



Mary Taylor, CPA
Auditor of State

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

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Mary Taylor, CPA
Auditor of State

Agricultural Society
Allen County
2750 Harding Highway
Lima, Ohio 45804

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 statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Allen County
2750 Harding Highway
Lima, Ohio 45804

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Allen County, (the Society) and the Agricultural Society Foundation of Allen County, the discretely presented component unit, as of and for the years ended November 30, 2007 and 2006. 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 opinions.

As described more fully in Note 1, the Society and the discretely presented component unit have prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Society and the discretely presented component unit do not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society and the discretely presented component unit have elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society and the discretely presented component unit as of November 30, 2007 and 2006, 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 cash balances of the Agricultural Society, Allen County, and the discretely presented component unit as of November 30, 2007 and 2006, and the cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

October 28, 2008

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GENERAL OPERATING FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED NOVEMBER 30, 2007**

	<u>General Operating Fund</u>	<u>Agricultural Society Foundation</u>
Operating Receipts:		
Admissions	\$701,354	
Privilege Fees	205,560	
Rentals	198,854	
Sustaining and Entry Fees	70,500	
Parimutuel Wagering Commission	2,950	
Utilities	38,952	
Restricted Support (Sponsorships)	78,505	
Miscellaneous Fees	31,373	
Other Operating Receipts	158,983	
Total Operating Receipts	<u>1,487,031</u>	
Operating Disbursements:		
Wages and Benefits	321,599	
Utilities	90,134	
Professional Services	564,655	
Equipment and Grounds Maintenance	141,351	
Race Purse	100,753	
Senior Fair	31,612	
Junior Fair	53,866	
Capital Outlay	46,530	
Other Operating Disbursements	289,529	\$50
Total Operating Disbursements	<u>1,640,029</u>	<u>50</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(152,998)	(50)
Non-Operating Receipts:		
State Support	29,044	
County Support	53,500	
Donations/Contributions	87,359	31,237
Investment Income	1,977	152
Total Non-Operating Receipts	<u>171,880</u>	<u>31,389</u>
Excess of Receipts Over (Under) Disbursements	18,882	31,339
Cash Balances, Beginning of Year	<u>25,083</u>	<u>76,868</u>
Cash Balances, End of Year	<u>\$43,965</u>	<u>\$108,207</u>

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

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GENERAL OPERATING FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED NOVEMBER 30, 2006**

	<u>General Operating Fund</u>	<u>Agricultural Society Foundation</u>
Operating Receipts:		
Admissions	\$772,198	
Privilege Fees	220,864	
Rentals	217,382	
Sustaining and Entry Fees	64,475	
Parimutuel Wagering Commission	4,783	
Utilities	32,606	
Restricted Support (Sponsorships)	59,407	
Miscellaneous Fees	36,760	
Other Operating Receipts	101,432	
Total Operating Receipts	<u>1,509,907</u>	
Operating Disbursements:		
Wages and Benefits	340,837	
Utilities	91,414	
Professional Services	562,346	
Equipment and Grounds Maintenance	125,973	
Race Purse	98,821	
Senior Fair	38,209	
Junior Fair	56,127	
Capital Outlay	159,399	\$96,143
Other Operating Disbursements	259,155	3,417
Total Operating Disbursements	<u>1,732,281</u>	<u>99,560</u>
Deficiency of Operating Receipts Over (Under) Operating Disbursements	(222,374)	(99,560)
Non-Operating Receipts:		
State Support	29,155	
County Support	53,500	
Donations/Contributions	97,293	72,830
Investment Income	1,292	142
Total Non-Operating Receipts	<u>181,240</u>	<u>72,972</u>
Deficiency of Receipts Over (Under) Disbursements	(41,134)	(26,588)
Cash Balances, Beginning of Year	<u>66,217</u>	<u>103,456</u>
Cash Balances, End of Year	<u><u>\$25,083</u></u>	<u><u>\$76,868</u></u>

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

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

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, Allen 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 Allen County Fair during August. During the fair, harness races are held, culminating in the running of the Allen County Super Trot, Signature Series Race.

