



Mary Taylor, CPA
Auditor of State

WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Year Ended November 30, 2007 and 2006	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Prior Audit Findings	15

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Mary Taylor, CPA
Auditor of State

Warren County Agricultural Society
Warren County
P.O. Box 58
Lebanon, Ohio 45036

To the Board of Director's:

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

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Auditor of State

January 23, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Agricultural Society
Warren County
P.O. Box 58
Lebanon, Ohio 45036

To the Board of Director's:

We have audited the accompanying financial statements of the Warren County Agricultural Society, Warren County, Ohio (the Society), 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 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require 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 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 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 Warren County Agricultural Society, Warren County, as of November 30, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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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 January 23, 2009, 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.

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Mary Taylor, CPA
Auditor of State

January 23, 2009

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2007 and 2006**

	2007	2006
Operating Receipts:		
Admissions	\$175,529	\$150,540
Privilege Fees	48,980	45,938
Rentals	497,474	534,399
Sustaining and Entry Fees	17,504	11,702
Parimutuel Wagering Commission	33,967	31,763
Other Operating Receipts	11,129	14,928
Total Operating Receipts	784,583	789,269
Operating Disbursements:		
Wages and Benefits	200,009	179,029
Utilities	224,656	233,107
Professional Services	59,006	103,066
Supplies and Grounds Maintenance	84,395	99,262
Race Purses and Other Expenses	65,017	62,748
Senior Fair	16,258	15,527
Junior Fair	37,981	30,616
Contest Expenses	19,781	22,135
Capital Outlay	0	11,457
Other Operating Disbursements	138,586	111,204
Total Operating Disbursements	845,688	868,151
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(61,105)	(78,881)
Non-Operating Receipts (Disbursements):		
State Support	29,544	29,155
County Support	22,800	22,800
Debt Proceeds	0	10,048
Donations/Contributions	16,699	9,692
Unrestricted	27,674	25,012
Debt Service	(28,717)	(26,935)
Net Non-Operating Receipts (Disbursements)	68,000	69,772
Excess (Deficiency) of Receipts Over (Under) Disbursements	6,895	(9,109)
Cash Balance, Beginning of Year	20,633	29,742
Cash Balance, End of Year	\$27,528	\$20,633

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

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**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN 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 Warren County Agricultural Society, Warren County, Ohio (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 1853 to operate an annual agricultural fair. The Society sponsors the week-long Warren County Fair during July. During the fair, harness races are held. Warren County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twelve directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Warren 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 simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including 4-H Horse Shows and 4-H Horse Camp. The reporting entity does not include any other activities or entities of Warren County, Ohio.

Notes 10 and 11, 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. 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 maintains a money fund investment account for all its investments.

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. 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).

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management is unaware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Stake races are held during the Warren 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 Horsemen's 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.

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.

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. INVESTMENTS

The Society maintains a checking account with Lebanon Citizens National Bank. Every night all funds are "swept" into a Money Market Fund Investment Cash Account. Every morning the funds are moved backed into the checking account. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Total Money Investment Fund	\$27,528	\$20,633

Investments in the Money Investment Fund are uninsured and uncollateralized.

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

3. 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 \$29,544 and \$29,155, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2007	2006
Total Amount Bet (Handle)	\$ 20,929	\$ 23,953
Less: Payoff to Bettors	(16,640)	(19,059)
Parimutuel Wagering Commission	4,289	4,894
Tote Service Set Up Fee	(450)	(450)
Tote Service Commission	(1,418)	(1,651)
State Tax	(615)	(693)
Society Portion	\$ 1,806	\$ 2,100

4. DEBT

Debt outstanding at November 30, 2007 was as follows:

	Principal	Interest Rate
LCNB Electric Loan	\$8,169	7.00%
LCNB Mower Loan	5,903	8.50%
Kansas State Bank	23,432	5.65%
Total	\$37,504	

The Electric Loan bears an interest rate of 7 percent and is due to the Lebanon Citizens National Bank. The note was entered into on May 5, 2005 and matures May 5, 2008. Proceeds of the note were used to upgrade the electric system.

The Mower Loan bears an interest rate of 8.5 percent and is due to the Lebanon Citizens National Bank. The note was entered into on July 20, 2006 and matures July 20, 2009. Proceeds of the note were used to purchase a new 72' Zero Turn Mower.

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

4. DEBT (Continued)

The Kansas State Bank of Manhattan lease purchase agreement bears an interest rate of 5.65 percent and is due to the Kansas State Bank. The lease/purchase agreement was entered into on December 12, 2005 and matures January 1, 2011. The Warren County Agricultural Society entered into an agreement to lease/purchase a JCB 530T Loader.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Electric Loan	Mower Loan	Kansas State Bank	Total
2008	\$8,329	\$3,811	\$16,375	\$28,515
2009		2,541	8,698	11,239
2010			684	684
Total	<u>\$8,329</u>	<u>\$6,352</u>	<u>\$25,756</u>	<u>\$40,437</u>

5. RISK MANAGEMENT

The Warren County Commissioners provide general insurance coverage for all the buildings on the Warren County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$500,000 and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$20,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2008.

6. CONTINGENT LIABILITIES

The Society is defendant in a lawsuit. Although the Society's management cannot presently determine the outcome of this suit, its counsel believes their resolution will not materially adversely affect the Society's financial condition.

7. 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 Warren County Fair. The Society did not disburse any fund directly to the Junior Fair Board; however the Society disbursed \$37,981 in 2007 and \$30,616 in 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. Warren County paid the Society \$1,500 in 2007 and \$500 in 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 year ended November 30, 2007 and 2006 follows:

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

7. JUNIOR FAIR BOARD (Continued)

	2007	2006
Beginning Cash Balance	\$5,121	\$3,965
Receipts	14,127	10,779
Disbursements	(10,595)	(9,623)
Ending Cash Balance	\$ 8,652	\$ 5,121

8. 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 Warren County's auction. A commission of 2.5% 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 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 25,270	\$ 12,348
Receipts	397,055	392,918
Disbursements	(414,845)	(379,996)
Ending Cash Balance	\$ 7,480	\$ 25,270

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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*

Warren County Agricultural Society
Warren County
P.O. Box 58
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the financial statements of the Warren County Agricultural Society, Warren County, Ohio (the Society), as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated January 23, 2009, wherein we noted the Society 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 opinion 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.

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.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Society's management in a separate letter dated January 23, 2009.

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 certain noncompliance or other matters that we reported to the Society's management in a separate letter dated January 23, 2009.

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

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

Mary Taylor, CPA
Auditor of State

January 23, 2009

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Not consistently posting disbursement per chart of accounts	Yes	
2005-002	Reconciliations	Yes	
2005-003	Lack of formal payroll policies/employee files	No	Partially Corrected. This issue is addressed in the 2007-2006 management letter.
2005-004	Not properly accounting for receipts	No	Partially Corrected. This issue is addressed in the 2007-2006 management letter.



Mary Taylor, CPA
Auditor of State

WARREN COUNTY AGRICULTURAL SOCIETY

WARREN 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
MARCH 10, 2009**