



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 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.

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

Mary Taylor, CPA
Auditor of State

January 29, 2009

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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, 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.

Except as described in paragraph six, 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.

We were unable to obtain sufficient evidence to support the completeness of the admissions receipts, rental receipts, and other operating receipts in 2007 and 2006 comprising 46% of the total operating receipts for 2007 and 49% in 2006, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient evidence supporting the receipts noted in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of Preble County Agricultural Society, Preble County, Ohio as of November 30, 2007 and 2006, and its combined 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 January 29, 2009, 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

January 29, 2009

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

	2007	2006
Operating Receipts:		
Admissions	\$309,480	\$302,078
Privilege Fees	82,849	76,153
Rentals	135,590	132,595
Sustaining and Entry Fees	15,820	15,225
Parimutuel Wagering Commission	4,692	4,692
Other Operating Receipts	85,168	78,480
 Total Operating Receipts	 633,599	 609,223
Operating Disbursements:		
Wages and Benefits	117,574	106,149
Utilities	102,071	91,666
Professional Services	120,577	100,685
Equipment and Grounds Maintenance	142,561	160,972
Race Purse	47,846	46,162
Senior Fair	42,529	46,736
Junior Fair	7,677	8,271
Capital Outlay	34,320	4,285
Other Operating Disbursements	87,717	90,950
 Total Operating Disbursements	 702,872	 655,876
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(69,273)	(46,653)
Non-Operating Receipts (Disbursements):		
State Support	29,044	29,155
County Support	6,530	6,646
Donations/Contributions	63,630	34,191
Investment Income	503	242
Debt Service	(14,233)	(14,815)
 Net Non-Operating Receipts (Disbursements)	 85,474	 55,419
Excess (Deficiency) of Receipts Over (Under) Disbursements	16,201	8,766
Cash Balance, Beginning of Year	25,237	16,471
Cash Balance, End of Year	\$41,438	\$25,237

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

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**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE 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 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 and 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. 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. Accounting Basis

This financial statement follows 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.

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

C. Cash

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

D. Property, Plant, and Equipment

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

E. 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 statement.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

H. Pari-mutuel Wagering

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

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE 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	\$41,438	\$25,237

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

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2007 and 2006 was \$17,696 and \$17,704 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.

	2007	2006
Total Amount Bet (Handle)	\$ 21,846	\$ 21,875
Less: Payoff to Bettors	(17,154)	(17,183)
Parimutuel Wagering Commission	4,692	4,692
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(2,293)	(2,252)
State Tax	(606)	(639)
Society Portion	\$ 1,593	\$ 1,601

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fairgrounds General Obligation Bonds	\$115,000	3% to 3.75%
County Loan	52,301	
Total	\$167,301	

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. No payments were made to Preble County for this loan during 2006 or 2007.

Amortization of the above debt is scheduled as follows:

Year ending	GO Bonds	Interest	Total
November 30:			
2008	10,000	3,932	\$13,932
2009	10,000	3,632	13,632
2010	10,000	3,332	13,332
2011	10,000	3,018	13,018
2012	15,000	2,693	17,693
2013-2016	60,000	5,498	65,498
Total	\$115,000	\$22,105	\$137,105

5. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2007 and 2006 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, 2007.

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 \$2,000,000 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.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 30, 2007.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Preble County Fair. The Society disbursed \$7,677 and \$8,271 in 2007 and 2006, respectively, to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$500 each year by Preble County for its support of Junior Club 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, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 1,207	\$ 5,477
Receipts	18,338	5,264
Disbursements	(11,906)	(9,534)
Ending Cash Balance	\$ 7,639	\$ 1,207

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 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 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	\$ 6,065	\$ 5,672
Receipts	276,041	297,356
Disbursements	(271,089)	(296,963)
Ending Cash Balance	\$ 11,017	\$ 6,065

9. NONCOMPLIANCE

The Society lacked proper controls over receipt cycles.

The Society did not prepare an operating budget for 2006. The Society approved a budget in 2007; however, there is no evidence the Society used the budget to monitor activities. The Society did not have controls in place to determine if purchases made in 2006 or 2007 were within budget; nor did the Society certify the availability of funds for purchase commitments.

The Society did not retain all documents.

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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 Preble County Agricultural Society, Preble County, Ohio (the Society), as of and for the year ended November 30, 2007 and 2006, and have issued our report thereon dated January 29, 2009, wherein we noted the Society prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report because we were unable to obtain sufficient evidence to support the completeness of the admission receipts, rental receipts, and other operating receipts in 2007 and 2006. 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 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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 deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-004.

