



Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statement in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents is misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 29, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Washington County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009. The 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.

Except as described in paragraph six, 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 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared the financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity-wide statements. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require agricultural 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 third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2010 and 2009 does 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, 2010 and 2009, or its changes in financial position for the years then ended.

The Society did not provide adequate supporting documentation for the admission receipts, rental and utilities receipts, sustaining and entry fee receipts, and donations/contributions to allow us to determine the completeness of these receipts in 2010, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. The Society did not provide adequate supporting documentation for the admission receipts, privilege fees, rental and utilities receipts, sustaining and entry fee receipts, other operating receipts (sales) and donations/contributions to allow us to determine the completeness of these receipts in 2009, nor were we able to satisfy ourselves as to the completeness of those receipts by other auditing procedures. These admission receipts, rental and utilities receipts, sustaining and entry fee receipts and donations/contributions represent fifty two percent, nineteen percent, six percent and six percent, respectively, of receipts for year ended November 30, 2010. These admission receipts, privilege fees, rental and utilities receipts, sustaining and entry fee receipts, other non-operating receipts (sales) and donations/contributions represent forty six percent, six percent, twenty three percent, five percent, nine percent and five percent, respectively, of receipts for year ended November 30, 2009.

Also, in our opinion, except for such adjustments, if any, that would have been necessary had sufficient competent evidential matter been available to assure completeness of the recorded admission receipts, rental and utilities receipts, sustaining and entry fee receipts and donations/contributions for the year ended November 31, 2010 and the admission receipts, privilege fee receipts, rentals and utilities receipts, sustaining and entry fee receipts, other operating receipts (sales) and donations/contributions for the year ended November 30, 2009, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Washington County Agricultural Society, Washington County, Ohio, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 7 to the financial statements, the Society has suffered recurring losses from operations in 2011 and are unable to meet their outstanding commitments for 2011. Note 7 describes Management's plan regarding these matters. The financial statements do not include that might result from the outcome of this uncertainty.

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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, 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.



Dave Yost
Auditor of State

November 29, 2011

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Receipts:		
Admissions	\$ 214,992	\$ 187,794
Privilege Fees	18,486	23,920
Rentals & Utilities	80,561	93,884
Sustaining and Entry Fees	24,538	20,890
Parimutuel Wagering Commission	679	657
Other Operating Receipts (Sales)	<u>26,505</u>	<u>35,715</u>
 Total Operating Receipts	 <u>365,761</u>	 <u>362,860</u>
Operating Disbursements:		
Utilities	47,545	47,211
Administrative Services	32,693	32,711
Supplies (Resale)	15,556	17,190
Professional Services	125,409	123,990
Equipment and Grounds Maintenance	31,480	27,621
Race Purse	34,111	34,529
Senior Fair	11,504	19,019
Junior Fair	14,987	11,672
Other Fair Expense	25,876	15,280
Other Operating Disbursements	<u>18,590</u>	<u>29,121</u>
 Total Operating Disbursements	 <u>357,751</u>	 <u>358,344</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>8,010</u>	 <u>4,516</u>
Non-Operating Receipts (Disbursements):		
State Support	22,192	23,704
County Support	3,300	3,300
Donations/Contributions	24,674	20,420
Debt Service	<u>(41,022)</u>	<u>(47,643)</u>
 Net Non-Operating Receipts (Disbursements)	 <u>9,144</u>	 <u>(219)</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 17,154	 4,297
 Cash Balance, Beginning of Year	 <u>11,204</u>	 <u>6,907</u>
 Cash Balance, End of Year	 <u>\$ 28,358</u>	 <u>\$ 11,204</u>

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

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**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009**

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 Agricultural Society, Washington 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 1846 to direct the operation of an annual agricultural fair. The Society sponsors the four day Washington County Fair during over Labor Day weekend. During the fair, harness races are held. Washington County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Washington 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 other community events and fundraisers. The reporting entity does not include any other activities or entities of Washington County, Ohio.

Note 6 summarizes the 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. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not include these items as assets.

D. 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.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Race Purse

Harness stake races are held during the Washington 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 Southern Valley Colt Circuit 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.

