



**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2006 - 2005



Mary Taylor, CPA
Auditor of State

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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Mary Taylor, CPA Auditor of State

Union County Agricultural Society
Union County
P.O. Box 678
Marysville, Ohio 43040

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 Society 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 adverse 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

October 10, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Union County Agricultural Society
Union County
P.O. Box 678
Marysville, Ohio 43040

To the Board of Directors:

We have audited the accompanying financial statement of Union County Agricultural Society, Union County, Ohio, (the Society) as of and for the years ended November 30, 2006 and 2005. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement 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.

Because of inadequacies in the Society's accounting records, we were unable to determine the completeness of admission receipts for 2005 in the accompanying financial statement, nor were we able to satisfy ourselves as to those financial activities by other auditing procedures.

As described more fully in Note 1, the Society has prepared this financial statement 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 and make other changes for the years ended November 30, 2006 and 2005. GAAP require presenting entity wide statements and also presenting the Society's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Society's to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2006 and 2005, does 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 or cash flows for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined necessary had admission receipts been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Union County Agricultural Society, Union County, Ohio, 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 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

October 10, 2007

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
Operating Receipts:		
Admissions	\$ 96,074	\$ 96,788
Privilege Fees	29,866	34,241
Rentals	29,184	37,589
Sustaining and Entry Fees	51,040	61,070
Parimutuel Wagering Commission	837	616
Other Operating Receipts	<u>18,224</u>	<u>12,604</u>
 Total Operating Receipts	 <u>225,225</u>	 <u>242,908</u>
Operating Disbursements:		
Utilities	34,436	34,741
Professional Services	40,686	55,501
Equipment and Grounds Maintenance	73,842	62,050
Race Purse	74,087	86,361
Senior Fair	31,032	11,840
Junior Fair	18,209	20,890
Capital Outlay	9,928	22,535
Other Operating Disbursements	<u>59,870</u>	<u>38,876</u>
 Total Operating Disbursements	 <u>342,090</u>	 <u>332,794</u>
 Deficiency of Operating Receipts Under Operating Disbursements	 <u>(116,865)</u>	 <u>(89,886)</u>
Non-Operating Receipts (Disbursements):		
State Support	29,155	32,044
County Support	15,625	20,000
Donations/Contributions	93,509	84,892
Investment Income	779	637
Debt Service	<u>(8,396)</u>	<u>(7,957)</u>
 Net Non-Operating Receipts (Disbursements)	 <u>130,672</u>	 <u>129,616</u>
 Excess of Receipts Over Disbursements	 13,807	 39,730
 Cash Balance, Beginning of Year	 <u>78,650</u>	 <u>38,920</u>
 Cash Balance, End of Year	 <u><u>\$ 92,457</u></u>	 <u><u>\$ 78,650</u></u>

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

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**UNION COUNTY AGRICULTURAL SOCIETY
UNION 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 Union County Agricultural Society, Union 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eighteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union 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 include facility rental, track and stall rental, and community events including the Union County Independence Celebration. The reporting entity does not include any other activities or entities of Union County, Ohio.

Note 7 summarize the 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 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.

D. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(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 statement does not include these items as assets.

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

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

Ohio Fairs Fund

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

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 4 for additional information.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

2. BUDGETARY ACTIVITY

For the year ended November 30, 2006, the Society had budgeted receipts of \$438,235, actual receipts of \$364,293, resulting in a negative variance of \$ 73,942. Additionally, the Society had budgeted disbursements of \$437,890, actual disbursements of \$350,486, resulting in a positive variance of \$87,404. At November 30, 2006 the Society had instances in which expenditures exceeded appropriations at the object level, the Society's budgetary legal level of control.

For the year ended November 30, 2005, the Society had budgeted receipts of \$370,080 actual receipts of \$380,481, resulting in a positive variance of \$10,401. Additionally, the Society had budgeted disbursements of \$356,036, actual disbursements of \$ 340,751, resulting in a positive variance of \$15,285.

3. CASH AND INVESTMENTS

The carrying amount of cash at November 30 follows:

	2006	2005
Demand deposits	\$90,872	\$77,150
Certificates of deposit	1,585	1,500
Total deposits	\$92,457	\$78,650

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized.

4. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2006 and November 30, 2005 was \$17,704 and \$20,304 respectively, 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.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

4. HORSE RACING (Continued)

	2006	2005
Total Amount Bet (Handle)	\$13,659	\$14,023
Less: Payoff to Bettors	(10,880)	(11,246)
Parimutuel Wagering Commission	2,779	2,777
Tote Service Set Up Fee	(300)	(400.00)
Tote Service Commission	(1,256)	(1,438.00)
State Tax	(386)	(323.00)
Society Portion	\$837	\$616

5. DEBT

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
Mortgage Loan	\$33,386	7.00%

The loan bears an interest rate of 7.00 percent and is due to the Richwood Banking Company. The loan was entered into on January 15, 2002 and matures August 30, 2011. The Society has made advance payments and will have the loan paid off in 2007. Proceeds of the loan were used to pay off existing debt and construct and refurbish buildings.

Amortization of the above debt is scheduled as follows:

Year ending	Principal	Interest	Total
November 30: 2007	33,386	2,337	\$35,723

6. RISK MANAGEMENT

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

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.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

6. RISK MANAGEMENT (Continued)

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.

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.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

6. RISK MANAGEMENT (Continued)

<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 \$19,554. 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	\$7,242
2005	\$7,792
2006	\$9,777

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. 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.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

7. JUNIOR FAIR BOARD

The Junior Fair Board is responsible for the Junior Fair activities of the Union County Agricultural Society. The Junior Fair Board activity is accounted for within the accounting records of the Society and is reflected in the accompanying financial statements. The Society subsidizes the Junior Fair to the extent necessary every year.

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 the County's auction. A commission on auction sales covers auction costs. The Junior Livestock Committee retains this money. 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 November 30, 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 16,953	\$ 19,566
Receipts	244,119	227,399
Disbursements	<u>(245,839)</u>	<u>(230,012)</u>
Ending Cash Balance	<u>\$ 15,233</u>	<u>\$ 16,953</u>

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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

Union County Agricultural Society
Union County
P.O. Box 678
Marysville, Ohio 43040

To the Board of Directors:

We have audited the financial statement of the Union County Agricultural Society, Union County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated October 10, 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 were unable to determine completeness over admission receipts for 2005. Except as discussed in the preceding sentence, 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 opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 2006-003.

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. We consider reportable condition 2006-001 listed above to be a material weakness. In a separate letter to the Society's management dated October 10, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-003. In a separate letter to the Society's management dated October 10, 2007, we reported another matter related to noncompliance we deemed immaterial.

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and accordingly, we express no opinion on them.

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

October 10, 2007

**UNION COUNTY AGRICULTURAL SOCIETY
UNION 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

Admission Receipts- Reportable Condition/Material Weakness

The Society has no formal policy on the handling and recording of money collected for admissions at the annual fair. The Society did not retain unsold pre-numbered gate tickets for 2005. Without maintaining an accurate accounting of these tickets, the Society cannot verify the accuracy of the cash collections or the accuracy of the daily reconciliations performed for these gate receipts.

We recommend that the Society accurately account for the beginning and ending gate admission ticket numbers to permit an accurate reconciliation for these receipts, and the Society should retain all unsold tickets.

Discrepancies or evidence of missing tickets should be investigated promptly to gain assurance that all receipts collected by the Society are deposited in the financial institution and posted to the accounting system, as appropriate. We further recommend that that Agricultural Society establish written policies and procedures regarding the collection of cash to gain assurance that all staff members are aware of the proper procedures which should be followed by those individuals responsible for cash collections. By implementing these recommendations, the Society can help reduce the overall risk of fraud or misappropriation of assets, which might otherwise go undetected by management.

Officials' Response:

Our last audit occurred after our 2005 fair, problem was corrected in 2006.

FINDING NUMBER 2006-002

Cash Reconciliation -Reportable Condition

The fiscal officer of the Society should perform a monthly bank to book reconciliation to ensure all receipts and expenditures have been appropriately posted to the Society's accounting system. Reconciling items, including deposits in transit, outstanding checks, or unposted interest, should be considered in the reconciliation to ensure that the Society's ledgers are reconciled to the bank balances.