Allen 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 Allen County and pay an annual membership fee to the Society.

1. 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 rental, track and stall rental, community events that include trade shows, swap meets, the 4X4 Off Road Jamboree, the Rib Cook Off, and many other events. The reporting entity does not include any other activities or entities of Allen County, except for the component unit described below.

Notes 7 and 8, 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.

2. Component Unit

The financial data of the component unit is reported in the component unit column of the financial statements. The component unit is reported separately to emphasize that it is legally separate from the Society. The discretely presented component unit is defined as follows:

Allen County Agricultural Society Foundation, Inc. – (the "Foundation") is a non-profit organization that was incorporated under Internal Revenue Code 501(c)(3). The Foundation was formed for the purpose of accepting donations for various projects, including the construction of buildings, benefiting the Allen County Agricultural Society. Jay Begg, Fair Manager, serves as the statutory agent for the Foundation. During 2006, the Foundation provided \$96,143 to the Society for the construction of a new sheep and goat building. The revenues received stem from four sources, donations by industry and corporations, donations by individuals, donations through wills and bequests and various money making activities conducted by the Foundation. The organization is tax exempt.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis

These financial statements follow 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

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

Signature Series stake races are held during the Allen 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.

1. Sustaining and Entry Fees

Horse owners and Western Ohio Colt Racing Association 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.

2. Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Parimutuel 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 4 for additional information.

2. BUDGETARY ACTIVITY

For the year ended 2007, the Society had budgeted receipts of \$1,833,000, actual receipts were \$1,658,911 resulting in a variance of \$174,089. Additionally, the Society budgeted disbursements of \$1,832,000, and actual disbursements were \$1,640,029 resulting in a variance of \$191,971.

For the year ended 2006, the Society had budgeted receipts of \$1,837,500, actual receipts were \$1,691,147, resulting in a variance of \$146,353. Additionally, the Society budgeted disbursements of \$1,834,000, and actual disbursements were \$1,732,281, resulting in a variance of \$101,719.

3. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2007 and 2006 follows:

	2007	2006
Demand deposits	\$40,300	\$21,436
Certificates of deposit	3,665	3,647
Total deposits	\$43,965	\$25,083

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance, and this amount covers the deposits for the majority of year. However, for approximately two months during the time period of the fair activity amounts over the \$100,000 are uninsured and uncollateralized.

Component Unit

	2007	2006
Demand deposits	\$49,874	\$18,535
Certificates of deposit	58,333	58,333
Total deposits	\$108,207	\$76,868

Deposits: Deposits in the various financial institutions were fully insured by the Federal Depository Insurance Corporation at \$100,000 per financial institution deposit.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

4. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2007 and 2006 was \$17,696 and \$17,704 respectively, as State Support.

Parimutuel 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.

	2007	2006
Total Amount Bet (Handle)	\$27,448	\$44,827
Less: Payoff to Bettors	(21,749)	(35,624)
Parimutuel Wagering Commission	5,699	9,203
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(2,549)	(4,220)
State Tax	(865)	(1,330)
Society Portion	<u>\$2,085</u>	<u>\$3,453</u>

5. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries, and the Society contributed an amount equal to 6.2 percent of participant's gross salaries. All contributions have been paid through November 30, 2007.

6. RISK MANAGEMENT

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

The Society provides health coverage for full-time employees through an insurance company and insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Allen County Commissioners provide general insurance coverage for all the buildings on the Allen County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Public Entities Pool of Ohio (PEP) provides general liability and vehicle insurance.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

A. 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.

B. Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

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

C. Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 years.

D. 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, 2007 and 2006.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

6. RISK MANAGEMENT (Continued)

	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, 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 \$33,328. 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.

