



Mary Taylor, CPA
Auditor of State

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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Mary Taylor, CPA
Auditor of State

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

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 Society 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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July 31, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the accompanying financial statements of Adams County Agricultural Society, Adams County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005. 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 the following paragraph, 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.

For 2005, the Society did not provide sufficient documentation supporting privilege fee and rental receipts. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statement or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented privilege fees receipts represent 9% in 2005, and 12% in 2006 of the total operating receipts recorded on the financial statements.

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, 2006 and 2005 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, 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient documentation supporting certain privilege fee and rental receipts, the financial statements referred to above present fairly, in all material respects, the cash balances of Adams County Agricultural Society, Adams County, as of November 30, 2006 and 2005, 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 July 31, 2008, 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

July 31, 2008

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	2006	2005
Operating Receipts:		
Admissions	\$147,322	\$166,809
Privilege Fees	32,357	26,959
Rentals	13,682	18,715
Other Operating Receipts	27,169	33,905
Total Operating Receipts	220,530	246,388
Operating Disbursements:		
Wages and Benefits	26,142	15,140
Utilities	24,451	23,124
Professional Services	74,527	84,793
Equipment and Grounds Maintenance	8,019	13,259
Senior Fair	15,023	19,901
Junior Fair	16,029	11,870
Capital Outlay	0	3,575
Other Operating Disbursements	78,129	88,114
Total Operating Disbursements	242,320	259,776
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(21,790)	(13,388)
Non-Operating Receipts (Disbursements):		
State Support	6,451	6,740
County Support	2,800	2,800
Debt Proceeds	20,000	0
Restricted Donations/Contributions	8,965	12,375
Unrestricted Donations/Contributions	7,857	10,115
Investment Income	498	559
Debt Service	(42,288)	(21,901)
Net Non-Operating Receipts (Disbursements)	4,283	10,688
Excess (Deficiency) of Receipts Over (Under) Disbursements	(17,507)	(2,700)
Cash Balance, Beginning of Year	44,133	46,833
Cash Balance, End of Year	\$26,626	\$44,133

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

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**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005**

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 Adams County Agricultural Society, Adams 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 to operate an annual agricultural fair. The Society sponsors the week-long Adams County Fair during July. Adams County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of nineteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Adams 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 other year round activities at the fairgrounds including facility rental, stall rental, and community events including Trade Days. The reporting entity does not include any other activities or entities of Adams County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

B. Accounting Basis

This financial statement follows the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

C. Cash Deposits

The Society's accounting basis includes money market mutual funds in its cash balance. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. 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.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Income Tax Status

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

2. CASH DEPOSITS

The carrying amount of cash and investments at November 30, 2006 and 2005 follows:

	2006	2005
Demand deposits	\$21,735	\$6,136
Money Market Fund Deposit Account	4,891	37,997
Total deposits	\$26,626	\$44,133

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

3. DEBT

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
USDA Mortgage Loan	\$121,136	5.75%
House Installment Loan	1,298	6.00%
Mortgage Loan	24,319	6.50%
Total	\$146,753	

The United States Department of Agriculture (USDA) Mortgage Loan bears an interest rate of 5.75% and is due to USDA Rural Development. The note was entered into on June 22, 1988 and matures on June 22, 2018. Proceeds of the note were used to construct a cattle barn and the USDA Rural Development has a mortgage against the cattle barn.

The House Installment Loan is a variable rate secured loan and is due to a local financial institution. The loan was taken out for \$10,130 on February 15, 2002 and matures on February 15, 2007. Proceeds of the loan were used to purchase a house and lot adjacent to the fairgrounds. The loan is collateralized by the house and the land.

The Society took out a single advance loan with First State Bank of Adams County. The loan was taken out for \$20,100 on July 3, 2006 and matures on October 3, 2006. Proceeds of the loan were used as start-up money for the week of the fair. The full amount plus the 9.00% interest accumulated was paid in full on July 29, 2006.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

3. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	USDA Mortgage Loan	House Installment Loan	Mortgage Loan	Total
2007	14,334	1,412	5,023	\$20,769
2008	14,334		5,023	19,357
2009	14,334		5,023	19,357
2010	14,334		5,023	19,357
2011	14,334		5,023	19,357
2012-2016	71,670		5,023	76,693
2017-2018	27,294			27,294
Total	<u>\$170,634</u>	<u>\$1,412</u>	<u>\$30,138</u>	<u>\$202,184</u>

