



Mary Taylor, CPA  
Auditor of State



**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

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# Mary Taylor, CPA

Auditor of State

Preble County Agricultural Society  
Preble County  
722 South Franklin Street  
Eaton, Ohio 45320

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

January 18, 2007

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Preble County Agricultural Society  
Preble County  
722 South Franklin Street  
Eaton, Ohio 45320

To the Board of Directors:

We have audited the accompanying financial statements of the Preble County Agricultural Society, Preble County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004. 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, 2005 and 2004. 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, 2005 and 2004 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, 2005 and 2004, 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 Preble County Agricultural Society, Preble County, Ohio, as of November 30, 2005 and 2004, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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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, 2005 and 2004. 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 January 18, 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

January 18, 2007

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

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

|   |                                   |
|---|-----------------------------------|
| <b>Operating Receipts:</b>  |                                   |
| Admissions  | \$262,371                         |
| Privilege Fees  | 77,313                            |
| Rentals   | 131,390                           |
| Sustaining and Entry Fees   | 15,225                            |
| Parimutuel Wagering Commission                                    | 4,923                             |
| Other Operating Receipts  | <u>78,766</u>                     |
| <br>Total Operating Receipts                                      | <br><u>569,988</u>                |
| <b>Operating Disbursements:</b>                                   |                                   |
| Wages and Benefits  | 131,256                           |
| Utilities   | 81,615                            |
| Professional Services   | 111,525                           |
| Equipment and Grounds Maintenance                                 | 126,181                           |
| Race Purse  | 48,692                            |
| Senior Fair   | 44,080                            |
| Junior Fair   | 8,231                             |
| Capital Outlay  | 26,805                            |
| Other Operating Disbursements                                     | <u>88,723</u>                     |
| <br>Total Operating Disbursements                                 | <br><u>667,108</u>                |
| Deficiency of Operating Receipts<br>Under Operating Disbursements | <br><u>(97,120)</u>               |
| <b>Non-Operating Receipts (Disbursements):</b>                    |                                   |
| State Support   | 32,044                            |
| County Support  | 6,760                             |
| Debt Proceeds   | 125,000                           |
| Donations/Contributions   | 45,511                            |
| Investment Income   | 275                               |
| Debt Service  | <u>(137,715)</u>                  |
| <br>Net Non-Operating Receipts (Disbursements)                    | <br><u>71,875</u>                 |
| Deficiency of Receipts Under Disbursements                        | (25,245)                          |
| Cash Balance, Beginning of Year                                   | <u>41,716</u>                     |
| <br><b>Cash Balance, End of Year</b>                              | <br><b><u><u>\$16,471</u></u></b> |

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

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2004**

|   |                                   |
|---|-----------------------------------|
| <b>Operating Receipts:</b>  |                                   |
| Admissions  | \$298,343                         |
| Privilege Fees  | 82,215                            |
| Rentals   | 120,951                           |
| Sustaining and Entry Fees   | 14,978                            |
| Parimutuel Wagering Commission                                    | 5,571                             |
| Other Operating Receipts  | <u>93,896</u>                     |
| <br>Total Operating Receipts                                      | <br><u>615,954</u>                |
| <b>Operating Disbursements:</b>                                   |                                   |
| Wages and Benefits  | 133,278                           |
| Utilities   | 85,678                            |
| Professional Services   | 101,098                           |
| Equipment and Grounds Maintenance                                 | 145,656                           |
| Race Purse  | 47,974                            |
| Senior Fair   | 63,039                            |
| Junior Fair   | 8,699                             |
| Capital Outlay  | 36,516                            |
| Other Operating Disbursements                                     | <u>95,670</u>                     |
| <br>Total Operating Disbursements                                 | <br><u>717,608</u>                |
| Deficiency of Operating Receipts<br>Under Operating Disbursements | <br><u>(101,654)</u>              |
| <b>Non-Operating Receipts (Disbursements):</b>                    |                                   |
| State Support   | 33,982                            |
| County Support  | 28,933                            |
| Donations/Contributions   | 60,342                            |
| Investment Income   | 172                               |
| Debt Service  | <u>(19,077)</u>                   |
| <br>Net Non-Operating Receipts (Disbursements)                    | <br><u>104,352</u>                |
| <br>Excess of Receipts Over Disbursements                         | <br>2,698                         |
| <br>Cash Balance, Beginning of Year                               | <br><u>39,018</u>                 |
| <br><b>Cash Balance, End of Year</b>                              | <br><b><u><u>\$41,716</u></u></b> |