Contributions to PEP

2005	\$24,708
2006	\$28,441
2007	\$28,981

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, and Girl Scout representatives, is responsible for the Junior Fair Division activities of the Allen County Fair. The Society disbursed \$53,866 and \$56,127, respectively for 2007 and 2006 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Allen County paid the Society \$500, during both 2007 and 2006 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, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$2,860	\$2,952
Receipts	2,452	5,212
Disbursements	(3,499)	(5,304)
Ending Cash Balance	\$1,813	\$2,860

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006
(Continued)**

8. JUNIOR LIVESTOCK SALE COMMITTEE

The Society handles the activity of the Junior Livestock Sale Committee. The accompanying financial statements do not include the activities of the Junior Livestock Sale Committee. The Junior Livestock Sale Committee's financial activity for the years ended November 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Receipts	\$367,549	\$381,400
Disbursements	367,549	381,400
	<u>\$ 0</u>	<u>\$ 0</u>

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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*

Agricultural Society
Allen County
2750 Harding Highway
Lima, Ohio 45804

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Allen County, (the Society) and the Agricultural Society Foundation of Allen County, the discretely presented component unit, as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated October 28, 2008, wherein we noted the Society and the discretely presented component unit followed 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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the 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 certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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.

**Internal Control over Financial Reporting
(Continued)**

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 as finding number 2007-001 to be a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated October 28, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Society's management in a separate letter dated October 28, 2008.

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the response and, accordingly, we express no opinion on it.

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



Mary Taylor, CPA
Auditor of State

October 28, 2008

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER – 2007-001

Material Weakness – Accounting Records

The Society used QuickBooks accounting software to maintain its financial records. The software did not appear to have an adequate control that prevented the date of a cash receipt being entered for a previous or subsequent year, during the current year. Current year cash receipts (deposits), in some instances, were entered with the date invoiced, which could be after fiscal year end. As an example, the security deposits received during the current fair year to reserve space for games, rides, etc., in the subsequent fair year, in some instances, were invoiced and reported in the subsequent year. Also, in some instances, a receipt date was entered as instructed rather than the date of the deposit. Since the Society reports on the cash basis of accounting, this resulted in revenues reported in years other than received. The year-end manual bank reconciliations presented agreed with the annual reports, but were not in agreement with the accounting system.

The above procedures resulted in financial statement understatements of revenues of about \$20,000 for 2007 and about \$10,000, for 2006. The Society identified these misstatements, and adjusted the system records and the presented financial statements.

The system and/or procedural weaknesses that allowed cash deposits to be recorded with a previous or subsequent year date, or the date the invoice was created, allowed the possibility for material financial misstatements.

The Society should consider the following procedures to help maintain proper accounting and financial records:

- Review the accounting system software to determine if a safeguard exists to prevent an entry for a year other than the current financial reporting year.
- Review procedures used for the preparation of invoices and recording cash receipts to establish how timing differences should be resolved.
- Develop procedures to monitor financial activity to determine data was recorded in the proper accounting period.
- The finance committee should periodically verify that the monthly bank reconciliations and the accounting records are in agreement.
- The finance committee should also verify that the annual report is in agreement with the accounting records and the bank reconciliation.

**FINDING NUMBER – 2007-001
(Continued)**

Official's Response:

The Society has reviewed the accounting software package and has implemented or will be implementing the following safeguards:

1. A director has been assigned as Administrator for the QuickBooks system. They will be the only one to assign new users on the systems and set up their parameters of use.
2. Each user will be assigned their own ID and password for logging in.
3. Each allowed user other than the Treasurer would only have input capabilities.
4. A pass worded closing period will be used monthly to prevent moving invoices from or to another period.
5. QuickBooks will be set to use the current date as default.
6. The account now known as 0027 ATM Cash Fund will be renamed to reflect its actual purpose which is Non-deposited Cash.
7. The Audit Committee will review the Annual Report prior to filing.
8. The society is in the process of engaging the firm of M A Hoops and Associates Certified Public Accountants for a review of our systems and use habits.
9. We will be upgrading QuickBooks to a more current copy.
10. The Audit Committee Chairman will review the bank statements at each Directors meeting.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

ALLEN 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 25, 2008**