F. 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.

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$28,358	\$11,204

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009, in the amount of \$22,192 and \$23,704 respectively, as State Support.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

3. HORSE RACING (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.

	2010	2009
Total Amount Bet (Handle)	\$9,182	\$8,850
Less: Payoff to Bettors	(7,060)	(6,796)
Parimutual Wagering Commission	2,122	2,054
Tote Service Set-Up Fee	(200)	(200)
Tote Service Commission	(986)	(946)
State Tax	(257)	(251)
Society Portion	\$679	\$657

4. DEBT

Debt outstanding at November 30, 2010 was as follows:

	Principal	Interest Rate
Mortgage - Multi-Purpose Arena	\$339,320	4.75%

The mortgage for the Multi-Purpose Arena is due to Settlers Bank. It was entered into on April 23, 2004 and matures October 23, 2024. Proceeds were used to construct a multi-purpose arena. The land was mortgaged as security for this note.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

4. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending November 30:	Multi-Purpose Arena
2011	\$33,019
2012	33,019
2013	33,019
2014	33,019
2015	33,019
2016-2020	165,095
2021-2024	132,076
Total	\$462,266

5. RISK MANAGEMENT

The Washington County Commissioners provide general insurance coverage for all the buildings on the Washington County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and flood insurance, with limits of \$1,000,000 and \$400,000, respectively. The Society's President, Vice President, Secretary and Treasurer are bonded with total coverage of \$35,000.

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 Washington County Fair auction. 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 follows:

	2010	2009
Beginning Cash Balance	\$11,033	\$9,341
Receipts	8,691	5,486
Disbursements	(8,950)	(3,794)
Ending Cash Balance	\$10,774	\$11,033

7. SUBSEQUENT EVENTS

During fiscal year 2011, the Society has been paying interest only on their outstanding debt from September through November. In addition, it was noted that the Society had to cancel one day of the 2011 fair due to weather, resulting in significant income loss. At the Society's October 13, 2011 meeting, the Treasurer stated that there were more bills than money in the bank. It was also noted there are unpaid 2011 fair premiums of approximately \$7,000. The Society plans to pay those premiums in 2012. These subsequent events has resulted in a possible going concern issue.



Dave Yost • Auditor of State

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

Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Washington County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated November 29, 2011, wherein we noted the Society prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted that sufficient competent supporting documentation was not available to obtain the necessary assurances over the completeness of the Society's recorded admission, rental and utility receipts, sustaining and entry fees, and donations/contributions receipts for the year ended November 30, 2010. We also noted that sufficient competent supporting documentation was not available to obtain the necessary assurances over the admission receipts, privilege fees, rental and utilities receipts, sustaining and entry fee receipts, other operating receipts (sales) and donations/contributions receipts for the year ended November 30, 2009. We also noted the Society is experiencing financial difficulties. 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 statement, 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and timely corrected. We consider findings 2010-002 through 2010-004 described in the accompanying Schedule of Findings to be material weaknesses.

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 we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2010-001.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated November 29, 2011.

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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 management, Board of Directors, and others within the Society. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 29, 2011

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Noncompliance Citation

Ohio Rev. Code Section 1711.13(B) states the total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

As of November 30, 2010, the total indebtedness of the Society was \$339,320, and the 2010 annual revenues were \$415,926. As of November 20, 2009, the total indebtedness of the Society was \$363,836, and the 2009 annual revenues were \$410,548. This resulted in the Society's net indebtedness to be in excess of 25 percent of its annual revenues for fiscal year 2010 and 2009.

We recommend the Society review their financial condition to ensure the Society has the ability to meet their debt service requirements in the future. We recommend the Society take into consideration future attendance at events sponsored by the Society, and the unpredictable nature of factors such as the weather and the local economy. We also recommend the Society adopt plans to either increase receipts or decrease expenditures in order to maintain the current levels of service and meet the increased debt service requirements.

Officials' Response: The Society is concentrating on reducing the debt of the multi-purpose building mortgage as much as possible and has no plans to increase our debt. The Treasurer would like to put together a committee for financial planning of the fair board. It would consist of the Treasurer, the executive board members and a couple of outside financial professionals.