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

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2005 AND 2004**

**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 Preble County Agricultural Society, Preble County, Ohio (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 April 1850 to operate an annual agricultural fair. The Society sponsors the week-long Famous Preble County Fair during July and August. During the fair, harness races are held, culminating in the running of the Speed Program. Preble County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 13 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Preble 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 including a monthly flea market and cattle and sheep shows. The reporting entity does not include any other activities or entities of Preble County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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 Deposits**

The Society maintained all funds in interest bearing checking and savings accounts. Interest earned is recognized and recorded when received.

**D. Budgetary Process**

The Board of Directors did not prepare an annual operating budget for 2004 or 2005.

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

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

**E. 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.

**F. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses. This is included in the Donations/Contributions line item in the accompanying financial statements.

**G. 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.

**H. Race Purse**

Speed Program stake races are held during the Preble 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 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 statements 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.

**I. 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.

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**2. CASH**

The carrying amount of cash at November 30, 2005 and 2004 follows:

|                 | 2005     | 2004     |
|-----------------|----------|----------|
| Demand deposits | \$16,471 | \$41,716 |

**Deposits:** The bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

**3. HORSE RACING**

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the years ended November 30, 2005 and 2004 was \$20,304 and \$21,848, respectively, and is included within State Support on the accompanying financial statements.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements, 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.

|                                | 2005      | 2004      |
|--------------------------------|-----------|-----------|
| Total Amount Bet (Handle)      | \$ 23,046 | \$ 27,877 |
| Less: Payoff to Bettors        | (18,122)  | (22,308)  |
| Parimutuel Wagering Commission | 4,924     | 5,569     |
| Tote Service Set Up Fee        | (200)     | (200)     |
| Tote Service Commission        | (2,413)   | (2,844)   |
| State Tax                      | (610)     | (766)     |
| Society Portion                | \$ 1,701  | \$ 1,759  |

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**4. DEBT**

Debt outstanding at November 30, 2005 was as follows:

|                                      | Principal | Interest Rate |
|--------------------------------------|-----------|---------------|
| Fairgrounds General Obligation Bonds | \$135,000 | 3.00 - 5.80%  |
| County Loan                          | 52,301    |               |
| Total                                | \$187,301 |               |

The Preble County Agricultural Society issued County Fairground General Obligation Bonds in the amount of \$200,000, dated July 1, 1996, for the purpose of refinancing the debt which was incurred to provide funds to the County Agricultural Society to acquire and construct improvements at the County Fairgrounds. The outstanding principal balance at November 30, 2003, was \$155,000. In June 2005 these bonds were refinanced. The refunded portion was \$125,000; the un-refunded portion was \$20,000. The bonds mature through December 1, 2016.

Preble County loaned the Society \$34,163 and \$18,137 on December 21, 2001 and February 2002 respectively to pay an overdue electric bill with Dayton, Power & Light. There are no set terms or a time schedule for repayment.

Amortization of the above debt is scheduled as follows:

| Year ending<br>November 30: | GO Bonds  | Interest | Total     |
|-----------------------------|-----------|----------|-----------|
| 2006                        | 10,000    | 4,812    | \$14,812  |
| 2007                        | 10,000    | 4,232    | 14,232    |
| 2008                        | 10,000    | 3,932    | 13,932    |
| 2009                        | 10,000    | 3,632    | 13,632    |
| 2010                        | 10,000    | 3,332    | 13,332    |
| 2011-2015                   | 70,000    | 10,667   | 80,667    |
| 2016                        | 15,000    | 540      | 15,540    |
| Total                       | \$135,000 | \$31,147 | \$166,147 |

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2005.

**6. RISK MANAGEMENT**

The Preble County Commissioners provide general insurance coverage for all the buildings on the Preble County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by Public Entities Pool of Ohio with limits of \$1,000,000 and no annual aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's general manager is bonded with coverage of \$10,000.

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 2006.

**7. RELATED PARTY TRANSACTIONS**

Two Board members are owners of companies from which the Society acquired excavation services and hauling services during 2004. The Society paid \$3,849 for the excavation services and \$150 for the hauling services.