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, of the significant deficiencies described above, we believe finding number 2007-002 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 January 29, 2009.

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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2007-001 through 2007-004.

We did note a certain noncompliance or other matters that we reported to the Society's management in a separate letter dated January 29, 2009.

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



Mary Taylor, CPA
Auditor of State

January 29, 2009

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE 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

Ohio Revised Code, Section 149.351, states, in part, that “all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission.”

One contract for building and/or ground space rentals was marked paid in the amount of \$145, providing evidence that monies was receipted by the Society. However, no posting was made to the Society’s accounting records, nor could this receipt be traced to a deposit in the Society’s bank account.

Ohio Rev. Code Section 9.39 states, in part, that all public officials are liable for all public money received or collected by them or by their subordinates under color of office.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Ronald Yount, Prior Fair Manager/Secretary, and Travelers Casualty and Surety Company of America, his bonding company, jointly and severally, in the amount of \$145 and in favor of the Preble County Agricultural Society’s General Fund.

Additionally, under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondary liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Therefore, Treasurer, Marty Bresher, and Travelers Casualty and Surety Company of America, her bonding company, are jointly and severally liable in the amount of \$145, in favor of the Preble County Agricultural Society’s General Fund.

The Treasurer shall be secondarily liable for such illegal expenditures to the extent that recovery or restitution is not obtained from Ronald Yount.

FINDING NUMBER 2007-002

Material Noncompliance/Material Weakness

Ohio Administrative Code, Section 117-2-02(A), states that 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.

The Society lacked proper controls over the following receipt cycles:

Admissions:

The Society did not maintain tickets stubs for any grandstand events in 2006. The Society maintained seating charts for some events in 2006 and 2007. However, the seating charts were not completely accurate as evidenced by the large variance between the estimated revenue and the actual revenue. In 2007, Society personnel comingled the ticket stubs for the Merle Haggard concert and the OSTPA/ISTPA tractor pull. Each section in the grandstand used a different color for each day's event. The Society used arm bands for infield seating. The arm bands are pre-numbered, however, the Ag Society did not document the number of arm bands used. The Society maintained no supporting documentation for these seats.

We recommend the Society use pre-numbered tickets for all events. The Society should document arm bands used for all events. The Society should maintain a ticket tally sheet for all grandstand events. The Society should document the beginning ticket number and ending ticket numbers sold for each event in the same manner as the Society documents general admission tickets. The Society should maintain each colored ticket stub in separate containers.

Flea Market Rentals (included in Rentals line item on the financial statement):

The Society maintains building charts to document rental fees collected for the flea market. The Society maintained insufficient detail on the charts in 2006 and the Society did not maintain detail in 2007. The Society collects monies on the mornings of the flea market from vendors, but does not always document who has paid or who did not show up for the flea market. The Society should maintain a complete list of renters and renter fees collected. The list of renters should contain the number of spaces and tables that are rented.

Rental for Stalls, Pens and Barns (included in Rentals line item on the financial statement):

The Society does not maintain any rental contracts for stall, pen, and barn rentals. The Society creates a folder for each person that rents a stall, pen or barn during the year. The information contained in these folders consists of a ledger sheet, bill/pay information and a copy of a billing statement. The Society writes duplicate receipts for the monies received. The ledger sheets, billing statements and duplicate receipts do not contain complete information to determine if the Society charges correct rental rates for all rentals. There are also a few renters that did not have folders created for them by the Society. The Society should maintain a complete of list renters and rental fees collected. Rental fees charged should agree to an authorized rate schedule. The Society should execute and maintain rental contracts.

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

Contest Entry Fees (included in Other Operating Receipts line item on the financial statement):

The Society had entry forms on file. The amount deposited by the Society did not total the amount that was listed on the entry forms. Monies deposited with the bank for contest entry fees should match the amount of receipts per the entry forms. The individuals that entered the demolition derby were not all charged the same amount – some were charged \$30 and others \$21. We recommend that the Society charge all persons entering a contest the same rate.

Lunchroom Sales (included in Other Operating Receipts line item on the financial statement):

The Ag Society does not have any supporting documentation for lunchroom receipts. The Ag Society does not require the persons counting the money to sign any documentation stating the counted the money and found it to be accurate. We recommend the Ag Society require each individual counting the money sign a form stating the amount deposited with the Fair Manager is correct.

Cash Advances For Premium Awards:

The Society made cash advances to award premium money during the annual fair. The money not spent for premiums was returned to the Society's bank account. The Society did not maintain supporting documentation for all premium money awarded, which would include a list of individuals paid the premiums. The Society awarded \$5,676 in 2007 and \$7,001 in 2006 to Junior Fair and Senior Fair winners. Failure to maintain supporting documentation for premium money awarded could result in misappropriation of funds. We recommend the Society maintain a list of premiums awarded and have exhibitors sign showing they received their premium money.