FINDING NUMBER 2010-002

Material Weakness

The Auditor of State's Uniform System of Accounting for Agricultural Societies, November 2002 revision, outlines the procedures an agricultural society should take when accounting for fair admissions and other cash receipts.

All tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt shall be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office shall be reconciled with pre-numbered tickets to the fair office for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

A multi-part pre-numbered receipt should be completed for each cash receipt. A copy of the receipt shall be given to the person or organization making the payment. The Society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-002 (Continued)

Material Weakness (Continued)

The Society used two ways to account for admissions. One way was through a Hotkey system which provided the Treasurer with daily reports so they can track the daily ticket sales. The daily reports included the date, beginning ticket number, ending ticket number and total amount collected at each gate. This system was used for 74 percent of the admissions in 2010 and 76 percent of the admissions in 2009. The other way admissions were accounted for was through a Treasurer's cash count. The cash count did not provide the beginning or ending ticket numbers sold; therefore, a reconciliation between tickets sold and cash received could not be performed. The lack of ticket accountability could result in individuals or groups gaining access to the fairgrounds without paying for the tickets. This also did not provide sufficient competent evidential matter to assure completeness of the recorded admission receipts. We also noted a \$6,699 variance for 2009 Season Tickets and a \$3,125 variance for 2010 Season Tickets when compared to the QuickBook Profit & Loss Report.

Lack of adequate supporting documentation could allow errors and fraud to occur and remain undetected for an extended period of time.

We recommend the Society's Treasurer, Board of Directors and employees take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Society. We recommend the Society follow the procedures for ticket accountability that is outlined in the Auditor of State's Uniform System of Accounting for Agricultural Societies.

Officials' Response: During the 2011 fair we began using pre-numbered tickets and a different color for each day of the fair. A ticket booth chart was used to keep track of the tickets sold per ticket booth (listing the beginning ticket number and the ending ticket number for that day per booth) and reconciled at the end of each day to the cash taken in by that booth. Any discrepancies were noted and an explanation was stated on the daily chart. We did not do a receipt for each ticket booth, but there was a receipt for each day of the fair with the chart attached to it. The Society uses QuickBooks to track their cash receipts which are pre-numbered.

The Treasurer is going to issue three-part receipt books to the fair board members who take in cash and ask that they use them as follows: Original-given to the individual for their records, duplicate #1-the fair board member will give it to the treasurer along with the cash/check for that record, and duplicate #3-the fair board member may keep it for their records. The receipts will be pre-numbered and the receipt books will be logged by the Treasurer by the receipt numbers and the fair board member.

The Treasurer is new to the Society and was informed of the "Auditor of State's Uniform System of Accounting for Agricultural Societies" handbook and has printed it off of the internet and will review it for record keeping purposes.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-003

Material Weakness

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Documentation should be available to show the roll up of the profit and loss statement from the QuickBooks system to the annual financial report.

There was no documentation as to how the Society rolled up the profit and loss statement from the QuickBooks system to the annual financial report. The profit and loss statement is set up with the same line-items as the annual financial report, but the two did not agree by line-item. The total difference for 2010 and 2009 was \$4,096 and \$912 respectively.

In 2009 and 2010, The Annual Financial Reports did not agree to the Profit and Loss Detail, numerous line items were adjusted in order to reconcile the Accounting System to the Annual Financial Report. The following errors were noted:

- Due to difficulties encountered with the installation of a new version of QuickBooks in November, 2008, a complete and accurate outstanding check listing was unavailable. Therefore monthly reconciliations were not attempted until July, 2009. However, since QuickBooks is a rolling system, the outstanding check listing was inaccurate.
- The Treasurer posted a \$2,392 adjustment to QuickBooks system on 01/05/09 as an attempt to make the beginning balances agree.
- The amounts recorded on the Annual Financial Report for 2009 & 2010 Receipts and Disbursements did not agree to the amounts on the QuickBooks Profit and Loss Detail.
- The 11/30/09 bank reconciliation included other reconciling items of (\$489).
- The 11/30/10 bank reconciliation included other reconciling items of (\$2,946).
- The 12/01/08 beginning balance was recorded at \$4,252; however, the 11/30/08 audit fund balance was \$6,908.
- Both 2009 and 2010 Profit and Loss Detail Reports did not include transactions that cleared the bank.
- Both 2009 and 2010 Profit and Loss Detail Reports included transactions that were posted twice.
- Both 2009 and 2010 Profit and Loss Detail Reports were prepared on an accrual basis. This was set up in order for the Treasurer to utilize the invoicing options available in Quickbooks. However this caused significant reconciling issues since the accrual basis reconciles revenue when billed rather than when received. A significant amount of invoices were still outstanding at the end of 2009 and 2010 (\$11,503 and \$6,613, respectively).

