



**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED NOVEMBER 30, 2005 & 2006**



**Mary Taylor, CPA**  
Auditor of State



**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

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# Mary Taylor, CPA

Auditor of State

Attica Independent Agricultural Society  
Seneca County  
6579 Route 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.

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

**Mary Taylor, CPA**  
Auditor of State

April 26, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Attica Independent Agricultural Society  
Seneca County  
6579 Route 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, 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.

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 for the years ended November 30, 2006 and 2005. 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 the 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 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 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Attica Independent Agricultural Society, Seneca County, 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 aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2006 and 2005. 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 April 26, 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.



**Mary Taylor, CPA**  
Auditor of State

April 26, 2007



**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

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

	<b>2006</b>	<b>2005</b>
<b>Operating Receipts:</b>		
Admissions	\$33,733	\$32,532
Privilege Fees	5,340	4,285
Rentals	52,350	48,441
Sustaining and Entry Fees	14,650	18,890
Other Operating Receipts	18,861	14,595
Total Operating Receipts	124,934	118,743
<b>Operating Disbursements:</b>		
Wages and Benefits	1,150	1,650
Utilities	20,414	16,757
Professional Services	23,281	16,661
Equipment and Grounds Maintenance	35,438	51,272
Race Purse	37,198	44,307
Senior Fair	18,455	23,645
Junior Fair	7,580	5,863
Capital Outlay	23,632	1,343
Other Operating Disbursements	28,407	31,555
Total Operating Disbursements	195,555	193,053
Deficiency of Operating Receipts Under Operating Disbursements	(70,621)	(74,310)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	29,072	32,044
County Support	3,000	3,019
Debt Proceeds		38,636
Donations/Contributions	43,788	50,183
Investment Income	209	230
Debt Service	(37,752)	(56,042)
Net Non-Operating Receipts	38,317	68,070
Deficiency of Receipts Under Disbursements	(32,304)	(6,240)
Cash Balance, Beginning of Year	45,612	51,852
<b>Cash Balance, End of Year</b>	<b>\$13,308</b>	<b>\$45,612</b>

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

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA 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 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 sixteen 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 including facility rental, 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 prescribe 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 STATEMENT  
NOVEMBER 30, 2006 AND 2005  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (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 30, 2006 and 2005 follows:

	2006	2005
Demand deposits	<u>\$13,308</u>	<u>\$45,612</u>

**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 \$25,304 for the year ended November 30, 2006, and \$22,704 for the year ended November 30, 2005. This revenue is reported as State Support on the financial statements.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

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

**4. DEBT**

Debt outstanding at November 30, 2006, was as follows:

	Principal	Interest Rate
Gillet Mortgage	\$24,000	7.25%
Operating Loan	79,583	5.50%
Grant Building Note	10,145	6.00%
Total	\$113,728	

The Gillett mortgage was entered into on November 18, 1997, for \$60,000 at an interest rate of 7.25%. 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%. The note is due to Sutton Bank. The note has been renewed each year on July 31<sup>st</sup> and the interest rate changed to 5.50% on July 31, 2006. The current note is schedule to mature on July 31, 2007. 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 6.00%. 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.

The non-mortgage debt of the Society is 57% of its fiscal year 2006 revenue, which exceeds the 25% limit Ohio Revised Code Section 1711.13 permits.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Gillet Mortgage	Operating Loan	Grant Building Note	Interest	Total
2007	\$4,000	\$79,583	\$6,191	\$2,270	\$92,044
2008	4,000		3,954	1,596	9,550
2009	4,000			1,160	5,160
2010	4,000			870	4,870
2011	4,000			580	4,580
2012	4,000			291	4,291
Total	\$24,000	\$79,583	\$10,145	\$6,767	\$120,495

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

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

**5. RISK MANAGEMENT**

**Risk Pool Membership**

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

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. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 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.

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 value. 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 2005 was \$1,682,589.

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.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

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

**5. RISK MANAGEMENT – (Continued)**

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, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 29,719,675	\$ 27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained Earnings	<u>\$ 13,725,507</u>	<u>\$ 13,557,131</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$ 4,443,332	\$ 3,648,272
Liabilities	(1,068,245)	(540,073)
Retained Earnings	<u>\$ 3,375,087</u>	<u>\$ 3,108,199</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$14.3 million and \$12 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, 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 \$33,062. This payable includes the subsequent year's contribution due if the Society 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>	
2005	\$16,012
2006	\$16,610

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide 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 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 was incurred or reported prior to the withdrawal.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA 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 Attica Independent Fair. The Society disbursed \$7,580 in fiscal year 2006 and \$5,863 in fiscal year 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. Seneca County paid the Society \$100 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do 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	\$2,124	\$3,759
Receipts	5,979	7,390
Disbursements	(6,444)	(9,025)
Ending Cash Balance	\$1,659	\$2,124

**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, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$24,141	\$14,676
Receipts	140,470	131,278
Disbursements	(136,302)	(121,813)
Ending Cash Balance	\$28,309	\$24,141

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# 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*

Attica Independent Agricultural Society  
Seneca County  
6579 Route 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, Seneca County (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated April 26, 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 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 April 26, 2007, 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 noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the Society's management dated April 26, 2007, we reported other matters related to noncompliance we deemed immaterial.

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.

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

**Mary Taylor, CPA**  
Auditor of State

April 26, 2007

ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY

SCHEDULE OF FINDINGS  
NOVEMBER 30, 2006 AND 2005

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

FINDING NUMBER 2006-001

**Noncompliance Citation**

**Ohio Revised Code § 1711.13** allows county agricultural societies to obtain mortgage debt or to enter into written agreements to obtain loans and credit for expenses. Revised Code § 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 \$24,000 and two promissory notes with a total outstanding balance of \$89,728 as of November 30, 2006. The non-mortgage debt of the Society is fifty-seven percent of its fiscal year 2006 revenue. Independent agricultural societies are not included in Revised Code § 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.

**Officials' Response:** We did not receive a response from Officials to the finding reported above.

**ATTICA INDEPENDENT AGRICULTURAL SOCIETY  
SENECA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
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; <b><i>Explain:</i></b>
2004-001	Revised Code § 1711.13 unauthorized debt	No	Not corrected. Repeated as Finding Number 2006-001.



**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 24, 2007**