The Society did not prepare a bank to book cash reconciliation at the end of the month for September, October, and November 2006. At November 30, 2006 audit adjustments of \$6,000 and \$558 were made to the year end cash balance to increase disbursement line items for disbursements that were not recorded on the Society's accounting system. These adjustments have been posted to the Society's accounting system.

In addition, during 2005 the Society did not perform cash reconciliations at the end of each month , but rather, reconciliations were performed during the middle of the subsequent month. As a result, items occurring in the current month (such as outstanding checks and deposits in transit), which occurred during the weeks following month-end were included as reconciling items for the previous month.

We recommend that the Society perform its bank to book reconciliations at the end of each month to ensure all transactions have been accurately recorded in the proper period. The Society should maintain an accurate detailed listing of all outstanding items each month. By performing a bank to book balance reconciliation at the end of each month, the Society can gain assurance that the Society's fund balances are accurate. This reconciliation should also be provided to the Board of Directors for review and approval to

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-002 (Continued)

Cash Reconciliation- Reportable Condition (Continued)

assist them in monitoring the financial activity of the Society. The Society should refer to the Uniform System of Accounting for Agricultural Societies manual available on the Auditor of State's website for additional guidance pertaining to cash management.

Officials' Response:

In reference to the cash reconciliations for September, October, and November 2006, this was due to an upgrade and subsequent problems with Quickbooks. This problem was corrected in December, 2006.

In reference to the book reconciliations, our last audit occurred after our 2005 fair.

FINDING NUMBER 2006-003

Expenditures exceeding Budgeted amounts- Noncompliance/Reportable Condition

The Uniform Agricultural Society Accounting User Manual states that each agricultural society shall prepare an annual budget of its revenues and expenditures. The budget shall cover the period of December 1st through November 30th. 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 account which are used by the society. The budget is not legally binding unless the Board adopts a resolution making the budget legally binding.

On November 14, 2005, the Board of Directors adopted spending budgets for 2006. The Board of Directors did not approve additional amendments to the budget during the year to allow for additional expenditures that were incurred by the Society.

The Society expended in excess of Board approved budget at the legal level of control for 2006 as follows:

Fund/Function/Object	November 30, 2006 Budgeted Expenditures	November 30, 2006 Actual Expenditures	Variance
General/Administrative Expense/Board of Director's	\$3,500	\$6,990	\$3,490
General/Supplies Purchased for Resale/Ground Maintenance	8,500	9,008	508
General/Supplies & Materials/Water	2,000	2,985	985
General/Racing/Other Race	1,000	2,226	1,226
General/Advertising & Communication/Printing & Publication Fees	995	1,644	649
General/Repairs/Insurance-Liability	6,285	9,496	3,211
General/Rent Lease Expense/Rent/Lease-Motor Vehicles (Golf Carts, Trucks)	1,825	4,060	2,235

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-003 (Continued)

Expenditures exceeding Budgeted amounts- Noncompliance/Reportable Condition (Continued)

General/Capital Outlay/Equipment (Machinery Purchases)	6,000	7,373	1,373
General/Debt Service/Principal Loan	5,000	5,793	793
General/Sr. Fair & Open Class Expenses/Other Sr. & Open Class Fair	2,500	3,936	1,436
General/Contest Expenses/Other Sr. & Open Class Fair	1,500	18,135	16,635
General/Junior Fair Expenses/Jr. Fair Prem., Trophies	7,500	10,972	3,472
General/Other Miscellaneous	515	16,250	15,735

We recommend that the Society make no expenditure unless it has been budgeted in accordance with the budget approved by the Board of Directors.

Officials' Response:

Additional amendments to the budget were made throughout the year except at the year end. The year end adjustments were an oversight and will be corrected in 2007.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION 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>Explain:</i>
2004-001	The Society did not use pre-numbered tickets for admissions during 2003 and did not maintain unsold gate tickets in 2004.	No	Comment reissued as Finding 2006-001
2004-002	The Society did not perform cash reconciliations as of the last day of each month during the fiscal year, but rather, reconciliations are performed during the middle of the subsequent month.	No	Comment reissued as Finding 2006-002
2004-003	The Society did not retain adequate supporting documentation for all expenditures	Yes	N/A



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

UNION 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
NOVEMBER 27, 2007**