This could allow errors and/or irregularities to occur and remain undetected for an extended period of time. As a result, adjustments and reclassifications with which the Society agrees have been posted to the accompanying financial statements. The above errors resulted in a significant increase in audit costs for the Agricultural Society and substantial difficulty in the preparation of the audit work papers.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-003 (Continued)

Material Weakness (Continued)

We recommend the Treasurer properly record all financial activity on the Society's books and annual financial statement. We also recommend the Treasurer prepare and maintain supporting documentation for the line-item postings on the annual financial report to ensure it agrees to the QuickBooks system. We also recommend the Treasurer prepare monthly reconciliations on a timely basis and utilize the 11/30/10 bank reconciliation from this audit as a starting point. We also recommend the Society change the QuickBook software to a Cash Basis accounting system and review their chart of accounts in order to make reconciling and preparation of the annual financial reports less cumbersome.

Officials' Response: The Treasurer has been approved to purchase a new version of QuickBooks and will set it up according to the recommendations set forth and will set the line items so that the accounting system and the annual financial report will match each other in a simple and accurate manner. The QuickBooks program will be set up as a cash basis accounting system and not an accrual basis.

FINDING NUMBER 2010-004

Material Weakness

The Auditor of State's Uniform System of Accounting for Agricultural Societies, November 2002 revision, outlines the procedures an agricultural society should take when accounting for rentals. Deposits and intermediate and final payments for campground, fairground or building rentals, and privilege fees (including ride company guaranteed contract fees) shall be receipted and deposited separately as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payments.

The Society's procedure for rentals included obtaining a signed contract, registration, or other type of form to document the name, date, rate, and other information for each rental transaction. The Society's procedure was also to issue a duplicate receipt to the payee to document payment of these rental fees. During the audit period, all rentals were supported by a duplicate receipt. However, the projected error amount is \$29,104 of the 2009 Rental & Utility transactions and \$19,021 of the 2010 Rental & Utility transactions because these receipts were not supported by adequate documentation.

The Society's procedure for collecting receipts was to issue a duplicate receipt to the payee to document payment of the receipts. The Society's procedure also included obtaining an invoice, log/tally sheet, or other type of form to document these transactions. During the audit period, all privilege fees were supported by a duplicate receipt. However, the projected error amount is \$22,007 of the 2009 Privilege Fee transactions that were not supported by adequate documentation. The projected error amount is \$8,623 of the 2009 Sustaining & Entry Fees and \$10,306 of the 2010 Sustaining & Entry Fees that were not supported by adequate documentation. The projected error amount is \$13,664 of the 2009 Other Operating Receipts (Sales) transactions that were not supported by adequate documentation. Also, the projected error amount is \$4,000 of the 2009 Donations/Contributions and \$2,272 of the 2010 Donations/Contributions transactions that were not supported by adequate documentation.

Lack of supporting documentation could allow errors and/or fraud to occur and remain undetected for an extended period of time.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2010-004 (Continued)

Material Weakness (Continued)

We recommend the Society obtain/retain support documentation for all receipts.

Officials' Response: The Treasurer has advised the members of the Society that she must have written documentation for all monies received (which shall include a duplicate receipt, or other written documentation which shall explain the money received) and no check will be issued without an invoice, statement, a receipt for reimbursement to fair board members, and/or documentation stating the reason for the expense.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Material weakness for lack of supporting documentation for admissions.	No	Not Corrected; repeated in the current Schedule of Findings as 2010-002.
2008-002	Material weakness for errors noted on the annual financial report and accounting records.	No	Not Corrected; repeated in the current Schedule of Findings as 2010-003.



Dave Yost • Auditor of State

WASHINGTON AGRICULTURAL SOCIETY

WASHINGTON 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
JANUARY 3, 2012