



Mary Taylor, CPA
Auditor of State

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

Agricultural Society
Auglaize County
P.O. Box 431
Wapakoneta, Ohio 45895

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 a February 2, 2005 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 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.

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Mary Taylor, CPA
Auditor of State

May 21, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Auglaize County
P.O. Box 431
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Auglaize County, (the Society), as of and for the years ended November 30, 2006 and 2005. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the years ended November 30, 2006 and 2005. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Agricultural Society, Auglaize County, as of November 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2006 and 2005. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2007, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

May 21, 2007

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

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

Operating Receipts:	
Admissions	\$183,843
Privilege Fees	58,801
Rentals	142,230
Sustaining and Entry Fees	51,918
Parimutuel Wagering Commission	4,424
Other Operating Receipts	<u>21,155</u>
Total Operating Receipts	<u>462,371</u>
Operating Disbursements:	
Wages and Benefits	97,595
Utilities	46,313
Professional Services	85,577
Equipment and Grounds Maintenance	69,845
Race Purse	69,861
Senior Fair	43,593
Junior Fair	30,066
Capital Outlay	46,898
Other Operating Disbursements	<u>121,214</u>
Total Operating Disbursements	<u>610,962</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(148,591)
Non-Operating Receipts (Disbursements):	
State Support	29,155
County Support	45,000
Donations/Contributions	89,360
Investment Income	699
Debt Service	<u>(26,166)</u>
Net Non-Operating Receipts (Disbursements)	<u>138,048</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(10,543)
Cash Balance, Beginning of Year	<u>60,575</u>
Cash Balance, End of Year	<u><u>\$50,032</u></u>

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

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2005**

Operating Receipts:

Admissions	\$176,719
Privilege Fees	62,771
Rentals	145,426
Sustaining and Entry Fees	54,170
Parimutuel Wagering Commission	5,810
Other Operating Receipts	<u>15,855</u>
Total Operating Receipts	<u>460,751</u>

Operating Disbursements:

Wages and Benefits	90,522
Utilities	35,899
Professional Services	94,646
Equipment and Grounds Maintenance	80,039
Race Purse	76,053
Senior Fair	29,196
Junior Fair	27,283
Capital Outlay	18,036
Other Operating Disbursements	<u>122,104</u>
Total Operating Disbursements	<u>573,778</u>

Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(113,027)
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Non-Operating Receipts (Disbursements):

State Support	37,862
County Support	45,000
Donations/Contributions	62,421
Investment Income	610
Debt Service	<u>(36,166)</u>
Net Non-Operating Receipts (Disbursements)	<u>109,727</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	(3,300)
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Cash Balance, Beginning of Year	<u>63,875</u>
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Cash Balance, End of Year	<u><u>\$60,575</u></u>
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The notes to the financial statement are an integral part of this statement.

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005**

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 Agricultural Society, Auglaize 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Auglaize County Fair during July and August. During the fair, harness races are held, culminating in the running of the Moon City Trot and Pace, Signature Series.

Auglaize County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Auglaize 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, track and stall rental, and community events including auctions, swap meets, trade shows, and festivals. The reporting entity does not include any other activities or entities of Auglaize County, Ohio. Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

B. Basis of Accounting

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

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

C. Cash and Investments

This accounting basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

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

F. Race Purse

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

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

G. Pari-mutuel Wagering

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

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

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2006 and 2005 follows:

	2006	2005
Demand deposits	\$33,978	\$44,521
Certificates of deposit	16,054	16,054
Total deposits	\$50,032	\$60,575

Deposits: The depository balance was covered by Federal Depository Insurance Corporation (FDIC).

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2006 and 2005 was \$4,000 for both years, 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.

	2006	2005
Total Amount Bet (Handle)	\$21,892	\$28,873
Less: Payoff to Bettors	(17,468)	(23,063)
Parimutuel Wagering Commission	4,424	5,810
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(1,937)	(2,687)
State Tax	(613)	(749)
Society Portion	\$1,274	\$1,774

4. DEBT

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
Total	\$143,283	5.50%

The Society consolidated debt in the amount of \$205,524, during November 2003. The commercial loan bears an interest rate of 5.5 percent and is due to the First National Bank of New Bremen. The loan matures January 30, 2013.

Amortization of the above debt is scheduled as follows:

Year Ended	Commercial		Total
November 30:	Loan	Interest	Total
2007	\$18,285	\$7,880	\$26,165
2008	19,291	6,874	26,165
2009	20,352	5,813	26,165
2010	21,471	4,694	26,165
2011	22,652	3,513	26,165
2012-2013	41,234	3,694	44,928
Total	\$143,285	\$32,468	\$175,753

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

5. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2006.

