



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.

Mary Taylor

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Auditor of State

August 10, 2010

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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, 2009 and 2008. 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 seven, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

The accompanying financial statements for the years ended November 30, 2009 and 2008, present unclassified receipts and disbursements. Ohio Administrative Code, Section 117-2-02(A), requires governments to classify receipt and disbursement transactions.

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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

We were unable to obtain sufficient evidence to support the completeness of the grandstand admissions receipts in 2008, season ticket receipts in 2009 and 2008 and building rental and flea market receipts in 2008 comprising 7% of total unclassified cash receipts for 2009 and 31% in 2008, nor were we able to satisfy ourselves of the completeness by other auditing procedures.

Also, in our opinion, except for the omission of certain receipt and disbursement classifications for the year ended November 30, 2009 and 2008 and 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, 2009 and 2008, 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 August 10, 2010, 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

August 10, 2010

PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Receipts:		
Unclassified	<u>\$757,631</u>	<u>\$824,022</u>
Total Cash Receipts	<u>757,631</u>	<u>824,022</u>
Cash Disbursements:		
Unclassified	<u>729,781</u>	<u>838,820</u>
Total Cash Disbursements	<u>729,781</u>	<u>838,820</u>
Total Receipts Over/ (Under) Disbursements	<u>27,850</u>	<u>(14,798)</u>
Fund Cash Balances, January 1	<u>26,640</u>	<u>41,438</u>
Fund Cash Balances, December 31	<u><u>\$54,490</u></u>	<u><u>\$26,640</u></u>

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

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008**

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 7 and 8, 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

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. 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 statements do not report these items as assets.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

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.

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, 2009 AND 2008
(Continued)**

2. CASH

The carrying amount of deposits at November 30, 2009 and 2008 was as follows:

	2009	2008
Demand deposits	\$54,490	\$26,640

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 (included in the Unclassified Cash Receipts), received to supplement purse for the year ended November 30, 2009 and 2008 was \$12,144 and \$13,486 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 Unclassified Cash Disbursements, and the amount remaining is the Society's net portion.

	2009	2008
Total Amount Bet (Handle)	\$ 15,002	\$ 18,345
Less: Payoff to Bettors	(11,965)	(14,396)
Parimutuel Wagering Commission	3,037	3,949
Tote Service Set Up Fee	(100)	(200)
Tote Service Commission	(1,846)	(1,938)
State Tax	(424)	(488)
Society Portion	\$ 667	\$ 1,323

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

4. DEBT

Debt outstanding at November 30, 2009 was as follows:

	Principal	Interest Rate
Fairgrounds General Obligation Bonds	\$95,000	3% to 3.75%
County Loan	52,300	
Total	\$147,300	

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 2008 or 2009.

Amortization of the above debt is scheduled as follows:

Year ending	GO Bonds	Interest	Total
November 30:			
2010	10,000	3,332	\$13,332
2011	10,000	3,018	13,018
2012	15,000	2,693	17,693
2013	15,000	2,190	17,190
2014	15,000	1,666	16,666
2015-2016	30,000	1,642	31,642
Total	\$95,000	\$14,541	\$109,541

5. 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, 2009.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

6. CONTINGENT LIABILITIES

The Society is defendant in several lawsuits. Although the Society's management cannot presently determine the outcome of these suits, its counsel believes their resolution will not materially adversely affect the Society's financial condition.

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 \$9,725 and \$5,651 in 2009 and 2008, respectively directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement (included in Unclassified Cash Disbursements). 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 year ended November 30, 2008 and 2009 follows:

	<u>2009</u>	<u>2008</u>
Beginning Cash Balance	7371	7639
Receipts	7863	8335
Disbursements	<u>(7,333)</u>	<u>(8,603)</u>
Ending Cash Balance	<u>\$ 7,901</u>	<u>\$ 7,371</u>

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 year ended November 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Beginning Cash Balance	\$ 9,940	\$ 11,017
Receipts	263,548	288,150
Disbursements	<u>(262,405)</u>	<u>(289,227)</u>
Ending Cash Balance	<u>\$ 11,083</u>	<u>\$ 9,940</u>

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2009 AND 2008
(Continued)**

9. NONCOMPLIANCE

The Society could not locate an operating budget for 2008 although the officials' minutes indicated that a budget was approved.

The Society did not retain all documents and did not post financial activity correctly.