**8. 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 Preble County Fair. The Society disbursed \$8,231 and \$8,699 in 2005 and 2004, respectively, to vendors to support Junior Fair activities. These expenses are reflected as disbursements in the accompanying financial statements as Junior Fair Disbursements. The Society was reimbursed \$500 each year by Preble County for its support of Junior Fair Board work. 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, 2005 and 2004 follows:

|                        | 2005     | 2004     |
|------------------------|----------|----------|
| Beginning Cash Balance | \$ 6,308 | \$ 9,424 |
| Receipts               | 6,701    | 7,661    |
| Disbursements          | (7,532)  | (10,777) |
| Ending Cash Balance    | \$ 5,477 | \$ 6,308 |

**9. 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 Preble County's auction. Monies to cover the cost of the auction are generated through a per head, per group of animals (pen) commission, and are retained by the Junior Livestock Committee. 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, 2005 and 2004 follows:

|                        | 2005     | 2004      |
|------------------------|----------|-----------|
| Beginning Cash Balance | \$ 7,998 | \$ 10,283 |
| Receipts               | 2,485    | 2,286     |
| Disbursements          | (4,811)  | (4,571)   |
| Ending Cash Balance    | \$ 5,672 | \$ 7,998  |

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# 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*

Preble County Agricultural Society  
Preble County  
722 South Franklin Street  
Eaton, Ohio 45320

To the Board of Directors:

We have audited the financial statements of the Preble County Agricultural Society, Preble County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated January 18, 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 2005-002 and 2005-003.

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. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Society's management dated January 18, 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Society's management dated January 18, 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

January 18, 2007

**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2005-001**

**Finding for Recovery**

Receipts show that \$7,686 in 2004 and \$7,800 in 2005 were collected for horse racing entry fees. As evidenced by validated deposit slips and bank statements, \$7,428 was deposited into the Society's bank account for 2004 and \$7,650 was deposited for 2005. The difference between the receipts and the amounts deposited for 2004 and 2005 were \$258 and \$150, respectively (a grand total of \$408). Ohio Rev. Code Section 9.39 states all "public officials are liable for all public money received or collected by them or by their subordinates under color of office."

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Ron Yount, Fair Manager, and Ohio Public Entities Pool, his bonding company, jointly and severally, in the amount of \$408, and in favor of the Preble County Agricultural Society, in the amount of \$408.

**FINDING NUMBER 2005-002**

**Reportable Condition (Budgeting)**

The Uniform System of Accounting for Agricultural Societies Manual states,

"Each agricultural society shall prepare an annual budget of its revenues and expenses. The budget shall cover the period December 1<sup>st</sup> through November 30<sup>th</sup>. The budget shall be considered and approved by the board of directors prior to the first day of the ensuing fiscal year. The budget shall be prepared at the level of the accounts from the chart of accounts which are used by the society.

Budgeted revenues and expenses should be distributed to the month they are likely to be received and expended. The distributed monthly budget should be integrated into the society's accounting system.

Actual revenues and expenses shall be compared to budgeted amounts each month, and reported to and reviewed by the board of directors. The board of directors shall determine the reasons why actual expenses exceed or are less than budgeted expenditures by making inquiries to fair management about the reasons."

The Society did not prepare operating budgets for 2004 and 2005. In addition, the Society did not have controls in place to determine if purchases are made within budget; nor did the Society certify the availability of funds for purchase commitments.

Further, several invoices were not dated; nor did Society did not maintain the original invoice for the camper pedestals purchased from Tom Raper RV for \$9,500 in 2004. However, the Society did contact Tom Raper during our audit and obtained alternative documentation which supported the purchase.

Failure to monitor the budget and certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-002  
(Continued)**

We recommend that the Society familiarize themselves with budgetary procedures, as required by the Uniform System of Accounting for Agricultural Societies Manual. The Society should adopt an annual budget by resolution/ordinance and implement procedures to properly monitor the budget. The Society should record budgeted amounts in the ledgers and periodically compare them to actual receipts and expenditures. Proper monitoring over estimated receipts and expenditures will aid the Society in properly accounting for their budgetary transactions.

Effort should be made by the Society to properly utilize the encumbrance method of accounting by certifying the availability funds on properly approved purchase orders. We recommend the Society obtain approved purchase orders, which contain the Clerk/Treasurer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. All purchase orders should be signed and approved by the Board of Directors. All original invoices should be dated and maintained.

