



**Mary Taylor, CPA**  
Auditor of State



**AGRICULTURAL SOCIETY  
ERIE COUNTY**

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**Mary Taylor, CPA**  
Auditor of State

Agricultural Society  
Erie County  
P.O. Box 2436  
Sandusky, Ohio 44870-2436

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 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

September 3, 2008

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# Mary Taylor, CPA

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## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society  
Erie County  
P.O. Box 2436  
Sandusky, Ohio 44870-2436

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Erie County, (the Society) as of and for the years ended November 30, 2007 and 2006. 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.

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 societies 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.

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, 2007 and 2006, 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, 2007 and 2006, 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 cash balances of Agricultural Society, Erie County, as of November 30, 2007 and 2006, 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 September 3, 2008, 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

September 3, 2008



**AGRICULTURAL SOCIETY  
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Receipts:</b>		
Admissions	\$128,194	\$131,657
Privilege Fees	35,811	35,876
Rentals	54,971	47,195
Other Operating Receipts	20,190	23,884
Total Operating Receipts	239,166	238,612
<b>Operating Disbursements:</b>		
Wages and Benefits	28,068	37,395
Utilities	28,214	24,103
Professional Services	69,674	81,341
Equipment and Grounds Maintenance	65,450	46,825
Senior Fair	20,971	13,793
Junior Fair	31,930	27,332
Capital Outlay	12,880	9,031
Other Operating Disbursements	39,907	37,211
Total Operating Disbursements	297,094	277,031
Deficiency of Operating Receipts Under Operating Disbursements	(57,928)	(38,419)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	6,348	6,451
County Support	2,800	2,800
Debt Proceeds		15,000
Sale of Fixed Assets		6,843
Donations/Contributions	38,348	25,862
Investment Income	168	56
Debt Service	(14,552)	(2,213)
Net Non-Operating Receipts (Disbursements)	33,112	54,799
Excess (Deficiency) of Receipts Over (Under) Disbursements	(24,816)	16,380
Cash Balance, Beginning of Year	30,805	14,425
<b>Cash Balance, End of Year</b>	<b>\$5,989</b>	<b>\$30,805</b>

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

**AGRICULTURAL SOCIETY  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Agricultural Society, Erie 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 1953 to operate an annual agricultural fair. The Society sponsors the week-long Erie County Fair during August. Erie County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-five directors serving staggered three-year terms. Society members elect Board Members from its membership. Members of the Society must be residents of Erie 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. 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 Erie County, Ohio.

Note 5 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. Accounting Basis**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Property, Plant, and Equipment**

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

**D. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**E. Income Tax Status**

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

**AGRICULTURAL SOCIETY  
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2007 AND 2006  
(Continued)**

**2. CASH**

The carrying amount of cash at November 30, 2007 and 2006 follows:

	2007	2006
Demand deposits	\$5,989	\$30,805

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

**3. RISK MANAGEMENT**

The Erie County Commissioners provide general insurance coverage for all the buildings on the Erie County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by the Ohio Fair Participating Plan through Hylant Administrative Services with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$30,000.

**4. 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 Erie County Fair.

The Junior Fair Board activity is accounted for in the accounting records of the Society and is reflected in the accompanying financial statements. The Society subsidizes the Junior Fair Division to the extent necessary each year.

**5. 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 Erie County's auction. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 6,398	\$ 4,105
Receipts	165,540	182,508
Disbursements	(167,543)	(180,215)
Ending Cash Balance	\$ 4,395	\$ 6,398

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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*

Agricultural Society  
Erie County  
P.O. Box 2436  
Sandusky, Ohio 44870-2436

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Erie County, (the Society) as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated September 3, 2008, wherein we noted the Society followed 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-008.

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A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated September 3, 2008.

#### **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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 to 2007-007.

We also noted a certain noncompliance matter not requiring inclusion in this report that we reported to the Society's management in a separate letter dated September 3, 2008.

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

We intend this report solely for the information and use of the audit committee, management and Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

September 3, 2008

**AGRICULTURAL SOCIETY  
ERIE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2007 AND 2006**

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

**FINDING NUMBER 2007-001**

**Finding for Recovery**

On February 2, 2005, the Agricultural Society Board of Directors authorized a pay raise of \$100/month for the Treasurer. This increased the Treasurer's pay to \$400/month. The Treasurer's salary was to be paid in twelve monthly installments.

