show premium donations, sale of scrap, auditorium programme

advertising, auditorium song sale, auditorium check room, electricity sales, race subscriptions, flag donations, slot machine receipts, sundry revenue.

By departments, operating expenses are given below:

Administration—Administrative salaries, administrative clerk hire, traveling expenses, miscellaneous expenses, auditing, cashier's department, change makers, ticket department expense, Dallas day expense, legal expense.

Attractions—Auditorium payroll and expense (separate account for each attraction), war tax, stadium, outdoor attractions, grand-stand, fireworks, indoor attractions, dog show, rodeo, agricultural department, art department, concert band, football, southwestern dairy show.

Gates and tickets—Payrolls, tickets, opening-day keys, miscellaneous expense.

General expense—Advertising—newspapers, advertising—general, books, printing and stationery, catalogues, communication, decorations, donations, entertainment, hospital, illumination, insurance, labor and grounds, miscellaneous, police department, automobiles, taxicabs, ice for grounds, live-stock division, signs, boys' and girls' dormitories, supplies, office expenses, club house, rain insurance, automobile and manufacturers' building, bad cheques, interest, dues and subscriptions, race department, electrical department, poultry department, rabbit department.

General repairs—Art and textile building, agricultural building, club house, auditorium, auditorium stage, auditorium organ, exposition building, educational building, live-stock division, walks and drives, miscellaneous, poultry building, rest cottage, race track, grand-stands and bleachers, toilets and sewers, automobile building, boys' and girls' dormitories, stadium, fences, race barns and jockey rooms, administration building, Alamo, implement building, baby camp.

Premiums—Apiarian, art department, boys' corn clubs, boys' and girls' poultry clubs, cattle—beef, cattle—dairy, caged birds, culinary, dairy products, girls' canning clubs, sheep and goats, horticulture, horses, jacks and mules, race purses, poultry, swine, textile, scholarship, superintendents and judges, miscellaneous, reserve officers' training corps, agricultural, music, horse show, pet stock, boys' and girls' dairy calf clubs, boys' and girls' beef calf clubs, colored boys' and girls' clubs, dog show, Dallas day, girls' home demonstration clubs.

Permanent improvement section of the general ledger consists of the following accounts:

Buildings, etc. (separate accounts carried with each asset).

Notes payable (long term).

Surplus.

The auditor is responsible for the annual report which must be compiled in time to be submitted to the directors' meeting early in December of each year.

When it is remembered that approximately ninety-eight per cent. of the annual income of the enterprise is received within a period of sixteen days, some idea of the difficulties to be encountered may be obtained. All employees must be carefully selected and trained in advance to handle the extraordinary volume of work. Every precaution must be exercised, both before and during the fair, to safeguard the fair's interests.

As in all financial activities, there is great need for auditing services for fairs, and public accountants should interest themselves in this line of work, where possible, both from a sense of civic duty and as a source of income.