**FINDING NUMBER 2005-003**

**Reportable Condition (Supporting Documentation for Receipts)**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements. This includes maintaining proper supporting documentation for all receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. Efforts should be made by the Society to maintain all accounting records. We recommend the following:

1. Contracts should be completed and maintained for all rental activities of the Society (buildings, fair booths, concessions, camping, etc). These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management and dated on the day they were executed. All required information on the contracts should be completed. All fair booth rental contracts issued should correspond to the diagrams of available rental spaces. All contracts should be marked "Paid in Full" once complete payment has been received. All building rental contracts should be supported by a billing statement that has been marked "Paid in Full" once payment has been received. All deposits should be supported by duplicate receipts and properly posted to the books. Taxes should be charged on all applicable contracts and all contract charges should be properly calculated. Supporting documentation was not maintained for primitive camping. The Society should have primitive campers sign contracts and these contracts should be maintained.
2. All rates charged for rental of tents, ground space, buildings, etc., should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Directors.
3. Sponsorships/Donations – The Society should maintain supporting documentation of all sponsorships/donations received. We recommend the Society have the donator initial the receipt slip for all cash sponsorship/donations and that the Society makes a copy of all checks received for sponsorships/donations.

**FINDING NUMBER 2005-003  
(Continued)**

4. Ticketed Events – The only record of grandstand event admissions retained by the Society for 2004 were the tickets stubs. No documentation was maintained for the second Demolition Derby for 2004. Seating charts were maintained for 2005, except for the second Demolition Derby. Ticket stubs for many events were commingled and retained in plastic bags. Different ticket colors are used for each event. The exception is the second Demolition Derby for 2005. There were too many tickets of that color indicating the same color was used for more than one event in 2005. In 2004 and 2005 arm bands were used for infield seating. The arm bands are pre-numbered; however, the Society did not document the number of arm bands used. No supporting documentation was maintained for these seats. We were able to perform alternative procedures on the events held in the grandstand by counting individual ticket stubs.

We recommend pre-numbered tickets are used for all events. Arm bands used should be documented. A ticket tally sheet should be maintained for all grandstand events. The beginning ticket number and ending ticket numbers sold should be documented for each event in the same manner as general admission tickets are documented. Each colored ticket stub should be maintained in separate containers.

5. Concessions – Per the concession contracts the Society is to receive 15% of gross concession sales. Some vendors provide no supporting documentation of gross sales. Others provide only a short recap of daily or weekly gross revenues. The Society should obtain and verify a detailed record of gross concession revenues collected by the vendors or charge a set fee for concessions.
6. Rides – Per the contract with Burton Brothers, the Society is to receive 30% of gross sales after taxes. Burton Brothers submits a tally sheet at the conclusion of fair week with the weekly gross revenue total. The Society's portion is also calculated. The 2004 contract for High Winds Farm Pony Rides could not be located. We recommend the Society obtain and verify a detailed record of gross revenues collected by Burton Brothers. All rides contracts should be maintained.
7. Flea Market Rentals – A complete list of renters and renter fees collected should be maintained. The list of renters should contain the number of spaces and tables that were rented.
8. Rental for Stalls, Pens & Barns – A complete of list renters and rental fees collected should be maintained. Rental fees charged should agree to an authorized rate schedule. Rental contracts should be executed and maintained.
9. Horse Racing – Monies deposited with the bank for racing entry fees should match the amount of receipts per the duplicate receipts.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

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**PREBLE COUNTY AGRICULTURAL SOCIETY  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2005 AND 2004**

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid;<br><b><i>Explain:</i></b> |
|----------------|---|------------------|--|
| 2003-001       | Failure to monitor annual operating budgets and certify the availability of funds       | No               | Not corrected – Reissued as Finding 2005-002   |
| 2003-002       | Failure to maintain proper supporting documentation for receipts                        | No               | Partially corrected – Reissued as Finding 2005-003 and management letter recommendations   |
| 2003-003       | Ohio Rev. Code Section 117.28, finding for recovery for public money illegally expended | Yes              |  |





**Mary Taylor, CPA**  
Auditor of State

**AGRICULTURAL SOCIETY**

**PREBLE 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  
FEBRUARY 13, 2007**