



**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED NOVEMBER 30, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY

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# Mary Taylor, CPA

Auditor of State

Paulding County Agricultural Society  
Paulding County  
P.O. Box 222  
Paulding, Ohio 45879-0222

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an 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.

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

**Mary Taylor, CPA**  
Auditor of State

June 27, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Paulding County Agricultural Society  
Paulding County  
P.O. Box 222  
Paulding, Ohio 45879-0222

To the Board of Directors

We have audited the accompanying financial statements of Paulding County Agricultural Society, Paulding 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.

Except as described in the following paragraph, 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.

The Junior Fair Board is responsible for the Junior Fair Division activities of the Paulding County Fair. The Junior Fair Board accounts for its activities separately. The financial activity of the Junior Fair Board is not recorded in the ledgers of the Society. Due to the lack of complete financial records of the Junior Fair Board, the notes to the financial statements do not disclose the financial activity of the Junior Fair Board for the years ended November 30, 2006 and 2005.

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 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, except for the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2006 and 2005, the financial statements referred to above present fairly, in all material respects, the fund balances of the Paulding County Agricultural Society, Paulding 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 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 June 27, 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.



**Mary Taylor, CPA**  
Auditor of State

June 27, 2007



**PAULDING AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

	<b>2006</b>
<b>Operating Receipts:</b>	
Admissions	\$32,120
Privilege Fees	8,243
Rentals	13,032
Sustaining and Entry Fees	26,156
Contest Fees	2,136
Parimutuel Wagering Commission	1,860
Other Operating Receipts	20,263
Total Operating Receipts	103,810
<b>Operating Disbursements:</b>	
Wages and Benefits	391
Administrative	5,520
Supplies	4,053
Utilities	17,179
Professional Services	30,842
Equipment and Grounds Maintenance	5,994
Race Purse	46,315
Race Expenses	9,126
Advertising Expenses	5,192
Repair Expenses	6,618
Insurance Expenses	8,542
Rental Expenses	5,922
Senior Fair	8,870
Junior Fair	147,751
Other Operating Disbursements	1,668
Total Operating Disbursements	303,983
Excess of Operating Disbursements Over Operating Receipts	(200,173)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	29,154
County Support	17,000
Debt Proceeds	8,000
Donations/Contributions	143,932
Debt Service	(4,672)
Net Non-Operating Receipts (Disbursements)	193,414
Excess of Disbursements Over Receipts	(6,759)
Cash Balance, Beginning of Year	21,039
<b>Cash Balance, End of Year</b>	<b>\$14,280</b>

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

**PAULDING AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

	<b>2005</b>
<b>Operating Receipts:</b>	
Admissions	\$30,310
Privilege Fees	6,932
Rentals	17,754
Sustaining and Entry Fees	27,530
Contest Fees	3,892
Parimutuel Wagering Commission	3,480
Other Operating Receipts	11,321
Total Operating Receipts	101,219
<b>Operating Disbursements:</b>	
Wages and Benefits	1,024
Administrative	1,811
Supplies	6,306
Utilities	17,079
Professional Services	18,640
Equipment and Grounds Maintenance	6,490
Race Purse	56,650
Race Expenses	10,252
Advertising Expenses	3,820
Repair Expenses	3,173
Insurance Expenses	7,831
Rental Expenses	6,074
Senior Fair	6,843
Junior Fair	142,693
Other Operating Disbursements	1,761
Total Operating Disbursements	290,447
Excess of Operating Disbursements Over Operating Receipts	(189,228)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	32,510
County Support	17,000
Donations/Contributions	145,331
Investment Income	6
Debt Service	(7,735)
Net Non-Operating Receipts (Disbursements)	187,112
Excess of Disbursements Over Receipts	(2,116)
Cash Balance, Beginning of Year	23,155
<b>Cash Balance, End of Year</b>	<b>\$21,039</b>

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

**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
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 Paulding County Agricultural Society, Paulding 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 1860 to operate an annual agricultural fair. The Society sponsors the week-long Paulding County Fair during July. 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 twenty-three directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of 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, 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.

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. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include this activity. Information regarding the Junior Fair Board's financial activity was not available for the years ending November 30, 2006 and 2005. The Junior Fair Livestock Sale Committee activity is included in the financial statements.

