



**Auditor of State
Betty Montgomery**

HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

Hamilton County Agricultural Society
Hamilton County
7801 Anthony Wayne Avenue
Cincinnati, Ohio 45216

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

March 23, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County Agricultural Society
Hamilton County
7801 Anthony Wayne Avenue
Cincinnati, Ohio 45216

To the Board of Directors:

We have audited the accompanying financial statements of Hamilton County Agricultural Society, Hamilton County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003. 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 effective for the year ended November 30, 2004. 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 year ended November 30, 2004 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, 2004, or its changes in financial position or cash flows for the year then ended. Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Hamilton County Agricultural Society, Hamilton County, as of November 30, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 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 April 14, 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

March 23, 2006

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	2004	2003
Operating Receipts:		
Admissions	\$170,749	\$166,716
Privilege Fees	49,055	41,310
Rentals	66,616	62,821
Sustaining and Entry Fees	898	829
Other Operating Receipts	3,727	1,303
Total Operating Receipts	291,045	272,979
Operating Disbursements:		
Wages and Benefits	74,332	56,023
Utilities	30,286	24,552
Professional Services	164,499	156,334
Equipment and Grounds Maintenance	8,276	4,983
Senior Fair	36,987	34,149
Junior Fair	8,866	8,946
Capital Outlay	3,700	0
Other Operating Disbursements	548	215
Total Operating Disbursements	327,494	285,202
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(36,449)	(12,223)
Non-Operating Receipts (Disbursements):		
State Support	6,363	7,541
County Support	3,300	3,300
Donations/Contributions	11,791	8,690
Investment Income	3,121	3,391
Debt Service	(39)	(333)
Net Non-Operating Receipts (Disbursements)	24,536	22,589
Excess (Deficiency) of Receipts Over (Under) Disbursements	(11,913)	10,366
Cash Balance, Beginning of Year	63,670	53,304
Cash Balance, End of Year	\$51,757	\$63,670

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

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**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003**

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 Hamilton County Agricultural Society, Hamilton 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 Hamilton County Fair during August. Hamilton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Hamilton County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds and includes financial transactions relating to the annual fair and Junior Fair Board. Other year round activities at the fairgrounds include facility rental, stall rental, and community events. The reporting entity does not include any other activities or entities of Hamilton County, Ohio.

Notes 5 summarizes the Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribe or permits.

C. Cash and Deposits

The Society values certificates of deposit at cost.

D. Budgetary Process

The Board of Directors did not adopt a budget in 2004 or 2003.

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.

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2. CASH AND DEPOSITS

The carrying amount of cash and deposits at November 30 follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$1,757	\$13,670
Certificates of deposit	50,000	50,000
Total deposits	<u>\$51,757</u>	<u>\$63,670</u>

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized. During 2004 and 2003, the Society maintained amounts in excess of the FDIC coverage.

3. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2004.

4. RISK MANAGEMENT

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

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 claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

4. RISK MANAGEMENT (Continued)

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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 local government.

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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

5. 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 Hamilton County's auction. Monies to cover the cost of the auction are generated through sales of advertisements by each participant and proceeds are retained by the Junior Livestock Committee. The accompanying financial statements do not include the activities of the Junior Livestock Committee.

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

5. JUNIOR LIVESTOCK SALE COMMITTEE (Continued)

The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$7,211	\$7,316
Receipts	34,448	40,001
Disbursements	<u>(34,448)</u>	<u>(40,106)</u>
Ending Cash Balance	<u><u>\$7,211</u></u>	<u><u>\$7,211</u></u>

6. RELATED PARTY DISCLOSURE

Every year the Society employs a security firm for the week of the fair. During 1998, the company used for the security detail was a company owned by Jeff Klei, Pointman Security. Jeff Klei is a Society Board member, however during 1998 when Pointman Security services were engaged by the Society Mr. Klei was not a member of the Board. Furthermore, the security services are provided by Pointman Security staff and not Mr. Klei directly. The amount of money paid by the Board to Pointman Security during fair week was \$3,000 for the 2003 and 2004 fair. This amount is deemed immaterial to the Society.

7. SUBSEQUENT EVENT DISCLOSURE

During November 2005, the Society cashed in their \$50,000 Certificate of Deposit in order to meet current year expenses. This action significantly reduced the Society cash balances during 2006 and put the Society in a financial crisis. The Society has been in negotiations with the Hamilton County Commissioners during 2005 and 2006 for the purposes of securing additional funding or loans for the continued operation of the Society.



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*

Hamilton County Agricultural Society
Hamilton County
7801 Anthony Wayne Avenue
Cincinnati, Ohio 45216

To the Board of Directors:

We have audited the financial statements of Hamilton County Agricultural Society, Hamilton County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated March 23, 2006, 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 March 23, 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*. In a separate letter to the Society's management dated March 23, 2006, we reported other matters related to noncompliance we deemed immaterial.

Hamilton County Agricultural Society
Hamilton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of 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

March 23, 2006

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-60431-001	Some of the society's obligations are paid in cash to judges and for contest fees. These types of payments should have a corresponding voucher signed by both the individual that received the money, in addition, to a signature of the board member that approved the payment	Yes	



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

HAMILTON 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
APRIL 13, 2006**