



Mary Taylor, CPA
Auditor of State

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

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Mary Taylor, CPA
Auditor of State

Agricultural Society
Athens County
P.O. Box 669
Athens, Ohio 45701

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 statement due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statement 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 are 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 1, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Athens County
P.O. Box 669
Athens, Ohio 45701

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Athens County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005. This 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.

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 this 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 statements do not substantially conform to the new 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 second 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, 2006 and 2005 does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position or cash flows of the Society as of November 30, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Agricultural Society, Athens County, Ohio, as of November 30, 2006 and 2005, and its 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 1, 2007

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

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

	2006	2005
Operating Receipts:		
Admissions	\$ 153,441	\$ 149,148
Privilege Fees	21,460	24,345
Rentals	51,359	61,421
Sustaining and Entry Fees	28,550	29,700
Pari-mutuel Wagering Commission	192	3,082
Other Operating Receipts	10,159	10,303
 Total Operating Receipts	 265,161	 277,999
Operating Disbursements:		
Wages and Benefits	30,820	34,574
Utilities	28,314	25,628
Equipment and Grounds Maintenance	76,617	57,795
Contractual Services	85,737	70,368
Administrative Supplies	19,966	29,527
Race Purse	40,459	44,305
Senior Fair	26,866	20,684
Junior Fair	8,094	22,551
Capital Outlay	105	16,903
Other Operating Disbursements	41,352	34,434
 Total Operating Disbursements	 358,330	 356,769
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (93,169)	 (78,770)
Non-Operating Receipts (Disbursements):		
State Support	29,155	32,044
County Support	4,645	4,644
Unrestricted Support	1,468	3,159
Restricted Support	8,459	10,963
Investment Income	1,869	654
Other Financing Fees	(26)	(70)
 Net Non-Operating Receipts (Disbursements)	 45,570	 51,394
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (47,599)	 (27,376)
 Cash Balance, Beginning of Year (As Restated)	 122,287	 149,663
 Cash Balance, End of Year	 \$ 74,688	 \$ 122,287

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

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**AGRICULTURAL SOCIETY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 Agricultural Society, Athens 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 1851 to operate an annual agricultural fair. The Society sponsors the week-long Athens County Fair during August. During the fair, harness races are held. Athens County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eighteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Athens 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, harness racing during fair week and other year round activities at the fairgrounds including facility rental, track and stall rental, and community events such as demolition derbies. The reporting entity does not include any other activities or entities of Athens 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 prescribe or permits.

C. Cash and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. 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 statement does not include these items as assets.

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Restricted Support

Restricted support includes amounts that donors restrict for specific purposes.

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.

G. Race Purse

Harness stake races are held during the Athens 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.

H. 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. See Note 3 for additional information.

2. CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$ 74,688	\$ 122,287

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation (up to \$100,000 of the Society's bank balance), or collateralized by the financial institution's public entity deposit pool.

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs money, received to supplement purse for the years ended November 30, 2006 and 2005, amounting to \$17,704 and \$20,304, respectively as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement. The Pari-mutuel Wagering Commission (commission) is the 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 deducted from the commission by the totalizer prior to the Society receiving its portion, and are not included on the accompanying financial statement. The Society's portion is reflected in Sustaining and Entry Fees in the accompanying financial statement. In addition, the Society receives the State Tax from the totalizer, which is included in Pari-mutuel Wagering Commission in the accompanying financial statement.

	2006	2005
Total Amount Bet (Handle)	\$ 5,832	\$ 6,751
Less: Payoff to Bettors	(4,667)	(5,454)
Parimutuel Wagering Commission	1,165	1,297
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(333)	(456)
State Tax	(148)	(127)
Society Portion	\$ 84	\$ 114

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2006.

5. RISK MANAGEMENT

The Society provides health coverage for its full-time employee through an insurance company.

The Athens County Commissioners provide general insurance coverage for all the buildings on the Athens County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. A private company provides general liability insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. Vehicle coverage is also provided with a limit of \$1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's Treasurer is bonded with coverage of \$20,000.

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 Athens County Fair. The Society disbursed \$ \$8,094 in 2006 and \$22,551 in 2005 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Athens County paid the Society \$500 in 2006 and \$500 in 2005 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 777	\$ 1,381
Receipts	957	633
Disbursements	(1,268)	(1,237)
Ending Cash Balance	\$ 466	\$ 777

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 Athens County Junior Livestock Auction. A commission of three 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	\$ 6,670	\$ 7,871
Receipts	242,302	244,293
Disbursements	(235,875)	(245,494)
Ending Cash Balance	\$ 13,097	\$ 6,670

8. PRIOR PERIOD ADJUSTMENT

For 2004, the Society removed the Junior Fair Board activity from the Society's accounting system. In addition, the Society's Treasurer canceled and reissued outstanding checks from a prior period. As a result, the November 30, 2004 fund balance was restated as follows:

Fund Balance, November 30, 2004	\$ 149,083
Adjustment:	
Exclude Junior Fair Activity	(1,381)
Prior Outstanding Checks Canceled	1,961
Restated Fund Balance, November 30, 2004	\$ 149,663



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*

Agricultural Society
Athens County
P.O. Box 669
Athens, Ohio 45701

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Athens County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated November 1, 2007, 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 as a basis for designing our auditing procedures for expressing our opinions 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. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated November 1, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statement is 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 also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated November 1, 2007.

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 and Board of Directors. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 1, 2007

**AGRICULTURAL SOCIETY
ATHENS 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

All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories.

"Internal control" means a process affected by an entity's governing board, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting;
- Effectiveness and efficiency of operations;
- Compliance with applicable laws and regulations; and
- Safeguarding of assets.

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

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.
- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.

The Treasurer did not reconcile the 2006 and 2005 annual financial reports to the Quick Books accounting system or to the bank statements. This resulted in the 2006 and 2005 annual reports, prepared by the Society, to be incorrect. This also resulted in additional time to audit the financial records and transactions due to the accounting system not being in agreement to the manual check register or the bank statements. Reconciling the accounting system to the bank records is a key feature of a sound internal control system, as noted above.

We recommend the Treasurer reconcile the Quick Books system to the manual check register and bank statements monthly. Any variances between the Quick Books system, the manual check register and the bank statements should be investigated promptly and resolved during the reconciliation process.

Client Response: The Treasurer will take the appropriate steps to reconcile the Quick Books system with the manual check register and bank statements on a monthly basis.

**AGRICULTURAL SOCIETY
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002

Finding for Recovery – Repaid Under Audit

The Society withheld City of Athens income taxes totaling \$403.29 from employees during 2006, but did not remit these withholdings to the City. Failure to remit withholdings could result in penalties and interest charges to the Society.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued for public monies due but not collected against the Agricultural Society, in the amount of \$403.29, in favor of the City of Athens.

The Finding was repaid in full by the Society on September 21, 2007.

Client Response: Care will be taken to ensure all taxes withheld are remitted timely.

**AGRICULTURAL SOCIETY
ATHENS 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	A material weakness was issued regarding the Quick Books accounting system not being reconciled to the manual check register or bank statements.	No	Not Corrected: Reissued in the current audit as Finding Number 2006-001.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

ATHENS 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
NOVEMBER 29, 2007**