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

**B. Basis of Accounting**

This financial statement 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**

The Society's accounting basis includes investments in its cash balances. Accordingly, this 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.

**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

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

**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.

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**F. 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.

**G. Race Purse**

Northwestern Ohio Colt 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 Paulding County Horseman's 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.

**H. 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.

**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

**2. CASH AND INVESTMENTS**

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

	2006	2005
Demand deposits	\$14,280	\$21,039

The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

**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 were \$29,154 and \$32,510, 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)	\$ 9,152	\$ 17,193
Less: Payoff to Bettors	(7,292)	(13,713)
Parimutuel Wagering Commission	1,860	3,480
Tote Service Set Up Fee	(600)	(800)
Tote Service Commission	(702)	(1,551)
State Tax	(257)	(465)
Society Portion	\$ 301	\$ 664

**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

**4. DEBT**

Debt outstanding at November 30, 2006, was as follows:

	Principal	Interest Rate
Bank Loan #1	\$10,006	6.00%
Bank Loan #2	8,150	5.30%
Total	\$18,156	

The \$10,006 bank loan bears an interest of 6.00% and due is to the First Federal Bank. The Society is to make 60 payments of \$368 until the loan is paid in full.

The \$8,150 bank loan was used for operating expenses of the Fair and is secured by the Society's property. This loan shall be paid back in semi-annual payments of \$1,132 for four years until the loan is paid in full.

Amortization of the above debt is scheduled as follows:

Year ending	Bank Loan #1	Bank Loan #2	Total
November 30:			
2007	4,418	2,265	\$6,683
2008	4,418	2,265	6,683
2009	1,993	2,265	4,258
2010		2,264	2,264
Total	\$10,829	\$9,059	\$19,888

**5. RISK MANAGEMENT**

The Paulding County Commissioners provide general insurance coverage for all the buildings on the Paulding County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by an insurance company with limits of \$1,000,000 and \$5,000,000 aggregate. Director and Officers Liability is provided at a \$1,000,000 with no deductible. The Society's Treasurer is bonded with a coverage of \$25,000. The Society's Secretary is bonded at \$15,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.



# 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*

Paulding County Agricultural Society  
Paulding County  
P.O. Box 222  
Paulding, Ohio 45879-0222

To the Board of Directors:

We have audited the financial statements of the Paulding County Agricultural Society, Paulding County, (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated June 27, 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 and the omission of the financial activity of the Junior Fair Board for the years ended November 30, 2006 and 2005. Except as discussed in the preceding sentence regarding the Junior Fair Board, 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 through 2006-006.

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 conditions 2006-001 through 2006-006 listed above to be material weakness. In a separate letter to the Society's management dated June 27, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **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 June 27, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

June 27, 2007



**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Material Weakness - Monthly Reconciliations**

Prior to the closing out the records each month, all the bank account balances of the Society should be reconciled to the general ledger fund balance in a timely manner. This procedure is an important method of detecting errors in the general ledger postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, records closed and month end financial information generated by the Treasurer.

There were variances between the Society's bank accounts and the fund balance throughout 2006. This was caused by several undetected and un-reconciled posting errors that occurred during 2006 which were never corrected. We were able to determine in 2006 that revenues and disbursements were understated by \$70,525 and \$97,030 respectfully.

The accompanying financial statements have been adjusted for the errors identified.

We recommend that the Treasurer present evidence to the Board of Directors that the Society's bank account balances have been reconciled to the cash fund balance in a timely manner along with other financial information submitted for review. The Board should determine that the total balances of all bank accounts reconcile to the total fund (or book) balance. The Board of Directors should verify the items appearing on the monthly bank reconciliation (i.e, outstanding checks and deposits in transit.) In addition, the Board should initial each bank account reconciliation to indicate their review.

**Officials' Response**

The Society is forming an internal audit committee to begin a review fund balances in all accounts on a monthly basis beginning with the June 2007 statements. This committee will be comprised of no less than three Directors and the treasurer.