The Society lacked proper controls over receipt cycles.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

We have audited the financial statements of the Preble County Agricultural Society, Preble County, Ohio (the Society) as of and for the years ended November 30, 2009 and 2008, and have issued our report thereon dated August 10, 2010, 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 qualified our report because the Society did not classify certain receipts and disbursements for the years ended November 30, 2009 and 2008 and because we were unable to obtain sufficient evidence to support the completeness of the grandstand admission receipts in 2008, season ticket receipts in 2009 and 2008 and building rental and flea market receipts in 2008. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely

correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying schedule of findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-004 described in the accompanying schedule of findings to be a significant deficiency.

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 2009-001 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated August 10, 2010.

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

August 10, 2010

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Noncompliance/Material Weakness

Ohio Admin. Code § 117-2-02(A) requires 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 required by rule 117-2-03 of the Administrative Code.

The Society lacks management oversight over accounting and reconciliation processes, and the related financial reporting. This lack of oversight is illustrated by the following:

- The Society posted transactions during the audit year and hired an accounting firm to perform year-end adjustments and prepare the annual financial report. The accounting firm prepared financial statements on an accrual basis; however the Society presented the information for audit as cash-basis information and did not retain documentation related to the adjusting entries posted by the accounting firm.
- Because the transaction amounts in the original financial statements presented for audit could not be verified by auditors, the Society presented unclassified cash-basis financial information for the years ending November 30, 2009 and 2008
- Due to the lack of documentation detailed below and in Finding Number 2009-002, the Society presented unclassified cash-basis financial information for the years ending November 30, 2009 and 2008
- The balance per the November 30, 2007 audited financial statements was \$41,438 and the December 1, 2007 balance per the Society's 2008 Annual Financial Report is \$20,937 for a variance of \$20,501.
- Total receipts and total expenditures on the 2008 annual financial report did not match the total receipts and expenditures per the Account Quick Report [receipts per the annual financial report--\$819,094; receipts per the Account Quick Report--\$817,319; expenditures per the annual financial report--\$818,589; expenditures per the Account Quick Report--\$832,117].
- Total receipts and total expenditures on the 2009 annual financial report did not match the total receipts and expenditures per the Account Quick Report [receipts per the annual financial report--\$692,083; receipts per the Account Quick Report--\$757,631; expenditures per the annual financial report--\$662,060; expenditures per the Account Quick Report--\$729,781].
- Further, the Society posted unexplained balance adjustments throughout FY2008 totaling \$621 that are included on the 2008 Annual Financial Report as a line item titled Reconciliation Difference

**FINDING NUMBER 2009-001
(Continued)**

- In 2009 the Society eliminated old outstanding checks totaling \$3,764 but only accounted for \$2,162 on the annual financial report for a variance of \$1,602.
- Receipts and disbursements totaling \$594 and \$3,011 in 2008 and 2009 respectively, per the bank statements, were not correctly posted to the Account QuickReports.

The Society posted the necessary adjustments to the unclassified financial statements and the Society's accounting records.

Due care should be taken in posting activity to Quick Books. Total receipts and expenditures per the Account Quick Reports should match the activity posted on the bank statements. Completing a monthly reconciliation of activity posted would aid in detecting posting errors.

Due care should be taken in completing the annual financial reports. The receipts and expenditures as reported on the annual financial reports should match the activity posted to Quick Books. The Society should adopt policies/procedures for the review of activity posted to the accounting records and reported on the annual financial reports.

FINDING NUMBER 2009-002

Material Noncompliance/Material Weakness

Ohio Admin. Code § 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 required by rule 117-2-03 of the Administrative Code. 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.

In addition to those items noted in Finding Number 2009-001, the Society lacked proper controls over the following receipt cycles. The lack of supportive documentation resulted in a qualified opinion on the financial statements.

Admissions:

Season tickets –The 2008 season ticket binder was not accurate. Some ticket number spaces in the season ticket binder were left blank making it difficult to determine if these tickets were purchased and not documented or not purchased. Estimated revenue in 2008 was \$7,132 or 17% greater than the actual revenue. For 2009, the Miscellaneous Fees All Fees Detail Report by Fee Code and the 2009 Membership Pass Add-On forms were utilized to determine the estimated revenue. Estimated revenue in 2009 was \$12,995 or 26.25% less than the actual revenue.

General admission - The Society did not use the Record of Attendance and Receipts reports in 2008 or 2009.

Grandstand Admissions –The Society did not maintain seating charts for all events in 2008 and 2009. Estimated revenue exceeded actual revenue for the July 31, 2008 tractor pull by \$4,380 and the August 2 demolition derby by \$9,757. The Society did not bundle an envelope of tickets and did not total the

**FINDING NUMBER 2009-002
(Continued)**

tickets for the July 30 tractor pull. Estimated revenue was less than actual revenue for the Dierks Bentley concert by \$7,167.

