



Mary Taylor, CPA
Auditor of State

HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY

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Mary Taylor, CPA

Auditor of State

Hamilton County Agricultural Society
Hamilton County
7801 Anthony Wayne Road
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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 17, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Hamilton County Agricultural Society
Hamilton County
7801 Anthony Wayne Road
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, 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, 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.

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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, 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 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 combined fund cash balances of the Hamilton County Agricultural Society, Hamilton County, as of November 30, 2006 and 2005, and its combined 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 March 17, 2008, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 17, 2008

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

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

	2006	2005
Operating Receipts:		
Admissions	\$144,355	\$130,198
Privilege Fees	36,187	40,462
Rentals	52,359	86,032
Sustaining and Entry Fees	3,184	968
Other Operating Receipts	18,105	5,275
Total Operating Receipts	254,190	262,935
Operating Disbursements:		
Wages and Benefits	55,847	62,005
Utilities	36,623	41,470
Professional Services	117,160	159,776
Equipment and Grounds Maintenance	11,822	12,146
Senior Fair	22,376	29,575
Junior Fair	8,876	12,079
Other Operating Disbursements	6,149	2,889
Total Operating Disbursements	258,853	319,940
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(4,663)	(57,005)
Non-Operating Receipts (Disbursements):		
State Support	5,566	6,065
County Support	6,600	0
Donations/Contributions	34,790	10,314
Investment Income	0	3,595
Bank Charges	(1,112)	(10,924)
Net Non-Operating Receipts (Disbursements)	45,844	9,050
Excess (Deficiency) of Receipts Over (Under) Disbursements	41,181	(47,955)
Cash Balance, Beginning of Year	3,802	51,757
Cash Balance, End of Year	\$44,983	\$3,802

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, 2006 AND 2005**

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.

Note 6 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 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 did not prepare an annual budget for 2006 or 2005.

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, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 INVESTMENTS

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

	2006	2005
Demand deposits	\$44,983	\$3,802
Total deposits	\$44,983	\$3,802

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized. During 2006 and 2005, 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 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.

4. RISK MANAGEMENT

The Society provides health coverage for full-time, supervisory employees 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, 2006 AND 2005
(Continued)**

4. RISK MANAGEMENT

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, 2006 and 2005 (the latest information available):

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 30,997,868	\$ 29,719,675
Liabilities	\$ (15,875,741)	\$ (15,994,168)
Retained Earnings	<u>\$ 15,122,127</u>	<u>\$ 13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$ 5,125,326	\$ 4,443,332
Liabilities	\$ (863,163)	\$ (1,068,245)
Retained Earnings	<u>\$ 4,262,163</u>	<u>\$ 3,375,087</u>

5. RELATED PARTY TRANSACTIONS

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 in both 2005 and 2006. This amount is deemed immaterial to the Society.

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

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

6. 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. The Junior Livestock Committee's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$ 7,211	\$ 7,211
Receipts	32,965	29,005
Disbursements	<u>(32,965)</u>	<u>(29,005)</u>
Ending Cash Balance	<u>\$ 7,211</u>	<u>\$ 7,211</u>



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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 Road
Cincinnati, Ohio 45216

To the Board of Directors:

We have audited the financial statements of the Hamilton County Agricultural Society, Hamilton County, Ohio (the Society), as of and for the year ended November 30, 2006 and 2005, and have issued our report thereon dated March 17, 2008, 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 America and the standards applicable to the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

We consider the following deficiency described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-002.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we do not believe that finding number 2006-002 is a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated March 17, 2008.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters that we reported to the Society's management in a separate letter dated March 17, 2008.

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

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



Mary Taylor, CPA
Auditor of State

March 17, 2008

**HAMILTON COUNTY AGRICULTURAL SOCIETY
HAMILTON COUNTY**

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

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

FINDING NUMBER 2006-001

Finding for Recovery

During the 2005 annual fair, the Society's admission receipts were \$1,050.65 less than the amount recomputed by the Auditor of State based on the number of tickets sold.

Society receipts totaling \$120,953.35 were dated from August 3rd, 2005 through August 7th, 2006. Upon review of the receipt documentation and ticket tally reconciliations, we noted that the Society sold 13,947 tickets which are priced at \$8.00 a piece. Additionally, the Society collected \$10,428.00 for fair parking. The Auditor of State recalculated total was \$122,004.00, a variance of \$1,050.65 from the Society's receipt totals.

The Society's explanation for the variance of \$1,050.65 was that certain fair ticket takers stole cash collected and admitted friends for free. Although the Hamilton County Sheriff's office conducted an investigation, the ticket takers were uncooperative and no charges were pressed.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co. (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex rel. Village of Linndale v. Masten (1985), 18 Ohio St. 3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, we hereby issue a Finding for Recovery for public monies collected but unaccounted against Linda Frankenstein and the Public Entities Pool of Ohio, her bonding company, jointly and severally, in the amount of \$1,050.65, and in favor of the Hamilton County Agricultural Society General Fund, in the amount of \$1,050.65.

Officials' Response:

The Society has decided to bond all gate employees

FINDING NUMBER 2006-002

Significan Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider the following:

- Ensure that all transactions are properly authorized in accordance with management's policies.
- Ensure that accounting records are properly designed.

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

- Ensure adequate security of assets and records.
- Plan for adequate segregation of duties or compensating controls.
- Verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.
- Perform analytical procedures to determine the reasonableness of financial data.
- Ensure the collection and compilation of the data needed for the timely preparation of financial statements.
- Monitor activities performed by service organizations.

The Society did not have adequate control procedures over the operation of the annual fair and related gate admissions. In 2005, the Society's admission gate receipts were short \$1,050.65 due to fraud by the ticket-takers who reported to the Treasurer's office. In 2006, different ticket-takers mistakenly admitted children 12 years old and under for free, rather than only children 2 years old and under for free.

Failure to accurately collect, record and maintain annual fair admissions records could cause receipts and fund balances to be stolen or misappropriated. In order to strengthen internal controls over the annual fair admissions receipt process and ensure all receipts are properly deposited, we recommend the Society implement the following procedures:

- The Board should adopt written policies and procedures regarding the financial operation of the annual fair gate admissions;
- Controls should be developed and implemented over the receipts and deposit of funds generated at the annual fair gate(s);
- Each ticket-taker should use a separate numbered sequence of tickets, and initial and date a ticket tally sheet to be completed at the end of their shift;
- All annual fair gate admission receipts collected by ticket-takers should be submitted to an admissions gate manager for verification; the cash collections should be recounted by the manager in the presence of the ticket-taker, with variances between actual cash collected and the amount of cash that should have been collected based on the number of tickets disbursed noted individually and separately for each ticket-taker;
- The admissions gate manager should deposit the admissions receipts to the Society's Treasurer's office, along with the supporting documentation with explanations for any variances noted.

Officials' Response:

The Society has decided to bond all gate employees.



Mary Taylor, CPA
Auditor of State

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
JUNE 24, 2008**