In Fiscal Year 2007, Jennifer Galloway, former Treasurer, paid herself fifteen salary installments. As stated above, the Treasurer is to be paid twelve times each year. This resulted in an overpayment of \$1,200.00

	<u>Pay rate</u>	<u># of months</u>	<u>Total Paid</u>
Approved Pay	\$400	12	\$4,800
Actual Pay	\$400	15	6,000
Amount overpaid			<u>\$1,200</u>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is issued against Jennifer Galloway, former Treasurer, in the amount of \$1,200.00, and in favor of the Erie County Agricultural Society's General Fund.

**FINDING NUMBER 2007-002**

**Finding for Recovery**

On December 23, 2005, the Agricultural Society obtained a \$15,000.00 line of credit from the Citizens Banking Company. On June 16, 2007 the Society paid \$9,500.00 toward the principal, leaving a principal balance of \$2,460.74.

The former Treasurer recorded the following checks as being payable on the principal of the Society's line of credit balance.

<u>Check Number</u>	<u>Date</u>	<u>Amount</u>
12717	04/18/07	\$2,000
12390	06/08/07	2,000
12719	07/11/07	1,500
		<u>\$5,500</u>

These checks were written to the bank, but were endorsed by the former treasurer. The Society's debt records do not indicate that this money was credited to the Society's line of credit balance. Additionally, the former Treasurer has not been able to account for the money in any other fund.

**FINDING NUMBER 2007-002  
 (Continued)**

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies unaccounted for is issued against Jennifer Galloway in the amount of \$5,500.00, and in favor of the Erie County Agricultural Society's General Fund.

**FINDING NUMBER 2007-003**

**Finding for Recovery**

During fiscal year 2007, the former Treasurer attached copies of receipts issued to the corresponding deposits of such monies.

The former Treasurer did not, however, deposit all monies given to her. Rather, several deposits by Ms. Galloway were for less money than was recorded on the corresponding receipts. The variances are reflected in the following comparison of receipts issued to deposits made:

<u>Receipt Number</u>			<u>Deposit</u>			
<u>Beginning</u>	<u>Ending</u>	<u>Total</u>	<u>Date</u>	<u>Amount</u>	<u>Variance</u>	
	13272	\$280.00	01/05/07	\$20.00	(\$260.00)	Include in Membership Shortage Finding
13373	13376	1,390.35	01/05/07	1,177.35	(\$213.00)	
13697	13723	1,676.00	08/03/07	1,667.00	(9.00)	
	13724	1,531.00	08/03/07	1,511.00	(20.00)	
13767	13790	4,541.00	08/13/07	4,326.00		
				75.00	(140.00)	\$75 Bank correction of deposit
13801	13820	18,216.15	08/27/07	18,201.15	(15.00)	
Shortage					(\$657.00)	
Less amount included in Admission Shortage Finding					260.00	
Net Shortage					<u>(\$397.00)</u>	

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies unaccounted for is issued against Jennifer Galloway in the amount of \$397.00, and in favor of the Erie County Agricultural Society's General Fund.

**FINDING NUMBER 2007-004**

**Finding for Recovery**

The Agricultural Society conducts a Junior Fair Livestock Sale during each annual fair. The Agricultural Society Treasurer maintains a separate bank account in which she deposits the proceeds from the Livestock Sale. This account is also used to issue checks to the participants for the sale of their animals.



**FINDING NUMBER 2007-004  
 (Continued)**

In addition to the checks issued to the owners of the livestock sold, we also noted during our audit period that former Treasurer, Jennifer Galloway, issued the following checks against the Junior Livestock Sale account:

<b>Check Number</b>	<b>Date</b>	<b>Amount</b>
2653	02/25/06	\$250
2654	03/06/06	234
2655	03/11/06	550
Total for 2006		<u>1,034</u>
2868	02/22/07	1,000
2869	02/07/07	1,500
2870	03/14/07	1,000
2871	05/09/07	1,200
2872	06/18/07	750
Total for 2007		<u>5,450</u>
<b>Total</b>		<u><u>\$6,484</u></u>

Ms. Galloway issued these checks to Citizens Bank and also endorsed such checks. Representatives from the Citizens Bank indicated that doing such results in cash being debited from the holder's account and given to the holder. Ms. Galloway provided no invoices, bills or receipts to support these cash withdrawals. Additionally, Ms. Galloway failed to account for the cash in any other fund.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is issued against Jennifer Galloway in the amount of \$6,484, and in favor of the Erie County Junior Livestock Sale Account.

