



Mary Taylor, CPA
Auditor of State

FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Cover Letter.....	1
Independent Accountants' Report	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2006 and 2005	5
Notes to the Financial Statement	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

This page intentionally left blank.



Mary Taylor, CPA Auditor of State

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

December 12, 2007

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

We have audited the accompanying financial statements of the Fayette County Agricultural Society, Fayette County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2006 and 2005. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended November 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Fayette County Agricultural Society, Fayette County, as of November 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2006 and 2005. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

December 12, 2007

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

	2006	2005
Operating Receipts:		
Admissions	\$211,824	\$224,328
Privilege Fees	52,173	53,976
Rentals	130,053	110,358
Sustaining and Entry Fees	62,126	65,623
Parimutuel Wagering Commission	1,783	836
Other Operating Receipts	14,087	20,965
 Total Operating Receipts	 472,046	 476,086
Operating Disbursements:		
Wages and Benefits	66,712	62,271
Utilities	62,095	63,248
Professional Services	41,021	58,669
Equipment and Grounds Maintenance	66,016	67,069
Race Purse	81,760	88,205
Senior Fair	55,671	44,670
Junior Fair	16,072	16,231
Capital Outlay	128,767	35,273
Other Operating Disbursements	87,350	79,218
 Total Operating Disbursements	 605,464	 514,854
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (133,418)	 (38,768)
Non-Operating Receipts (Disbursements):		
State Support	29,155	32,044
County Support	2,800	2,800
Donations/Contributions	3,892	83,152
Investment Income	2,034	1,598
Debt Service	(1,567)	(33,157)
 Net Non-Operating Receipts (Disbursements)	 36,314	 86,437
 Excess(Deficit) of Receipts Over(Under) Disbursements	 (97,104)	 47,669
 Cash Balance, Beginning of Year	 110,902	 63,233
 Cash Balance, End of Year	 \$13,798	 110,902

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

This page intentionally left blank.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fayette County Agricultural Society, Fayette County, Ohio (the Society), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711, of the Ohio Revised Code. The Society was founded in 1881 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held. Fayette County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 13 directors serving staggered terms, elected from the membership of the Society. Members of the Society must be residents of Fayette County and pay annual membership fees 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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 7 and 8, respectively, summarize the 4-H Committee and Junior Livestock Sale Committee's financial activity.

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

B. Basis of Accounting

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 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's funds are pooled in a checking and savings account with a local community bank. Interest earned is recognized and recorded when received.

D. 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.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Race Purse

Stake races are conducted during the Fayette 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 Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made 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 3 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. CASH AND DEPOSITS

The carrying amount of cash and investments at November 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$13,796	\$110,902

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

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(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, 2006 and 2005 was \$25,304 and \$22,704 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.

4. DEBT AGREEMENT – PAYMENTS TO THE COUNTY

During 2005 the Society was liable for 2 loans: 1) for Grandstands 2) for Restroom renovations. The Society paid off the remaining balance on the loans. Debt payments made by the Society during 2005 totaled \$32,969.

During 2006 the Society opened a \$150,000 Line of Credit with Merchant's Bank. There was no activity on the Line of Credit account during 2006.

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For years ending November 30, 2006 and 2005 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, 2006.

6. RISK MANAGEMENT

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000. The Society's Treasurer and Secretary are bonded with coverage of \$10,000 for each position.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

7. 4-H COUNCIL

The Fayette County 4-H Council, 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 Fayette County Fair. The Society disbursed \$44,680 for the year ended November 30, 2006, and \$46,930 for the year ended November 30, 2005 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's total receipts and disbursements the years ended November 30, 2006 and November 30, 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 427	\$1,678
Receipts	16,073	15,001
Disbursements	<u>-16,479</u>	<u>-16,252</u>
Ending Cash Balance	<u>\$ 21</u>	<u>\$427</u>

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 Fayette County's auction. Monies to cover the cost of the auction are generated through a 2.5% commission assessed on the auction price, plus \$10 head for cattle and 5% commission assessed on the auction price for goats, lambs and hogs and are retained by the Junior Livestock Sale Committee. The total auction amount for the year ended November 30, 2006 was \$293,525 and the Junior Livestock Sale Committee received \$14,568. The total auction amount for the year ended November 30, 2005 was \$245,375 and the Junior Livestock Sale Committee received \$12,776. 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, 2006 and November 30, 2005 is included in the Junior Fair Board financial activity in Note 8.



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*

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

We have audited the financial statements of the Fayette County Agricultural Society, Fayette County, Ohio (the Society), as of and for the year ended November 30, 2006 and 2005, and have issued our report thereon dated December 12, 2007, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2006-001 and 2006-002 listed above to be material weaknesses. In a separate letter to the Society's management dated December 12, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*¹ which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the Society's management dated December 12, 2007, we reported other matters related to noncompliance we deemed immaterial.

Corporate Centre of Blue Ash / 11117 Kenwood Rd. / Blue Ash, OH 45242

Telephone: (513) 361-8550 (800) 368-7419 Fax: (513) 361-8577

www.auditor.state.oh.us

Fayette County Agricultural Society
Fayette 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 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 12, 2007

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code, Section 149.351, requires that all records that are the property of the public office concerned shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the Record Commission provided for under Sections 149.38 to 149.42 of the Revised Code. The Society did not maintain supporting documentation for contracts for building rental, space rental, camp-site rental, privilege fees. Alternative procedures were performed to verify accountability over receipts. Failure to maintain proper documentation of contracts could result in contract disputes and or uncollected receipts. Additionally, failure to maintain appropriate accounting records may adversely affect decisions of management and could result in inaccurate financial reporting, and loss or theft of funds. Efforts should be made by the Society to maintain all accounting records.

We recommend the following:

1. Contracts should be completed for all rental activities of the Society (buildings, privilege fees, camping, etc.). These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. Duplicate receipts should be issued for payments received on all contracts. All contracts should be dated and all required information on the contracts should be completed. All contracts should be marked "Paid in Full" once complete payment has been received.
2. All rates charged for rental of buildings, ground space, equipment, etc., should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Directors.

Official's Response:

No response was received from the officials.

FINDING NUMBER 2006-002

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Society's staff does not allow for an adequate segregation of duties. The Secretary handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

In addition, we believe the following conditions indicate a need for increase oversight of management by the Board:

1. The Secretary is the only person signing checks
2. Monthly financial reports were not approved in the minutes
3. Minutes were not signed by the Board President and Secretary

**FINDING NUMBER 2006-002
(Continued)**

4. Bills were not approved for payment by the Board of Directors

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc), and require dual signatures (Secretary and a Board member) on all checks, to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer. Bills should be reviewed and approved by the Board at monthly meetings and documented in the minutes. All minutes should be reviewed and approved by the Board and signed by the officials indicating their approval.

Official's Response:

No response was received from the officials.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	The Society did not properly maintain stall rental receipts	No	Reissued as Finding 2006-001
2004-002	Inadequate Segregation of Duties	No	Reissued as Finding 2006-002.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

FAYETTE 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
JANUARY 8, 2008**