The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of the admission receipts, rental receipts, and other operating receipts in 2007 and 2006, resulting in a qualified opinion on the financial statements.

In addition, the Society lacked proper controls over the following specific receipt types which could adversely affect 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:

1. Thirty out of 54 building rental contracts in 2006 were signed by the Fair Manager or his agent only. Of these 54 contracts, 12 were not marked "Paid" and 19 were not accompanied by a pink/yellow copy of the billing statement. Thirty-two of 80 contracts in 2007 were signed by the Fair Manager or his agent only. Of these 80 contracts, five were not marked "Paid" and 33 were not accompanied by a pink/yellow copy of the billing statement.

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

2. The Society did not properly complete contracts and did not maintain all contracts. The Society inconsistently applied sales tax to renters. Contracts should be completed and maintained for all rental activities of the Society (buildings, fairbooths, 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. If the Society should charge sales tax, taxes should be charged consistently 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.
3. The Society did not have a Board of Directors approved rate schedule. All rates charged for rental of tents, ground space, buildings, etc., should agree to an authorized rate schedule. The Board of Directors should approve this rate schedule.
4. Sponsorships/Donations – The Society did not maintain all sponsorship/donations records. 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.
5. Concessions – Per the concession contracts the Society is to receive 15% of gross concession sales. Currently the Society relies on the honesty of the vendors to remit the proper amounts. Some vendors provide no supporting documentation of gross sales. Others provide only a short recap of daily or weekly gross revenues. Also, the Society is to receive a \$100 deposit upon the execution of each concession contract. The Society should obtain and verify a detailed record of gross concession revenues collected by the vendors or charge a set fee for concessions. Also, the Society should collect the concession contract deposit at the time the contract is executed.
6. Advertisements – Several advertisers did not pay the advertisement fees in 2006 and 2007, but were printed in the fair books. The Society sometimes traded services for advertisements with individuals and/or businesses. All advertisement fees should be paid in full prior to the advertisement being print in the fair book. Also, a list should be maintained for those advertisements printed for free or printed for a service provided to the Society.
7. Fair Entertainment – The Society paid out \$60,000 in cash for the 2007 fair concert entertainer. The Society should pay these individuals by check or money order for better controls over cash payments. The Society reflected the payment in the accompanying financial statements.
8. Storage Rentals – Four out of 16 contracts were not dated and three of the 16 contracts were signed only by the renter or Fair Manager/Secretary. The required information on all of the contracts was not completed. The Society inconsistently charged sales tax on storage rentals. The Society should determine if they are to charge sales tax and consistently charge or not charge the renters.
9. Demolition Derby – The Society paid a demolition derby judge \$1,000 without a contract. The Society should initiate a formal contract for these types of expenditures.

FINDING NUMBER 2007-003

Material Noncompliance

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 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 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 an operating budget for 2006. The Society approved a budget in 2007; however, there is no evidence the Society used the budget to monitor activities. In addition, the Society did not have controls in place to determine if purchases made in 2006 or 2007 were within budget; nor did the Society certify the availability of funds for purchase commitments.

Further, several invoices were not dated; nor did Society execute contracts for all of the fair workers (i.e. admission takers, demo derby officials). However, the Society did draw up contracts during our audit and have each individual sign the contract indicating they provided the work for which they were paid.

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

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 2007-004

Material Noncompliance/Significant Deficiency

Ohio Revised Code, Section 149.351, establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Ohio Revised Code, Sections 149.38 to 149.42.

The following documents could not be located for the audit period:

- 2006 grandstand admission tickets stubs;
- 2007 contract for High Winds Farm Pony Rides;
- 2006 tent price list;
- 2007 baby contest entry forms; and
- 2007 employee pay rate list.

Failure to maintain accounting records adversely effect management's ability to make informed decisions and increases the risk that errors, theft and fraud may occur and not be detected in a timely manner. Efforts should be made by the Society to maintain all accounting records. We recommend that a written inventory of the records noting the description and location of each record be completed.

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

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 117.28, finding for recovery for public money collected by not accounted for	Yes	Repaid on March 21, 2007 by Ron Yount.
2005-002	Failure to monitor annual operating budgets and certify the availability of funds	No	Partially corrected – Reissued as Finding 2007-003
2005-003	Failure to maintain proper supporting documentation for receipts	No	Not corrected – Reissued as Finding 2007-002



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 26, 2009**