**FINDING NUMBER 2006-002**

**Material Weakness - Monitoring Controls by Board of Directors**

The small size of the Society's fiscal operations does not allow for an adequate segregation of duties. The Treasurer performs most accounting functions. It is therefore important that the Board of Directors (the Directors) monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Directors:

- There was no evidence that the Directors reviewed monthly detail revenue or disbursement ledgers.
- A majority of the minutes were not signed by the Directors.
- A budget was not adopted or monitored by the Directors.

These weaknesses allowed posting errors, such as recording bank transfers as receipts and disbursements, to occur and go undetected. To improve controls over financial transactions and to reduce the possibility of the loss of cash assets we recommend that the following monitoring controls be implemented:

**FINDING NUMBER 2006-002  
(Continued)**

Monthly receipt and disbursement ledgers, and the prior meeting's minutes should be presented to the Directors by the Treasurer. In addition, the Directors should adopt a budget for the upcoming year's expenditures based on anticipated available funds.

The Director's should routinely monitor the Society's actual expenditures to date in comparison to budgeted amounts. These documents should be reviewed, initialed, and approved in the minutes by the Directors. This information provides important data necessary to manage the Agricultural Society. This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted.
- Are anticipated receipts being timely received?
- Is the Society maximizing its return on invested cash balances

**Officials' Response**

Beginning June 2007, the Society has implemented new reporting duties for the Treasurer, so that a clearer picture can be seen of the Society's financial matters. The President and Secretary of the Board of Directors will sign the original minutes for the official records. Report from the Treasurer will also bear signatures of the President and Secretary of the Board of Directors, a member of the Audit Committee and Treasurer. The Board of Director's will attempt to prepare a proposed budget for 2007 and will definitely prepare and enact a budget for 2008.

**FINDING NUMBER 2006-003**

**Material Weakness – Admissions**

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that all tickets for admission to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt shall be issued for each batch of tickets sold. Separate reconciliations shall be performed for groups of tickets assigned to each local merchant for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

The Society did not maintain ticket accountability forms for any of its admissions. The Society did not perform any reconciliation of tickets for grandstand events. This does not provide sufficient evidence to assure the completeness of admission receipts.

The above discrepancies may result in lost revenues to the Society. To improve controls over admission revenues, we recommend that all grandstand, season, and admission tickets collected should be prenumbered, retained, and accounted for. A ticket or seating chart reconciliation should be prepared in a timely manner for grandstand admissions. Ticket reconciliations should be prepared in a timely manner for season tickets. The reconciliation should also include all free tickets issued for all organizations and individuals. In addition, all ticket stubs should be pre-numbered and retained by the Society.

**FINDING NUMBER 2006-003  
(Continued)**

**Officials' Response**

With regard to admissions, the Board of Directors is currently working on a system to monitor single day admissions at all three gates to the grounds. Season passes are numbered consecutively and the stubs are currently retained by the Board of Directors. To aid this process the Board of Directors will have a form at each gate in which the starting number for the day will be written in by the office. At each shift change a director will report the ending number for the prior shift and a starting number for the new shift. Monies and tickets will be reconciled and receipt will be written for that cash box. These procedures should enable the Board of Directors to have better control of the tickets sold and the related revenues.

The grandstand admissions will have a similar form to the gates listing a beginning number and an ending number. Special procedures will be implemented to monitor the sale of "pit passes" .

**FINDING NUMBER 2006-004**

**Material Weaknesses – Privilege and Rental Fees**

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that deposits and intermediate and final payments for campground, fairground or building rentals, and privilege fees shall be receipted and deposited separate as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payment.

The Society should utilize written contracts/agreements to clearly document the terms of the rental including, but not limited to, the rental rates, duration of the rental, total amount due, when payment are due, and the rental termination policies and procedures. Additionally, these contracts can serve as documentation to support the recorded receipts.

The Society received fees from vendors or organizations that rented buildings or space on the fair grounds during the fair (privilege fees) and rental receipts for the use of the grounds, barns, stalls and various buildings located at the County Fairgrounds throughout the year. There was a general lack of documentation supporting the amount of the recorded receipts. The Society provided no contracts or agreements for audit to support the privilege fees and rental of the various items listed above.

All amounts received from privilege fees and rentals were recorded as a single journal entry on the revenue ledger.