6. RISK MANAGEMENT

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

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

The Society insures against injuries to employees through the Ohio Bureau of Worker's 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.

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, including loss adjustment expenses. 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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.

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

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, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	(15,875,741)	(15,994,168)
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	(863,163)	(1,068,245)
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, 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 \$37,000. 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.

<u>Contributions to PEP</u>	
2004	\$16,756
2005	\$17,129
2006	\$18,335

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date.

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

6. RISK MANAGEMENT (Continued)

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.

7. 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 Auglaize County Fair. The Society disbursed \$30,066 in 2006 and \$27,283 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity.

The Junior Fair Board's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$3,267	\$4,276
Receipts	6,099	5,926
Disbursements	(6,427)	(6,935)
Ending Cash Balance	\$2,939	\$3,267

8. 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 Auglaize County's auction.

The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$19,412	\$11,229
Receipts	406,927	400,295
Disbursements	(398,007)	(392,112)
Ending Cash Balance	\$28,332	\$19,412

9. SUBSEQUENT EVENT

During January 2007, the Society refinanced its commercial loan in order to eliminate the required principal payment for fiscal year 2007 due to financial issues.



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*

Agricultural Society
Auglaize County
P.O. Box 431
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Auglaize County, (the Society), as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated May 21, 2007, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2006-001 listed above to be a material weakness. In a separate letter to the Society's management dated May 21, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated May 21, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

May 21, 2007

**AGRICULTURAL SOCIETY
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Financial Reporting

At the end of each year, the Society is required to submit an annual report that contains financial results for the year. There were significant problems with the financial reporting process and, in turn, the annual reports for fiscal years ended 2005 and 2006. The following problems with financial reporting occurred during the audit period and resulted in various inaccuracies in the annual reports:

- During 2005, a memo entry was made in the amount of \$614 so that the financial system would balance with the bank, but there was no actual financial transaction(s) occurring;
- The accrued value of a certificate of deposit was included in the cash balance of the annual report at both 2005 and 2006 fiscal year-ends, but no cash interest payments had been received during the audit period;
- There were footing errors in the annual report;
- Outstanding checks that had not cleared the bank were voided, but these checks were not added back into the system as a receipt or refund of a prior year expenditure;
- Current year checks were voided, but the voided checks still appeared as actual expenditures in the individual system account balances and in the annual reports;
- There were individual system account balances for revenue and expenditure accounts that did not agree to amounts on the annual report;
- The financial statements in the annual reports were not verified by any Society personnel.

Errors and problems with financial reporting as discussed above has resulted in an inaccurate annual report, significant audit adjustments, a corresponding increase in audit costs, and the inability to determine errors or irregularities in a timely manner.

In rare instances, memo entries may be made in an effort to balance the financial system to the bank, but an attempt should be made to determine the source of the errors. Since the cash basis of accounting is utilized, only actual cash transactions should be recorded in the annual report. Old outstanding checks that did not clear the bank which are voided and removed from the outstanding check list must be evidenced by an entry to receipt these checks back into the system. If the accounting system does not remove checks that are voided from the individual expenditure account balance, these voided checks must be considered and removed in completing the annual report. It should be determined if there is an additional function that may be utilized within the software system that will remove a check from an account balance that is written and voided in the same year. Individual account balances at year end should agree to the corresponding line item on the annual report. In addition, the annual report should be verified, prior to submission, by an individual , or by a finance committee that is not involved in the financial reporting process to help eliminate errors in the annual report.

Client Response:

The officials and management chose not to respond to this comment

FINDING NUMBER 2006-002

Supporting Documentation for Expenditures

Payment vouchers are used for all expenditures and supporting documentation, for the expenditure, is to be attached to the voucher. However, supporting documentation was not available for approximately 18 percent and 15 percent of expenditures tested for 2006 and 2005, respectively. In addition, monthly purchases are made with a credit card, but the monthly payments did not include original invoices to support each credit purchase listed on the statements for the particular month during the audit period.

Failure to maintain original invoices to support all expenditures could lead to improper expenditures being made and/or expenditures being submitted more than once for payment. Also, the failure to adequately support expenditures could result in future findings for recovery.

Payments should only be made from original invoices and the supporting documentation should be attached to the voucher. This also applies to all credit card payments as payment should be accompanied by original invoices and not be made from a statement only.

Client Response:

The officials and management chose not to respond to this comment.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 5, 2007**