



OHIO AUDITOR OF STATE
KEITH FABER



**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY
NOVEMBER 30, 2018 AND 2017**

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One Government Center
Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Paulding County Agricultural Society
Paulding County
501 Fairground Drive
Paulding, Ohio 45879

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Paulding County Agricultural Society, Paulding County, Ohio (the Society) as of and for the years ended November 30, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of Paulding County Agricultural Society, Paulding County, Ohio as of November 30, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 25, 2019

Paulding County Agricultural Society
Paulding County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Fiscal Year Ended November 30, 2018

<hr/> <hr/>	
Operating Receipts	
Admissions	\$4,665
Privilege Fees	8,950
Rentals	29,910
Utilities Reimbursement	11,025
Sustaining and Entry Fees	90,623
Pari-mutuel Wagering Commission	1,489
Fees	5,394
Other Operating Receipts	<u>1,252</u>
<i>Total Operating Receipts</i>	<u>153,308</u>
 Operating Disbursements	
Wages and Benefits	2,093
Utilities	39,085
Professional Services	47,833
Equipment and Grounds Maintenance	10,460
Race Purse	100,806
Senior Fair	20,573
Junior Fair	4,855
Other Operating Disbursements	<u>8,970</u>
<i>Total Operating Disbursements</i>	<u>234,675</u>
 <i>Excess of Operating Disbursements</i> <i>Over Operating Receipts</i>	 <u>(81,367)</u>
 Non-Operating Receipts	
State Support	13,432
County Support	11,000
Donations/Contributions	40,005
Investment Income	<u>410</u>
<i>Total Non-Operating Receipts</i>	<u>64,847</u>
 <i>Net Change in Fund Cash Balance</i>	 (16,520)
 Cash Balance, Beginning of Year	 <u>27,770</u>
 <i>Cash Balance, End of Year</i>	 <u><u>\$11,250</u></u>

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

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

Note 1 – Reporting Entity

The Agricultural Society of Paulding County (the Society), Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1860 to operate an annual agricultural fair. The Society sponsors the week – long Paulding County Fair during June. During the fair, harness races are held, culminating in the running of the Vern Webb Memorial Pace. Paulding County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of thirteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Paulding County and pay an annual membership fee to the Society.

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, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Paulding County, Ohio.

Notes 5 and 6, respectively; summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

Public Entity Risk Pool

The Society belongs to the Public Entities Pool of Ohio (The Pool), a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members. Note 7 to the financial statement provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

Basis of Accounting

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(Continued)

Deposits and Investments

The Society has no investments.

Capital Assets

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

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.

Race Purse

Ohio Fair Racing Conference stake races are held during the Paulding 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 Ohio Fair Racing Conference Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

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 4 for additional information.

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(Continued)

	2018
Demand deposits	\$ 11,250

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money received to supplement the purse for the year ended November 30, 2018, was \$8,361, 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.

	2018
Total Amount Bet (Handle)	\$ 7,307
Less: Payoff to Bettors	(5,818)
Parimutuel Wagering Commission	1,489
Tote Service Set Up Fee	(1,500)
State Tax	(206)
Society Portion	\$ (217)

Note 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 Paulding County Fair. The Society disbursed \$4,855 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board’s financial activity for the year ended November 30, 2018, follows:

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(Continued)

	2018
Beginning Cash Balance	\$ 11,159
Receipts	8,343
Disbursements	(19,403)
Ending Cash Balance	\$ 99

Note 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 Paulding County’s auction. A commission of 4.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. 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, 2018, follows:

	2018
Beginning Cash Balance	\$ 1,306
Receipts	227,270
Disbursements	(227,376)
Ending Cash Balance	\$ 1,200

Note 7 – Risk Management

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

Risk Pool Membership

The Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Society’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018
(Continued)

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

Note 8 – Paulding County Area Foundation

The Paulding County Area Foundation (the Foundation) is a non-profit organization formed to receive and distribute donations for charitable purposes, which benefit the people of Paulding County, Ohio. The Foundation maintains the Paulding County Fairgrounds Improvement Fund Endowment Fund. As of November 30, 2018, this endowment had a balance of \$29,550. During 2018, the Foundation was involved in a renovation project of the Junior Fair horse barn and the grandstand. The renovations for the Junior Fair horse barn is complete but the grandstand is still ongoing. There is \$11,616 remaining to be used for the lighting on the track in front of the grandstand once renovations are complete.

Paulding County Agricultural Society
Paulding County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Fiscal Year Ended November 30, 2017

Operating Receipts	
Admissions	\$12,860
Privilege Fees	12,484
Rentals	28,162
Utilities Reimbursement	16,813
Sustaining and Entry Fees	89,115
Pari-mutuel Wagering Commission	1,142
Fees	1,964
Other Operating Receipts	<u>1,491</u>
<i>Total Operating Receipts</i>	<u>164,031</u>
Operating Disbursements	
Wages and Benefits	2,698
Utilities	37,244
Professional Services	29,465
Equipment and Grounds Maintenance	101,878
Race Purse	100,358
Senior Fair	19,478
Other Operating Disbursements	<u>29,056</u>
<i>Total Operating Disbursements</i>	<u>320,177</u>
<i>Excess of Operating Disbursements</i> <i>Over Operating Receipts</i>	<u>(156,146)</u>
Non-Operating Receipts	
State Support	55,725
County Support	11,000
Donations/Contributions	106,808
Investment Income	<u>4</u>
<i>Total Non-Operating Receipts</i>	<u>173,537</u>
<i>Net Change in Fund Cash Balance</i>	17,391
Cash Balance, Beginning of Year	<u>10,379</u>
<i>Cash Balance, End of Year</i>	<u><u>\$27,770</u></u>