4. RISK MANAGEMENT

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

4. RISK MANAGEMENT (Continued)

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

4. RISK MANAGEMENT (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$29,032. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2004	\$14,817
2005	\$15,313
2006	\$14,516

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(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 Adams County Fair. The Society disbursed \$3,507 directly to the Junior Fair Board and \$12,736 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$13,191 by the Ohio Department of Agriculture for its support of Junior Club Work. Adams County paid the Society \$5,600 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 31, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 9,783	\$ 8,160
Receipts	23,753	17,365
Disbursements	(22,238)	(15,742)
Ending Cash Balance	\$ 11,298	\$ 9,783

7. 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 Adams County's auction. A commission of 3 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, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 13,188	\$ 10,466
Receipts	222,897	214,894
Disbursements	(226,813)	(212,172)
Ending Cash Balance	\$ 9,272	\$ 13,188



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*

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the financial statements of the Adams County Agricultural Society, Adams County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated July 31, 2008, 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 provide sufficient documentation supporting certain privilege fee and rental receipts. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-003 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001, 2006-003 and 2006-005 are also material weaknesses.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated July 31, 2008.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-002.

We noted certain noncompliance or other matters that we reported to the Society's management in a separate letter dated July 31, 2008.

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 31, 2008

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness – Privilege Fees

The privilege fee revenue line item is comprised of rental monies received for concessions space, merchant building space and outside space during fair week. Supporting documentation for these receipts are contracts. The renter completes a contract that contains date, business, number of spaces needed, number of passes needed, and the total amount due. The renter and a society member sign the contract. The contract is marked paid upon receipt of the rental fee and method of payment is documented.

The Society has not established internal control procedures over privilege fee receipts. The following conditions were noted:

- During our testing of contracts we found an uncleared and undeposited check written to the Adams County Agricultural Society for a Merchant Hall space totaling \$85 in the contract file. The check was not cashed, not posted to the system, and we did not find a deposit to the bank for the amount.
- Two contracts could not be traced to a posting in the Society's accounting records. These contracts were not marked as paid, so we were unable to conclude that the money was received by the Society.
- Five (5) contracts totaling \$701 were marked paid, but could not be traced to receipt posting in the Profit and Loss Detail Report or a deposit posting in the bank.
- The 2005 concession contracts could not be located and were not presented for audit
- Proper supporting documentation was not maintained for all privilege fee contracts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in uncollected funds, inaccurate financial reports and/or loss or theft of funds. As a result, the Society did not provide sufficient documentation supporting privilege fee contracts, which are included in the Privilege Fees line item. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statements or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. Privilege Fees represent 9% of the total operating receipts in 2005 and 12% in 2006 as recorded on the financial statements. The undocumented privilege fee receipts represent 64% in 2005 and 14% in 2006.

To improve accountability over privilege fee receipts:

- We recommend that all moneys received are deposited and posted to the Society's accounting system in a timely manner.
- Each privilege fee receipt should have a signed contract by the renter/vendor and an appropriate member of the Society's management.
- All contracts should be dated, completed prior to the event, and document the amount and type of payment received.

**FINDING NUMBER 2006-001
(Continued)**

- The Society should maintain these contracts and file them with the Society's financial records.

FINDING NUMBER 2006-002

Finding For Recovery

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

Due to the lack of internal control procedures noted in Finding Number 2006-001 five contracts were marked paid (totaling \$701), providing evidence that monies were receipted by the Society. However, no posting was made to the Society's accounting records, nor could these receipts be traced to a deposit in the Society's bank account.

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

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

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for is hereby issued against Nicole L. Butcher, Secretary/Treasurer and Burnham & Flower Agency, her bonding company, jointly and severally, in the amount of \$701 and in favor of the Adams County Agricultural Society General Fund.

FINDING NUMBER 2006-003

Material Weakness – Rental Receipts

When designing a public office's system of internal control and the specific control activities, management should consider:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed; and
- Verifying the existence and the valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Society has not established internal control procedures over rental receipts. The following conditions were noted:

**FINDING NUMBER 2006-003
(Continued)**

- In 2006, the Society did not maintain duplicate receipts for all receipts collected; therefore, we were unable to trace receipts collected per subsidiary records to deposits made to the Society's bank account.
- The Society did not maintain all contracts for rentals in 2005 and 2006.

Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in uncollected funds, inaccurate financial reports and/or loss or theft of funds. As a result, the Society did not provide sufficient documentation supporting rental contracts, which are included in the rentals line item. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statements or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented 2005 rental receipts represent 6% of the total operating receipts recorded on the financial statements.

To improve accountability over rental contracts, we recommend the Society:

- Duplicate receipts should be written for all monies collected.
- Contracts should be completed and maintained for all rental activities of the Society. These contracts should be executed by both renter/vendor and an appropriate member of the Society's management. All contracts should be dated, completed prior to the event, and all required information on the contracts should be completed. Contracts should be marked "Paid in full" once complete payment has been received.

FINDING NUMBER 2006-004

Significant Deficiency

The Society collects daily admission fees at the front and back gate entrances to the fairgrounds during fair week. Each gate worker collects money for daily admissions, season passes and parking receipts. Season passes and tickets are pre-numbered. At the end of each shift, the cash collected is counted and reconciled to the ticket and pass numbers and documented on the ticket sales record and collection summary form. This form documents the cash collected and the first ticket on the roll and the last ticket issued to re-compute receipts that should have been collected. This form is signed by the gate worker and turned into the Secretary/Treasurer with the cash collected. The Secretary/Treasurer re-counts the cash and posts it to the Society's accounting system. Daily variances ranging from a \$1,084 overage to a \$693 shortage were noted between the amount that should have been collected and the actual cash received. These variances were not investigated by the Society.

Failure to accurately collect, record and maintain annual fair admissions records could cause receipts and fund balances to be misappropriated. In order to strengthen internal controls over the annual fair admissions receipt process and ensure all receipts are properly deposited, we recommend the Society implement the following procedures.

**FINDING NUMBER 2006-004
(Continued)**

All annual fair gate admission receipts collected by ticket-takers should be submitted to an admissions gate manager for verification; the cash collections should be recounted by the manager in the presence of the ticket-taker, with variances between actual cash collected and the amount of cash that should have been collected based on the number of tickets disbursed noted individually and separately for each ticket taker. The admissions gate manager should deposit the admissions to the Society's Treasurer's office along with the supporting documentations with explanations for any variances noted. The Society should consider bonding gate employees.

FINDING NUMBER 2006-005

Material Weakness

The Society records financial transactions in a cash journal. The Society's financial software also produces a profit and loss statement from information posted to the cash journal. At year end the ending balances in the profit and loss report and the cash journal did not agree. We performed additional procedures to investigate differences between the profit and loss report and the cash journal. We performed an analysis of the cash journal and found the following issues:

- Transfers between accounts were posted as one-sided adjustments to fund balances
- Some receipts were posted as undeposited receipts
- Expenditures related to equipment were posted as inventory assets rather than expenditures
- Accounts receivable were recorded in the cash journal as receivables and were not recorded on the profit and loss activity
- Checks were voided after year end, deleting the expenditure, which caused the expenditures to not tie to reconciliations or the profit and loss report
- Loan proceeds were not posted to the cash journal.

Failure to properly record transactions to the Society's accounting system could result in errors and cumbersome reconciliations. We recommend the following:

- Transfers should be posted to the transfer in and transfer out line items utilizing a two sided entry
- Receipts should be posted to a receipt line item and not posted to undeposited receipts
- Equipment expenditures should be posted to a supply/maintenance expenditure and not posted to inventory
- Voided checks should be documented at the time they are voided and a reconciliation should be printed showing the checks as voided.
- Loan proceeds should be recorded as a receipt in the cash journal.

Adjustments were posted to the Society's financial statements to properly record the above transactions. After adjustments, the variance between the cash journal and the profit loss statement was \$98 and \$273 At December 31, 2005 and 2006 respectively.

**FINDING NUMBER 2006-005
(Continued)**

Officials' Response:

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

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**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Rev. Code, Section 9.38, depositing timely.	No	Partially Corrected – Moved to Management Letter
2004-002	Reportable Condition over maintaining supporting documentation for receipts.	No	Not Corrected. Finding in current audit report as 2006-003.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

ADAMS 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
SEPTEMBER 9, 2008**