Entry fees for the following events were posted to admissions instead of contest entry fees: 2008 tractor pull for \$2,480; 2008 demo derby for \$7,828; 2008 demo derby for \$1,570; 2009 tractor pull for \$2,700; 2009 demo derby for \$1,768; and 2009 demo derby for \$1,260.

The Society should utilize the Record of Attendance and Receipts Report for general admission. We recommend the Society use pre-numbered tickets 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. We recommend the Society keep an accurate record of all season tickets sold. All receipts should be posted to the correct account.

Building Rentals/Flea Market Rentals:

In 2008, the amount deposited with the Society for building rental and flea market receipts were 10% greater than the number of building rental contracts and amounts per the flea market charts. The Society did not maintain all building rental contracts.

Building Rental: The Society provided only one contract rental for December 2007. The December 2007 rental calendar was used to determine the number of buildings rented for the month of December.

Flea Market Rentals: The Society did not mark the December 2007 building charts indicating who paid their booth rent. We recommend the Society maintain all building rental contracts. We also recommend that the Society maintain proper supporting documentation for all flea market rental receipts.

The items noted above resulted in an inability to obtain sufficient evidence to support the completeness of the grandstand admissions receipts in 2008, season ticket receipts in 2009 and 2008 and building rental receipts in 2008.

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. The Society did not maintain all building and ground space contracts. A receipt number was not given to all building and ground space receipts on the Account Quick Report. Also, revenue for the Nextel Tower rental was erroneously posted to privilege fees in fiscal year 2008 and fiscal year 2009. Contracts should be completed and maintained for all rental activities of the Society. 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 contracts should be marked "Paid in Full" once complete payment has been received. A receipt number should be given to all receipts and documented on the Society's reports. All receipts should be posted to the proper account.
2. Supporting documentation was not maintained for primitive camping in 2008. The Society should have primitive campers sign contracts and these contracts should be maintained.

**FINDING NUMBER 2009-002
(Continued)**

3. 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.
4. 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. 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.
5. Rides – Burton Bros. provided ride entertainment during fair week. Per the contract with Burton Bros., the Society is to receive 30% of gross sales after taxes. A tally sheet is submitted after fair week with the weekly gross revenue total. The Society's portion is also calculated. The Society does not receive a detail record of gross revenues collected. We recommend the Society obtain and verify a detail record of gross revenues collected.

FINDING NUMBER 2009-003

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 adopt a budget for 2009 per the minutes; however, a 2009 budget was provided. A 2008 budget was approved in the minutes, however; the Society could not locate the budget. There is no evidence a budget was used to monitor activities. Additionally, the Society did not certify the availability of funds prior to making purchase commitments. We recommend the Society adopt a budget annually and implement procedures to properly monitor the budget; and certify the availability of funds prior to making purchase commitments.

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

**FINDING NUMBER 2009-003
(Continued)**

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

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

FINDING NUMBER 2009-004

Material Noncompliance/Significant Deficiency

Ohio Revised Code § 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 Society did not present the following documents for audit:

- 2008 budget;
- 2008 Ohio Fairs Fund Distribution Summary;
- 2008 Junior Fairs revenue documentation;
- 2008 December building rental contracts;
- 2008 and 2009 pooled collateral statements
- Two invoices totaling \$12,409 for 2008. Also, the voucher was not presented for one of the two invoices. Through additional audit procedures we were able to determine that these expenditures were for a proper public purpose.
- Two invoices were copies instead of originals in 2009.

Failure to maintain accounting records adversely affect 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.

**FINDING NUMBER 2009-004
(Continued)**

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.

Officials' Response:

We did not receive a response from Officials' for the findings above.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC § 149.351, finding for recovery for public money collected but not accounted for	Yes	This is resolved per review of the Finding for Recovery database
2007-002	OAC § 117-2-02(A), failure to maintain proper documentation for receipts	No	Partially Corrected – Reissued as finding 2009-002
2007-003	Failure to monitor annual operating budgets and certify the availability of funds	No	Not Corrected – Reissued as finding 2009-003
2007-004	ORC § 149.351, destruction of records	No	Not Corrected – Reissued as finding 2009-004



Mary Taylor, CPA
Auditor of State

PREBLE COUNTY AGRICULTURAL SOCIETY

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 2, 2010**