We recommend the Society utilize written rental agreements/contracts for the rental of the grounds, barns, stalls, buildings, etc. The rental agreement should clearly state the terms including, but not limited to, the agreed upon price, as well as the rules for the use of the assets. The agreement should document the duration of the agreement for the rental of the grounds, buildings, barns, stalls, etc and the total cost associated with the agreement. Additionally, a duplicate receipt should be prepared by the individual collecting the rent payments for each individual receipt. The receipt should be signed by the individual receiving payment and a copy provided to the individual or organization making the payment. Once the money has been collected, the money should be paid to the Treasurer of the Society in accordance with Ohio Rev. Code Section 9.38. A pay-in should be prepared by the Treasurer. The receipt should be recorded in the receipts ledger and cash book and be deposited in the designated depository. A record of the contracts should be maintained (an accounts receivable). This record should include the amounts due, amounts collected and remaining balance due for each individual contract.

**FINDING NUMBER 2006-004  
(Continued)**

**Officials' Response**

In the past contracts and receipts have been provided for the winter storage program. This practice will once again be implemented for the 2007-2008 storage season. Contracts and receipts are issued to those who board horses on the grounds. Again closer attention to detail will be paid in the future.

**FINDING NUMBER 2006-005**

**Material Weaknesses – Expenditures**

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that expenses shall be recorded, when paid, in the appropriate expense account. Sufficient documentation shall be retained to support the expense. Such documentation may include invoices, receipts, purchase orders, contracts, or other documentation of what was purchased, from whom it was purchased, and the purpose of the purchase if not obvious from the existing documentation.

Thirty percent of payments tested were processed without supporting documentation (vendor invoices). When invoices were presented for payment, most lacked any approval to note that the desired goods or services were received. There was no prior authorization of expenses by a purchasing authority (Board of Directors).

These weaknesses could result in Society funds being misused or improper payment of bills without being detected during the course of normal business operations. In order to provide better controls that Society funds are being disbursed for Society related expenses we recommend that payments should only be processed based on invoices received from vendors. A notation should be made on vendor invoices to verify that the desired goods or services were received. The Board of Directors should formally authorize its expenditures.

**Officials' Response**

The Directors are required to sign all vendor invoices prior to payment. Major purchases require Board of Director's approval prior to actual purchase. The Treasurer is developing a system to maintain expenditure documentation (i.e vendor invoices).

**FINDING NUMBER 2006-006**

**Material Weakness – Junior Fair Financial Activity**

The November 2002 Revision of the Uniform System of Accounting for Agricultural Societies states all Junior fair financial activity is presented in the footnotes to the agricultural society financial statements. Such activity includes that subsidized by the agricultural society and engaged in by the junior fair using accounts which are not recorded on the agricultural society's books.

The Society did not present the financial activity of Junior fair in its footnotes to the 2006 and 2005 financial statements. Such information was not available.

We recommend that the board of directors shall regularly inquire about junior fair cash balances and financial activity with the junior fair board. Junior fair expenses paid by the agricultural society shall be accounted for in a way that facilitates their identification. At year end, the board of directors shall acquire the monthly bank statements of all accounts held in the name of the junior fair.

**FINDING NUMBER 2006-006  
(Continued)**

**Officials' Response**

Beginning June 2007, two Junior Fair Advisors will monthly meet with the Junior Fair Treasurer to reconcile and sign all Junior Fair financial records and will then present a report to the Senior Fair Board on a monthly basis.

**PAULDING COUNTY AGRICULTURAL SOCIETY  
PAULDING COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2004-001	Monthly reconciliations were not performed by the Society	No	Not corrected, will be repeated as finding 2006-001
2004-002	Directors did not closely monitor the financial activity of the Society	No	Not corrected, will be repeated as finding 2006-002.
2004-003	Society did not maintain documentation to support admission revenues	No	Not corrected, will be reissued as finding 2006-003
2004-004	Vendor invoices or other documentation were not maintained to support Society related disbursements	No	Not corrected, will be reissued as finding 2006-005
2004-005	Checks issued payable to "Cash" to establish change fund and pay premiums for Open Lamb Show	Yes	



**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 24, 2007**