



Mary Taylor, CPA  
Auditor of State



HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Balances - For the Year Ended November 30, 2008 and 2007 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings .....	15

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# Mary Taylor, CPA Auditor of State

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 an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

**Mary Taylor, CPA**  
Auditor of State

November 25, 2009

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# Mary Taylor, CPA

Auditor of State

## 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 the Hamilton County Agricultural Society, Hamilton County, Ohio (the Society), as of and for the years ended November 30, 2008 and 2007. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2008 and 2007 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, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Hamilton County Agricultural Society, Hamilton County, as of November 30, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 25, 2009, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

November 25, 2009

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Operating Receipts:</b>		
Admissions	\$82,756	\$104,843
Privilege Fees	14,126	33,904
Rentals	65,534	44,477
Sustaining and Entry Fees	1,680	1,581
Other Operating Receipts	<u>8,800</u>	<u>9,229</u>
 Total Operating Receipts	 <u>172,896</u>	 <u>194,034</u>
<b>Operating Disbursements:</b>		
Wages and Benefits	32,718	54,117
Utilities	34,266	41,087
Professional Services	41,259	42,966
Equipment and Grounds Maintenance	36,414	39,208
Supplies and Materials	11,450	11,721
Senior Fair	17,857	17,671
Junior Fair	6,657	9,411
Other Operating Disbursements	<u>56,221</u>	<u>26,120</u>
 Total Operating Disbursements	 <u>236,842</u>	 <u>242,301</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>(63,946)</u>	 <u>(48,267)</u>
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	1,924	5,149
County Support	3,300	3,300
Donations/Contributions	<u>64,039</u>	<u>13,687</u>
 Net Non-Operating Receipts (Disbursements)	 <u>69,263</u>	 <u>22,136</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 5,317	 (26,131)
 Cash Balance, Beginning of Year	 <u>18,852</u>	 <u>44,983</u>
 <b>Cash Balance, End of Year</b>	 <b><u><u>\$24,169</u></u></b>	 <b><u><u>\$18,852</u></u></b>

*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 STATEMENTS  
NOVEMBER 30, 2008 AND 2007**

**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 the annual fair. Other year round activities at the fairgrounds including facility rental, stall rental, and community events. The reporting entity does not include any other activities or entities of Hamilton County, Ohio.

Notes 5 summarize 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. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits**

The Society's has an interest bearing checking account valued at cost. The Society had no investments.

**D. Property, Plant, and Equipment**

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2008 AND 2007  
(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.

**2. DEPOSITS**

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	<u>\$24,169</u>	<u>\$18,852</u>
Total deposits	<u><u>\$24,169</u></u>	<u><u>\$18,852</u></u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. RISK MANAGEMENT**

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

**Risk Pool Membership**

The Government 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.

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.

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2008 AND 2007  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

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, 2007 and 2006 (the latest information available):

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,094)</u>
Retained earnings	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$8,657. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b>Contributions to PEP</b>	
2008	\$ 21,115
2007	23,809
2006	14,924

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2008 AND 2007  
(Continued)**

**3. RISK MANAGEMENT (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**4. RELATED PARTY TRANSACTIONS**

Every year the Society employs a security firm for the week of the fair. The Society used for the Pointman Security for security for the fair. Jeff Klei, a current member of the Board of Directors owns Pointman Security. 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 2007. In 2008 the Hamilton County Sherriff Department handled all security.

**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. The Junior Livestock Committee's financial activity for the years ended November 30, 2008 and 2007 which includes Harvest Home fair livestock revenues, expenses, and miscellaneous receipts follows:

	2008	2007
Beginning Cash Balance	\$ 8,140	\$ 7,698
Receipts	34,331	33,814
Disbursements	(33,858)	(33,372)
Ending Cash Balance	\$ 8,613	\$ 8,140



# 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*

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 the Hamilton County Agricultural Society, Hamilton County, Ohio (the Society), as of and for the year ended November 30, 2008 and 2007, and have issued our report thereon dated November 25, 2009, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

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 finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

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 and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Society's management in a separate letter dated November 25, 2009.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Society's management in a separate letter dated November 25, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

November 25, 2009

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Significant 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.
- 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.

**Cash Receipts**

The Society did not have adequate control procedures over the issuance of duplicate receipts. In 2008, twenty percent of receipts tested from the receipt book contained the same receipt number as a previously posted cash receipt in the general ledger. Also, some receipts were not pre-numbered or had a number assigned to it.

Failure to use pre-numbered receipts that are sequentially issued can lead to receipts being posted incorrectly to the financial records and statements, not being able to control the issuance of receipts, and also could lead to the inability to resolve disputes that may arise regarding receipts if the receipt is unable to be tracked. We recommend the Society use pre-numbered receipts at all times when issuing receipts to patrons.

**Gate Receipts**

The Society did not have adequate control procedures over the operation of the annual fair gate admissions. In 2007, ticket-takers mistakenly admitted children 12 years old and under for free, rather than only children 2 years old and under for free resulting in \$830 less revenue being received. Upon discussion with the Secretary/Director it was found that individuals operating gate collections had a miscommunication on the fair policy.

Also in 2007, the deposits made for gate admissions did not match the actual cash amounts received for gate admissions. Fifty-seven percent of deposits made during each day of the fair, did not match the cash received for gate admissions each day. Differences ranged from \$48 to \$256 daily.

**FINDING NUMBER 2008-001  
(Continued)**

Failure to accurately collect, record and maintain annual fair admissions records could cause receipts 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. The annual admission rates should be communicated with the gate collection personnel prior to the start of the fair;
- 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, maintain the first ticket received and also the last ticket after the last ticket sold, 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. Documentation of any known errors in collections should be done daily.

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.

**Official Response:**

We did not receive a response from officials regarding the above finding.

**HAMILTON COUNTY AGRICULTURAL SOCIETY  
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Finding for recovery against Linda Frankenstein	No	Not repaid
2006-002	Significant deficiency – Lack of internal controls over gate collections	No	Reissued as Finding 2008-001





**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  
DECEMBER 15, 2009**