**FINDING NUMBER 2007-005**

**Finding for Recovery**

The Agricultural Society sells memberships for \$20. During our testing, we found that 692 memberships were sold in 2006 and 663 memberships were sold during 2007. That should have resulted in bank deposits of \$13,840 in 2006 and \$13,260 in 2007. Bank records indicate, however, that the actual deposits were \$13,330 in 2006 and \$12,560 in 2007. This resulted in a difference of \$510 in 2006, and \$700 in 2007, for a total \$1,210.

**FINDING NUMBER 2007-005  
 (Continued)**

Ms. Galloway provided no invoices, bills or receipts to support the variance. Additionally, Ms. Galloway failed to account for the money in any other fund.

	<u>2006</u>	<u>2007</u>
Number of membership cards printed	698	675
Unused or voided	<u>(6)</u>	<u>(12)</u>
Total sold	692	663
X \$20	\$13,840	\$13,260
Amount deposited	<u>13,330</u>	<u>12,560</u>
Difference	<u>\$510</u>	<u>700</u>
Total not deposited		<u><u>\$1,210</u></u>

In accordance with the foregoing facts and pursuant to Ohio Rev Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted is issued against Jennifer Galloway in the amount of \$1,210, and in favor of the Erie County Agricultural Society General Fund.

**FINDING NUMBER 2007-006**

**Finding for Recovery**

Each year, the Erie County Agricultural Society provides storage facilities for area residents who can pay a fee to store their boats, recreational vehicles or cars. These fees are assessed based on the amount of space used and are due upon storing the item.

During fiscal year 2007, Jennifer Galloway, former Treasurer issued receipts for each contract. The receipts were then attached to the contracts and kept on file. We found five contracts that did not have receipts attached. Each of these contracts had a notation indicating that the fee had been paid in cash. These payments could not be traced to a deposit. Additionally, the former Treasurer has not been able to account for the money in any other fund. The amount of these cash payments totaled \$1,248.

In accordance with the foregoing facts and pursuant to Ohio Rev Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is issued against Jennifer Galloway in the amount of \$1,248, and in favor of the Erie County Agricultural Society General Fund.

#### **FINDING NUMBER 2007-007**

##### **Finding for Recovery**

Each year, the Board sends sponsorship forms to the previous year's sponsors to renew their sponsorships for various Junior Fair events. During 2007, the Board sent out sponsorship renewal forms and received the completed forms and fees. Six such fees were paid in cash, totaling \$180. These funds were deposited with former Treasurer, Jennifer Galloway. Ms. Galloway indicated to the Board Member placing the funds with her that no receipt was necessary for cash deposits. The records do not indicate, however, that the \$180 was deposited by the former Treasurer. Additionally, Ms. Galloway has failed to account for this cash in any other fund.

In accordance with the foregoing facts and pursuant to Ohio Rev Code Section 117.28, a Finding for Recovery for public monies collected but unaccounted for is issued against Jennifer Galloway in the amount of \$180, and in favor of the Erie County Agricultural Society General Fund.

#### **FINDING NUMBER 2007-008**

##### **Financial Reporting – Material Weakness**

We found numerous errors in the Society's general ledger. The Treasurer did not account for the numerical sequence of the Society's checks. The checks were not issued in order, some checks were not issued nor were they indicated as "voided". Using the cancelled checks per the monthly bank statements it was discovered that several checks that had cleared the depository were not recorded in the general ledger.

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To ensure the Society's financial statements and notes to the statements are complete and accurate, the Society should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Directors, to identify and correct errors and omissions. To ensure the Society's financial statements are complete and accurate the Treasurer should also review the coding of accounts included in the Accounting Manual for Agricultural Societies.

##### **Officials' Response:**

The Erie County Agricultural Society has implemented procedures to reduce the possibility of these issues recurring in the future.





**Mary Taylor, CPA**  
Auditor of State

**AGRICULTURAL SOCIETY**

**ERIE 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  
SEPTEMBER 25, 2008**