



Dave Yost • Auditor of State

PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Paulding County Agricultural Society, Paulding County, Ohio (the Society) as of and for the years ended November 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Paulding County Agricultural Society, Paulding County, Ohio as of November 30, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

March 26, 2015

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
Operating Receipts:		
Admissions	\$110	\$130
Privilege Fees	13,570	5,884
Rentals	17,631	17,437
Utilities Reimbursements	9,047	7,851
Sustaining and Entry Fees	3,860	2,780
Pari-mutuel Wagering Commission	322	509
Fees		6,672
Other Operating Receipts	10,710	6,320
Total Operating Receipts	55,250	47,583
Operating Disbursements:		
Wages and Benefits	2,700	
Utilities	35,072	36,194
Professional Services	176,013	26,940
Equipment and Grounds Maintenance	14,774	45,920
Race Purse	43,608	38,906
Senior Fair	7,915	9,363
Junior Fair	999	986
Other Operating Disbursements	9,142	8,534
Total Operating Disbursements	290,223	166,843
Excess of Operating Disbursements Over Operating Receipts	(234,973)	(119,260)
Non-Operating Receipts:		
State Support	43,347	34,033
County Support	10,000	10,000
Donations/Contributions	190,280	59,991
Net Non-Operating Receipts	243,627	104,024
Net Change in Fund Cash Balance	8,654	(15,236)
Cash Balance, Beginning of Year	1,032	16,268
Cash Balance, End of Year	\$9,686	\$1,032

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

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**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

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 Paulding County Agricultural Society, Paulding County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1860 to operate an annual agricultural fair. The Society sponsors the week-long Paulding County Fair during June. During the fair, harness races are held, culminating in the running of the Vern Webb Memorial Pace. Paulding County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-three directors serving staggered three-year terms. Society members elect Board members from its membership. 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.

Notes 5 and 6, 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Society has no investments.

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.

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Income Tax Status

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

F. Race Purse

The Northwestern Ohio Super Stake races are held 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.

Sustaining and Entry Fees

Horse owners and the Northwestern 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.

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 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.

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

2. Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2014 and 2013 was as follows:

	2014	2013
Demand deposits	\$9,686	\$1,032

Deposits are insured by the Federal Depository Insurance Corporation

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, 2014 and 2013 was \$9,144 and \$10,832 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.

	2014	2013
Total Amount Bet (Handle)	\$ 1,591	\$ 2,528
Less: Payoff to Bettors	(1,269)	(2,019)
Parimutuel Wagering Commission	322	509
Tote Service Set Up Fee		
Tote Service Commission	(278)	(442)
State Tax	(44)	(67)
Society Portion	\$ -	\$ -

4. Risk Management

The Paulding County Commissioners provide general insurance coverage for all the buildings on the Paulding County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 aggregate each. This policy includes directors and officers coverage with limits of liability of \$1,000,000. The Society's treasurer is bonded for \$60,000 and the secretary is bonded for \$20,000.

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

5. 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. The Society disbursed \$999 in 2014 and \$986 in 2013 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Paulding County paid the Society \$500 each year to support 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, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 14,443	\$ 4,488
Receipts	8,373	22,977
Disbursements	(18,730)	(13,022)
Ending Cash Balance	\$ 4,086	\$ 14,443

6. 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 Paulding County's auction. A commission of 2.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 252	\$ 6,344
Receipts	218,791	226,049
Disbursements	(217,114)	(232,141)
Ending Cash Balance	\$ 1,929	\$ 252

7. Paulding County Area Foundation

The Paulding County Area Foundation (the Foundation) is a not-for-profit organization formed to receive and distribute donations for charitable purposes, which benefit the people of Paulding County. The Foundation has several funds. One of which is the Paulding County Fairgrounds Fund. This fund was established to generate monies for the overall improvement of the Paulding County Fairgrounds. Currently the Foundation is involved in a project to raise money to build three new barns. As of November 30, 2014 the Paulding County Agricultural Society has received \$148,000 in donations from the Foundation for the project. The barns should be completed in 2015.



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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Paulding County Agricultural Society, Paulding County, Ohio, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated March 26, 2015, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. 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 2014-001 described in the accompanying schedule of findings to be a material weakness

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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

March 26, 2015

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013**

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

FINDING NUMBER 2014-001

Material Weakness - Financial Reporting

Accurate financial reporting is the responsibility of Society management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Society's activity. The fiscal year 2014 and 2013 financial statements contained material errors, as follows:

- Junior fair livestock revenues of \$217,114, expenditures of \$218,791, and fund balance of \$1,929 were included in the Society's financial statements in 2014, instead of reporting these amounts in the financial statement notes only.
- Junior fair livestock revenues of \$232,141, expenditures of \$226,049, and fund balance of \$252 were included in the Society's financial statements in 2013, instead of reporting these amounts in the financial statement notes only.
- Utilities reimbursements were misclassified as miscellaneous revenue in 2014 and 2013 in the amounts of \$9,047 and \$7,851, respectively.
- Fees from truck pulls and demo derbies in the amount of \$6,672 were misclassified as privilege fees revenue in 2013.

Adjusting entries were posted to the financial statements to correct these errors and one other error in the amount of \$32. To ensure the Society's financial statements and notes to the financial statements are complete and accurate, the Board should adopt policies and procedures, including a final review of the financial statements, and notes to the financial statements to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

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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
APRIL 9, 2015**