



**Auditor of State
Betty Montgomery**

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

Attica Independent Agricultural Society
Seneca County
6579 West U.S. Highway 224
P.O. Box 433
Attica, Ohio 44807-0433

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 a February 2, 2005 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 statements in accordance with GAAP. Our Report includes an 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.

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Betty Montgomery
Auditor of State

May 27, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Attica Independent Agricultural Society
Seneca County
6579 West U.S. Highway 224
P.O. Box 433
Attica, Ohio 44807-0433

To the Board of Directors:

We have audited the accompanying financial statements of Attica Independent Agricultural Society, Seneca County, (the Society) as of and for the years ended November 30, 2004 and 2003. 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.

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.

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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since this Society does not use GAAP to measure financial statement amounts, 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 year ended November 30, 2004 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, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of Attica Independent Agricultural Society, Seneca County, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 2004. 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 May 27, 2005, 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.



Betty Montgomery
Auditor of State

May 27, 2005

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Admissions	\$ 32,658	\$ 44,676
Privilege Fees	4,795	4,600
Rentals	49,541	36,078
Sustaining and Entry Fees	17,900	18,115
Other Operating Receipts	<u>16,074</u>	<u>17,503</u>
 Total Operating Receipts	 <u>120,968</u>	 <u>120,972</u>
Operating Disbursements:		
Wages and Benefits	1,100	1,100
Utilities	15,280	15,383
Professional Services	20,361	21,396
Equipment and Grounds Maintenance	46,864	35,763
Race Purse	44,682	47,920
Senior Fair	13,299	16,547
Junior Fair	7,458	8,273
Capital Outlay	5,616	18,200
Other Operating Disbursements	<u>23,600</u>	<u>24,125</u>
 Total Operating Disbursements	 <u>178,260</u>	 <u>188,707</u>
Deficiency of Operating Receipts Under Operating Disbursements	 <u>(57,292)</u>	 <u>(67,735)</u>
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	6,000	1,000
Debt Proceeds	35,000	35,000
Donations/Contributions	35,872	43,386
Investment Income	236	224
Debt Service	<u>(52,612)</u>	<u>(52,848)</u>
 Net Non-Operating Receipts	 <u>58,478</u>	 <u>63,687</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,186	(4,048)
Cash Balance, Beginning of Year	<u>50,666</u>	<u>54,714</u>
Cash Balance, End of Year	<u>\$ 51,852</u>	<u>\$ 50,666</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003**

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 Attica Independent Agricultural Society, Seneca County, (the Society) as a body corporate and politic. The Society is an independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1876 to operate an annual agricultural fair. The Society sponsors the week-long Attica Fair during August. During the fair, harness races are held, culminating in the running of the Attica Independent Speed Program. Seneca County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Seneca 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 include facility, house, track, and stall rental. The reporting entity does not include any other activities or entities of Seneca 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. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and 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's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do 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.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(Continued)**

E. Race Purse

Harness Racing stake races are held during the Attica Independent 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 North Central Ohio 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 statements 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.

2. CASH

The carrying amount of cash at November 20, 2004 and 2003 follows:

	2004	2003
Demand deposits	\$ 51,852	\$ 50,666

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

3. HORSE RACING

State Support Portion of Purse

The Society receives Ohio Fairs Fund money to supplement the race purse. The Society received \$25,848 for the year ended November 30, 2004 and \$28,384 for the year ended November 30, 2003. This revenue is reported as State Support on the financial statements.

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Gillet Mortgage	\$ 32,000	7.25%
Operating Loan	100,000	4.75%
Grant Building Note	21,509	6.00%
Total	\$ 153,509	

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(Continued)**

The Gillett mortgage was entered into on November 18, 1997 for \$60,000 at an interest rate of 7.25 percent. The mortgage is due to Kenneth Gillett and matures on September 1, 2012. Proceeds of the mortgage were used to purchase the Gillette property and are collateralized by real estate.

The Operating Loan is a promissory note that was originally entered into on July 31, 2002 at an interest rate of 5.5 percent. The note is due to Sutton Bank. The note has been renewed each year on July 31st and the interest rate changed to 4.75 percent on July 31, 2003. The current note is schedule to mature on July 31, 2005. Proceeds of the note were used to cover operating expenses of the Society and are uncollateralized.

The Grant Building Note was entered into on November 1, 2001 for \$50,000 at an interest rate of 6 percent. The note is due to Sutton Bank and matures on November 1, 2011. Proceeds of the note were used to construct a building on the fairgrounds, and are uncollateralized. Extra principal payments were made on this note which will result in the note being paid off before the maturity date.

Amortization of the above debt is estimated as follows:

Year ending November 30:	Gillett Mortgage	Operating Loan	Grant Building Note	Interest	Total
2005	\$ 4,000	\$ 100,000	\$ 5,513	\$ 8,279	\$ 117,792
2006	4,000		5,848	2,903	12,751
2007	4,000		6,204	3,257	13,461
2008	4,000		3,944	1,593	9,537
2009	4,000			1,160	5,160
2010 - 2012	12,000			1,741	13,741
Total	<u>\$ 32,000</u>	<u>\$ 100,000</u>	<u>\$ 21,509</u>	<u>\$ 18,933</u>	<u>\$ 172,442</u>

The Society has entered into debt which is prohibited by the Ohio Revised Code.

5. RISK MANAGEMENT

Risk Pool Membership

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

PEP retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(Continued)**

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 Society.

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, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Brownie Youth organization representatives, is responsible for the Junior Fair Division activities of the Attica Independent Fair. The Society disbursed \$7,458 in fiscal year 2004 and \$8,273 in fiscal year 2003 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Seneca County paid the Society \$100 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, 2004 and 2003 follows:

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(Continued)**

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 498	\$ 404
Receipts	8,548	4,272
Disbursements	<u>(5,287)</u>	<u>(4,178)</u>
Ending Cash Balance	<u>\$ 3,759</u>	<u>\$ 498</u>

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 Attica Independent Agricultural Society's auction. A commission of two percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 15,147	\$ 16,669
Receipts	171,883	137,628
Disbursements	<u>(172,354)</u>	<u>(139,150)</u>
Ending Cash Balance	<u>\$ 14,676</u>	<u>\$ 15,147</u>

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**Auditor of State
Betty Montgomery**

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

Attica Independent Agricultural Society
Seneca County
6579 West U.S. Highway 224
P.O. Box 433
Attica, Ohio 44807-0433

To the Board of Directors:

We have audited the financial statements of the Attica Independent Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated May 27, 2005, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated May 27, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

Attica Independent Agricultural Society
Seneca County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Society's management dated May 27, 2005, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 27, 2005

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Noncompliance Citation

ORC §1711.13 allows county agricultural societies to obtain mortgage debt or to enter into written agreements to obtain loans and credit for expenses. ORC §1711.13(B) further states that the total net indebtedness of a society for non-mortgage debt shall not exceed an amount equal to twenty-five percent of its annual revenues. The Attica Independent Agricultural Society has a mortgage with an outstanding balance of \$32,000 and two promissory notes with a total outstanding balance of \$121,508 as of November 30, 2004. The non-mortgage debt of the Society is fifty-two percent of its fiscal year 2004 revenue. Independent Agricultural Societies are not included in ORC §1711.13 and there is no authorization for Independent Agricultural Societies to have debt in the Ohio Revised Code. To avoid noncompliance, we recommend the Society pay off their debt as soon as possible.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-30574-001	Accountability over Admissions	Yes	



**Auditor of State
Betty Montgomery**

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ATTICA INDEPENDENT AGRICULTURAL SOCIETY

SENECA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 30, 2005**