



Dave Yost • Auditor of State

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY
NOVEMBER 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Paulding County Agricultural Society
Paulding County
501 Fairground Drive
Paulding, Ohio 45879

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Paulding County Agricultural Society, Paulding County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015.

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 such 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are 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 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, 2016 and 2015, and the respective 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, receipts and disbursements, and related notes of Paulding County Agricultural Society, Paulding County, Ohio as of November 30, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018, 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

February 22, 2018

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCES (CASH BASIS)
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015**

| | <u>2016</u> | <u>2015</u> |
|--|------------------------|-----------------------|
| Operating Receipts: | | |
| Admissions | \$12,581 | \$90 |
| Privilege Fees | 13,535 | 13,377 |
| Rentals | 26,875 | 18,965 |
| Utilities Reimbursement | 6,356 | 11,597 |
| Sustaining and Entry Fees | 26,895 | 10,725 |
| Pari-mutuel Wagering Commission | 1,336 | 1,088 |
| Fees | 4,093 | 2,073 |
| Other Operating Receipts | 1,116 | 8,451 |
| | <hr/> | <hr/> |
| Total Operating Receipts | 92,787 | 66,366 |
| | <hr/> | <hr/> |
| Operating Disbursements: | | |
| Wages and Benefits | 3,749 | 2,505 |
| Utilities | 35,055 | 31,645 |
| Professional Services | 28,756 | 277,752 |
| Equipment and Grounds Maintenance | 19,292 | 8,855 |
| Race Purse | 100,554 | 80,637 |
| Senior Fair | 7,059 | 12,937 |
| Junior Fair | 2,510 | 1,500 |
| Other Operating Disbursements | 10,157 | 12,712 |
| | <hr/> | <hr/> |
| Total Operating Disbursements | 207,132 | 428,543 |
| | <hr/> | <hr/> |
| Excess of Operating Disbursements Over Operating Receipts | (114,345) | (362,177) |
| | <hr/> | <hr/> |
| Non-Operating Receipts: | | |
| State Support | 59,463 | 70,475 |
| County Support | 11,000 | 10,000 |
| Donations/Contributions | 45,964 | 280,313 |
| | <hr/> | <hr/> |
| Total Non-Operating Receipts | 116,427 | 360,788 |
| | <hr/> | <hr/> |
| Net Change in Fund Cash Balance | 2,082 | (1,389) |
| | <hr/> | <hr/> |
| Cash Balance, Beginning of Year | 8,297 | 9,686 |
| | <hr/> | <hr/> |
| Cash Balance, End of Year | <u>\$10,379</u> | <u>\$8,297</u> |

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

Paulding County Agricultural Society
Paulding County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 1- Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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.

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, rack 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Society's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Basis of Accounting

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.

Deposits and Investments

The Society has no investments.

Capital Assets

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
For the Years Ended December 31, 2016 and 2015
(Continued)**

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.

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 Fair Funds The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

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 omission, 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 4 for additional information.

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2016 and 2015 was as follows:

| | | |
|-----------------|-----------------|----------------|
| | <u>2016</u> | <u>2015</u> |
| Demand deposits | <u>\$10,379</u> | <u>\$8,297</u> |

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – 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, 2016 and 2015 was \$9,144 and \$10,832 respectively, as State Support.

Paulding County Agricultural Society
Paulding County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

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.

| | 2016 | 2015 |
|--------------------------------|----------|----------|
| Total Amount Bet (Handle) | \$ 6,624 | \$ 5,449 |
| Less: Payoff to Bettors | (5,288) | (4,361) |
| Parimutuel Wagering Commission | 1,336 | 1,088 |
| Tote Service Set Up Fee | (900) | (900) |
| Tote Service Commission | (181) | (24) |
| State Tax | (178) | (138) |
| Society Portion | \$ 77 | \$ 26 |

Note 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 \$11,819 in 2016 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 in 2016 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, 2016 and 2015 was as follows:

| | 2016 | 2015 |
|------------------------|----------|----------|
| Beginning Cash Balance | \$ 2,536 | \$ 4,086 |
| Receipts | 30,570 | 16,010 |
| Disbursements | (23,431) | (17,560) |
| Ending Cash Balance | \$ 9,675 | \$ 2,536 |

Note 6 – Junior Fair 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 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 year ended November 30, 2016 and 2015 was as follows:

Paulding County Agricultural Society
Paulding County
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015
(Continued)

| | 2016 | 2015 |
|------------------------|-----------|-----------|
| Beginning Cash Balance | \$ 379 | \$ 1,929 |
| Receipts | 225,489 | 226,359 |
| Disbursements | (225,637) | (227,909) |
| Ending Cash Balance | \$ 231 | \$ 379 |

Note 7 – Risk Management

The Paulding County Commissioners provide general insurance coverage for all buildings on the Paulding County fairgrounds pursuant to Ohio Revised Code Section 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 liability limits of \$1,000,000. The Society's treasurer is bonded for \$60,000 and the secretary is bonded for \$20,000.

