



**Auditor of State
Betty Montgomery**

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

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 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 "Betty Montgomery".

Betty Montgomery
Auditor of State

July 24, 2006

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Auditor of State Betty Montgomery

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 Allen County Agricultural Society Foundation, discretely presented component unit, as of and for the years ended November 30, 2005 and 2004, as listed in the table of contents. 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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, and the discretely presented component unit, to reformat their financial statement presentation and make other changes effective for the years ended November 30, 2005 and 2004. While the Society, and the discretely presented component unit, do 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 and the discretely presented component unit have elected not to reformat their statements. Since the Society and the discretely presented component unit do 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, 2005 and 2004 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, 2005 and 2004, or their 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 its discretely presented component unit, as of November 30, 2005 and 2004, and their cash receipts and cash 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, 2005 and 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2006, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

July 24, 2006

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GENERAL OPERATING FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED NOVEMBER 30, 2005**

	<u>General Operating Fund</u>	<u>Agricultural Society Foundation</u>
Operating Receipts:		
Admissions	\$641,432	
Privilege Fees	215,957	
Rentals	236,981	
Sustaining and Entry Fees	83,500	
Restricted Support (Sponsorships)	61,586	
Utilities	38,983	
Miscellaneous Fees	32,364	
Parimutuel Wagering Commission	10,242	
Other Operating Receipts	<u>68,376</u>	
 Total Operating Receipts	 1,389,421	
Operating Disbursements:		
Wages and Benefits	302,315	
Utilities	106,360	
Professional Services	496,317	
Equipment and Grounds Maintenance	239,553	
Race Purse	110,207	
Senior Fair	32,357	
Junior Fair	55,910	
Capital Outlay	159,686	\$126,691
Other Operating Disbursements	<u>162,031</u>	<u>110</u>
 Total Operating Disbursements	 <u>1,664,736</u>	 <u>126,801</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (275,315)	 (126,801)
Non-Operating Receipts (Disbursements):		
State Support	32,044	
County Support	43,500	
Donations/Contributions	127,238	99,158
Investment Income	<u>1,676</u>	<u>1,946</u>
 Net Non-Operating Receipts (Disbursements)	 <u>204,458</u>	 <u>101,104</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (70,857)	 (25,697)
 Cash Balances, Beginning of Year	 <u>137,074</u>	 <u>129,153</u>
 Cash Balances, End of Year	 <u><u>\$66,217</u></u>	 <u><u>\$103,456</u></u>

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

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GENERAL OPERATING FUND AND DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	General Operating Fund	Agricultural Society Foundation
Operating Receipts:		
Admissions	\$744,707	
Privilege Fees	224,789	
Rentals	203,697	
Sustaining and Entry Fees	79,175	
Restricted Support (Sponsorships)	66,169	
Utilities	32,798	
Miscellaneous Fees	30,904	
Parimutuel Wagering Commission	9,022	
Other Operating Receipts	61,991	
 Total Operating Receipts	 1,453,252	
Operating Disbursements:		
Wages and Benefits	303,157	
Utilities	90,037	
Professional Services	582,931	
Equipment and Grounds Maintenance	184,868	
Race Purse	115,206	
Senior Fair	36,114	
Junior Fair	51,839	
Capital Outlay	43,166	
Other Operating Disbursements	132,207	\$500
 Total Operating Disbursements	 1,539,525	 500
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(86,273)	(500)
Non-Operating Receipts (Disbursements):		
State Support	33,982	
County Support	43,500	
Donations/Contributions	2,947	124,870
Investment Income	1,604	369
Sale of Assets	33,811	
 Net Non-Operating Receipts (Disbursements)	 115,844	 125,239
Excess (Deficiency) of Receipts Over (Under) Disbursements	29,571	124,739
Cash Balances, Beginning of Year	107,503	4,414
Cash Balances, End of Year	\$137,074	\$129,153

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

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004**

1. REPORTING ENTITY AND 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 the month of 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.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. The reporting entity is composed of the primary government and a component unit that is included to ensure that the financial statements of the Society are not misleading. The primary government consists of the Agricultural Society. 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 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, Ohio, except for the component unit described below.

