



**Auditor of State
Betty Montgomery**

PAULDING COUNTY AGRICULTURAL SOCIETY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Paulding County Agricultural Society
P.O. Box 222
Paulding, OH 45879-0222

To the Board of Directors:

We have audited the accompanying financial statement of Paulding County Agricultural Society (the Society) as of and for the year ended November 30, 2002. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2002, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2003

PAULDING COUNTY AGRICULTURAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2002

	2002
Operating Receipts:	
Admissions	\$30,523
Privilege Fees	7,029
Rentals	9,725
Sustaining and Entry Fees	29,535
Miscellaneous Fees	4,443
Pari-mutuel Wagering Commission	4,962
Junior Livestock Sale Receipts	102,654
Other Operating Receipts	9,041
	<u>197,912</u>
Operating Disbursements:	
Wages and Benefits	1,954
Administrative	1,260
Supplies	7,550
Utilities	18,958
Professional Services	16,797
Equipment and Grounds Maintenance	5,215
Race Purse	64,950
Race Expenses	13,036
Advertising	7,109
Insurance	3,970
Rental Expenses	5,415
Debt Service	2,860
Senior Fair	5,731
Junior Fair Expenses	12,162
Junior Livestock Sale Expenses	100,330
Contest Expenses	6,189
	<u>273,486</u>
Deficiency of Operating Receipts Under Operating Disbursements	<u>(75,574)</u>
Non-Operating Receipts:	
State Support	38,626
County Support	18,000
Restricted Donations/Contributions	4,152
Unrestricted Donations/Contributions	6,266
Investment Income	228
	<u>67,272</u>
Deficiency of Receipts Under Disbursements	(8,302)
Cash Balance, Beginning of Year	<u>21,796</u>
Cash Balance, End of Year	<u>\$13,494</u>

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

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PAULDING COUNTY AGRICULTURAL SOCIETY

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Paulding County Agricultural Society (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1860 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Paulding County Fair during July. During the fair, harness races are held. Paulding County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of twenty-three directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Paulding 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. The reporting entity does not include any other activities or entities of Paulding County, Ohio.

The financial activity of the Junior Fair Board is summarized in Note 6. The Junior Livestock Sale Committee activity is included in the financial statement.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

This financial statement follows the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

D. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

E. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a

PAULDING COUNTY AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)

private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Northwestern Ohio Colt stake races are conducted during the Paulding 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. The Society also included additional funds of \$1,429 to the Race Purse for winning horses.

Sustaining and Entry Fees

Horse owners and Paulding County Horseman's Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

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

G. 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 determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (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.

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2002 follows:

	2002
Demand deposits	\$13,494
	\$13,494

The bank balances were covered by Federal Depository Insurance Corporation (FDIC).

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$33,986 and is included within State Support on the accompanying financial statement.

PAULDING COUNTY AGRICULTURAL SOCIETY

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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.

	<u>2002</u>
Total Amount Bet (Handle)	\$23,996
Less: Payoff to Bettors	<u>(19,034)</u>
Parimutuel Wagering Commission	4,962
Tote Service Set Up Fee	(900)
Tote Service Commission	(2,715)
State Tax	<u>(669)</u>
Society Portion	<u><u>\$678</u></u>

4. DEBT

Debt outstanding at November 30, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bank Loan	\$20,333	7.50%
County Loan	<u>6,500</u>	4.33%
Total	<u><u>\$26,833</u></u>	

The \$20,333 bank loan bears an interest rate of 7.50 percent and is due to the Global Financial L.L.C. The loan was purchased from the State Bank, receiver of the remaining assets of the insolvent Oakwood Deposit Bank, on May 9, 2002. No amortization schedule is being used by Global Financial L.L.C. On February 19, 2003, an agreement was made between Global Financial L.L.C. and the Society for a monthly payment of \$250 to be made with the first payment due on March 20, 2003. The agreement matures on March 20, 2004. At that time, Global Financial L.L.C. will reassess the loan and establish an amortization schedule.

Paulding County loaned the Society \$10,160 on March 4, 1998 for expenses. The loan from the County shall be paid back to the County at amounts determined by the Society each year plus interest at a rate based upon the annual investment rate of the County. The interest rate applicable at November 30, 2002 is 4.33 percent. No amortization schedule is utilized for the County loan.

5. RISK MANAGEMENT

The Paulding County Commissioners provide general insurance coverage for half of the buildings on the Paulding County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by an insurance company with limits of \$1,000,000 and \$1,000,000 aggregate. The Society's general manager is bonded with coverage of \$25,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2003.

PAULDING COUNTY AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)

6. 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 Paulding County Fair. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$3,779
Receipts	11,179
Disbursements	<u>(6,834)</u>
Ending Cash Balance	<u><u>\$8,124</u></u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Paulding County Agricultural Society
P.O. Box 222
Paulding, OH 45879-0222

To the Board of Directors:

We have audited the financial statement of Paulding County Agricultural Society (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated May 20, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated May 20, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-001, 2002-002, and 2002-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe any of the reportable conditions described above are material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated May 20, 2003.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 20, 2003

PAULDING COUNTY AGRICULTURAL SOCIETY

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002**

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

FINDING NUMBER 2002-001

Reportable Condition - Monthly Reconciliations

Prior to the closing out the general ledger records each month, the bank account balances should be reconciled to the general ledger fund balance in a timely manner. This procedure is an important method of detecting errors in the general ledger postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, general ledger records closed and month end financial information generated by the Treasurer.

The Treasurer did not perform reconciliations of the Society's bank accounts to the general ledger fund balance for the last three months of fiscal year 2002. As a result, the governing authorities are not receiving timely financial information. We recommend that the Board of Directors require the Treasurer to present evidence that the Society's bank account balances have been reconciled to the general ledger fund balance in a timely manner along with other financial information submitted for review. The Board of Directors should indicate their review of each reconciliation.

FINDING NUMBER 2002-002

Reportable Condition - Monitoring Society Financial Activity

The small size of the Society's staff does not allow for adequate segregation of duties. The Treasurer must perform all accounting functions. It is therefore important that the Directors monitor financial activity closely.

While the Directors do approve expenditures and a periodic bank statement, there is no documentation of the extent to which the Directors utilize other financial information to monitor financial activity, nor is there evidence they approve a budget. The Directors should monitor bank reconciliations, the monthly transaction detail in the receipts and expenditure ledgers, the budget, and reports generated showing a budget to actual comparison for disbursements. Any budgets passed should be documented as such in the minute records.

The Directors should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information.

FINDING NUMBER 2002-003

Reportable Condition - Supporting Documentation

Thirty percent of expenses tested were paid without the original invoice or bill being submitted as supporting documentation. In addition, no prior approval of expenses is needed, and requisitions are not utilized by the Society. Invoices also lack any initials or signatures of the person receiving the goods or services indicating that the invoices are okay to pay.

These weaknesses could result in Society funds being misused or improper payment of bills without being detected during the course of normal business operations.

We recommend the Society approve payment of expenses on original supporting documentation with proper, prior approval. Invoices should also be initialed or signed by the individual receiving the goods or services to acknowledge that the invoices are okay to pay.

PAULDING COUNTY AGRICULTURAL SOCIETY

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
III	A list of outstanding checks and bank reconciliation needs to be done monthly.	No	Partially corrected. Some bank reconciliations were performed. Reissued as finding 2002-001
VIII	Purchase orders or other form of prior approval of expenditures not done.	No	Not corrected. Reissued as finding 2002-003.



**Auditor of State
Betty Montgomery**

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PAULDING COUNTY AGRICULTURAL SOCIETY

PAULDING 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
JUNE 24, 2003**