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

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017

Note 1 – Reporting Entity

The Agricultural Society of Paulding County (the Society), Paulding County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1860 to operate an annual agricultural fair. The Society sponsors the week – long Paulding County Fair during June. During the fair, harness races are held, culminating in the running of the Vern Webb Memorial Pace. Paulding County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of thirteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Paulding County and pay an annual membership fee to the Society.

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, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Paulding County, Ohio.

Notes 5 and 6, respectively; summarize this Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

Public Entity Risk Pool

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members. Note 7 to the financial statement provides additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society's financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

Basis of Accounting

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(Continued)

Deposits and Investments

The Society has no investments.

Capital Assets

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

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.

Race Purse

Ohio Fair Racing Conference stake races are held during the Paulding 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 Ohio Fair Racing Conference Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

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 4 for additional information.

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(Continued)

	2017
Demand deposits	\$ 27,770

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money received to supplement the purse for the year ended November 30, 2017, was \$8,963, 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.

	2017
Total Amount Bet (Handle)	\$ 5,712
Less: Payoff to Bettors	(4,570)
Parimutuel Wagering Commission	1,142
Tote Service Set Up Fee	(1,500)
State Tax	(146)
Society Portion	\$ (504)

Note 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 Paulding County Fair. The Society disbursed \$10,643 directly to the Junior Fair Board to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Senior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board’s financial activity for the year ended November 30, 2017, follows:

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(Continued)

	2017
Beginning Cash Balance	\$ 9,675
Receipts	18,712
Disbursements	(17,228)
Ending Cash Balance	\$ 11,159

Note 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 Paulding County’s auction. A commission of 2.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. 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, 2018, follows:

	2017
Beginning Cash Balance	\$ 231
Receipts	238,345
Disbursements	(237,270)
Ending Cash Balance	\$ 1,306

Note 7 – Risk Management

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

Risk Pool Membership

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

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. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2017
(Continued)

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society’s share of these unpaid claims collectible in future years is approximately \$3,000.

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.

<u>2017 Contributions to PEP</u> \$5,536

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. 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.

Note 8 – Paulding County Area Foundation

The Paulding County Area Foundation (the Foundation) is a non-profit organization formed to receive and distribute donations for charitable purposes, which benefit the people of Paulding County, Ohio. The Foundation maintains the Paulding County Fairgrounds Improvement Fund Endowment Fund. As of November 30, 2017, this endowment had a balance of \$29,430. During 2017, the Foundation was involved in a project to raise money to renovate the Junior Fair horse barn at the fairgrounds and the grandstand. During the year ended November 30, 2017, the Society received \$58,194 in donations from the Foundation for the horse barn project and \$24,772 for the grandstand project. The horse barn project was completed in 2017, while the grandstand project is ongoing.



One Government Center
Suite 1420
Toledo, Ohio 43604-2246
(419) 245-2811 or (800) 443-9276
NorthwestRegion@ohioauditor.gov

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

Paulding County Agricultural Society
Paulding County
501 Fairground Drive
Paulding, Ohio 45879

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of Paulding County Agricultural Society, Paulding County, Ohio (the Society) as of and for the years ended November 30, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 25, 2019 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administration Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Society's Response to Finding

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Society's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 25, 2019

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

In 2017, sustaining and entry fees in the amount of \$75,305 were incorrectly classified as state support.

This error was the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Society's financial statements did not correctly reflect the financial activity of the Society. The accompanying financial statements have been adjusted to correct this and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Society's financial statements are complete and accurate, the Society should adopt policies and procedures, including a final review of the statements by the Fiscal Officer and Board of Directors, to identify and correct errors and omissions.

Officials' Response:

The Fiscal Officer for the Society will have the financial statements reviewed by the Board of Directors each year. The Fiscal Officer will follow the accounting chart of accounts for Agricultural Societies when posting activity for the Agricultural Society.



**PAULDING
 COUNTY
 AGRICULTURAL
 SOCIETY**

P.O. Box 222 Paulding, OH 45879

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 NOVEMBER 30, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	This finding was first reported in 2013. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2018-001 in this report.	The Fiscal Officer will have the Board of Directors review the financials every month. The fiscal officer will follow the accounting chart of accounts to enter activities for the Agricultural Society.
2016-002	Material weakness for lack of reconciling the bank accounts.	Corrective action taken and finding is fully corrected.	
2016-003	Significant deficiency over recordkeeping of admission receipts.	Corrective action taken and finding is fully corrected.	

OHIO AUDITOR OF STATE KEITH FABER



PAULDING COUNTY AGRICULTURAL SOCIETY

PAULDING 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
DECEMBER 10, 2019**