The component unit is a legally separate organization for which the Society is not financially accountable. The Society is financially accountable for an organization if it appoints a voting majority of the organization's governing board and (1) is able to significantly influence the programs and services performed or provided by the organization; or (2) is legally entitled to or can otherwise access the organization's resources; is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or is obligated for the debt of the organization.

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 2005, the Foundation provided \$126,691 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 STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes 7 and 8 summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financial statements follow 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.

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 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. Budgetary Process

The Board of Directors annually prepares an operating budget, which includes estimated receipts and disbursements. The Board approves the budget in its final form prior to each fiscal year. The Board established the legal level of control at the function level. The Board reviews the budget throughout the year and compares it with actual results.

E. 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.

F. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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.

Sustaining and Entry Fees

Horse owners and the 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 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 4 for additional information.

J. 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 4 for additional information.

2. BUDGETARY ACTIVITY

For the year ended 2005, the Society had budgeted receipts of \$1,446,711, actual receipts were \$1,593,879, resulting in a variance of \$147,168. Additionally, the Society budgeted disbursements of \$1,423,234, and actual disbursements were \$1,664,736, resulting in a variance of (\$241,502).

For the year ended 2004, the Society had budgeted receipts of \$1,342,748, actual receipts of \$1,569,096, resulting in a variance of \$226,348. Additionally, the Society had budgeted disbursements of \$1,331,792, actual disbursements of \$1,539,525, resulting in a variance of (\$207,733).

3. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$62,615	\$133,506
Certificates of deposit	3,602	3,568
Total deposits	<u>66,217</u>	<u>137,074</u>

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

3. CASH AND INVESTMENTS (Continued)

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

Component Unit

	2005	2004
Demand deposits	\$45,123	\$129,153
Certificates of deposit	58,333	0
Total deposits	103,456	129,153

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

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, 2005 and 2004 was \$20,304 and \$21,848 respectively, 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.

	2005	2004
Total Amount Bet (Handle)	\$49,983	\$44,929
Less: Payoff to Bettors	(39,741)	(35,907)
Parimutuel Wagering Commission	10,242	9,022
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(4,754)	(4,205)
State Tax	(1,399)	(1,176)
Society Portion	\$3,889	\$3,441

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, 2005.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

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.

Risk Pool Membership

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - PEP retains casualty risks up to \$250,000 per 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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 participating entity.

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and 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.

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.

Casualty Coverage	2005	2004
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
Property Coverage	2005	2004
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above 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. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Society's share of these unpaid claims is approximately \$49,936.

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, Future Farmers of America, Boy Scouts, Girl Scouts, and the Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Allen County Fair. The Society disbursed \$55,910 and \$51,839, respectively for 2005 and 2004 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. 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 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Beginning Cash Balance	\$6,368	\$8,806
Receipts	5,106	3,118
Disbursements	<u>8,522</u>	<u>5,556</u>
Ending Cash Balance	<u><u>\$2,952</u></u>	<u><u>\$6,368</u></u>

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(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, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Receipts	\$363,390	\$384,228
Disbursements	<u>363,390</u>	<u>384,228</u>

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Auditor of State Betty Montgomery

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

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 its discretely presented component unit, as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated July 24, 2006, wherein we noted the Society and the discretely presented component unit follow 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*. The Allen County Agricultural Society Foundation, discretely presented component unit, was audited under generally accepted auditing standards, but was not audited in accordance with *Government Auditing Standards*, and accordingly this report does not extend to the discretely presented component unit.

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 July 24, 2006, 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Agricultural Society
Allen County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
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We intend this report solely for the information and use of the audit committee, management, and the Board of Directors. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 24, 2006

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ticket Accountability – Finding for Recovery	Yes	Finding not repaid. County Prosecutor sent letter to Attorney General stating that he felt that there was no wrongdoing and was not going to pursue recovery.
2003-002	Ticket Reconciliations	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
AUGUST 24, 2006**