Note 8 – Paulding County Area Foundation

The Paulding County Area Foundation (the Foundation) is a not-for-profit organization formed to receive and distribution donations for charitable purposes, which benefits the people of Paulding County, Ohio. The Foundation maintains the Paulding County Fairgrounds Improvement Fund Endowment Fund. As of November 30, 2016 and 2015, this endowment had a balance of \$1,560 and \$1,524, respectively.

During 2015, the Foundation was involved in a project to raise money to build three new livestock barns at the fairgrounds. During the year ended November 30, 2015, the Society received \$244,241 in donations from the Foundation for the project. The project was 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
501 Fairground Drive
Paulding, Ohio 45879

To the Board of Trustees:

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 the cash balances, receipts, and disbursements of Paulding County Agricultural Society, Paulding County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2018, 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 opinions 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 certain deficiencies in internal control over financial reporting, that we consider a material weakness and 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 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. We consider findings 2016-001 through 2016-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2016-003 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, 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

February 22, 2018

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness - Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Treasurer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Society's activity.

The Society lacked a policy regarding financial review which contributed to the following errors in 2016:

- Sustaining and entry fees and contributions and donations were recorded as the state support in the amounts of \$13,065 and \$11,000, respectively.
- Admissions were recorded as miscellaneous revenue in the amount of \$11,412.

As a result, the Society's financial statements did not correctly reflect the financial activity of the Society. Adjusting entries were posted to the financial statements to correct these and other errors. Additional errors were also noted in smaller relative amounts.

We recommend the Board adopt policies and procedures including a final review of the financial statements by the Treasurer and Board to help ensure that errors and omissions are detected and corrected.

FINDING NUMBER 2016-002

Material Weakness – Cash Reconciliations

The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Treasurer.

The Treasurer did not reconcile the bank accounts as of November 31, 2016 and 2015. The District hired an independent accounting firm which found \$845.19 and \$68 in variances to reconcile 2016 and 2015, respectively.

Failure to perform month end reconciliations which reconciles the District's total bank account balances to the general ledger system fund balance total greatly increases the likelihood that posting errors can be made to the accounting system and possibly cause material unreconciled differences or irregularities to occur and not be detected.

In an effort to help ensure financial activity of the District is being properly accounted for and reported, we recommend:

- The Treasurer perform a reconciliation each month by preparing a spreadsheet, using information from the accounting system, showing the beginning cash fund balance total, plus revenues, less disbursement, to obtain the overall ending cash fund balance. This ending fund balance should agree to the cash reconciliation of all of the District's bank accounts. Any variances should be promptly investigated.

- The Treasurer present the monthly bank reconciliations to the Board as evidence that all bank balances have been reconciled to the quick books bank reconciliation report total each month without significant adjusting factors on the reconciliation.

The Board should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit.

The Treasurer's monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Board.

FINDING NUMBER 2016-003

Significant Deficiency – Admission Revenue

The following deficiencies in the admissions record keeping were noted:

- Procedures have not been established to help ensure the completeness of admissions.
- No tally sheets or ticket support were kept for events including truck pulls, derby, or Nashville Crush.

This resulted in the inability to determine the completeness of deposits of admission revenue in 2016. Admission revenue represented six percent of the total revenue of the General Fund in 2016.

We recommend the Board establish by resolution the following procedures:

- The Treasurer should prepare a ticket inventory, listing the activity, color of ticket used, number of ticket used, and if any tickets were free and reason of free admission.
- The ticket takers should prepare the ticket reconciliation forms noting the beginning and ending number of tickets sold with the Treasurer reviewing the prepared forms.
- The Treasurer's office should reconcile the deposit slips to the ticket reconciliation forms.

The Treasurer's office should periodically review cash collection records to determine that proper procedures are being followed. In addition to performing the above procedures, the Treasurer's office should affix signatures or initials to the documents reviewed, or other evidence should be retained that documents such reviews were performed.

Officials' Response:

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

**PAULDING COUNTY AGRICULTURAL SOCIETY
PAULDING COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016 AND 2015**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|--|--|---|
| 2014-001 | Material weakness to improve monitoring of financial statement errors. | Not corrected. Repeated as Finding 2016-001. | The client declined to offer an explanation why the finding reoccurred. The Board of Directors will attempt to identify and correct errors per a thorough annual review of the financial statements |

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Dave Yost • Auditor of State

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
MARCH 8, 2018**