



**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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Mary Taylor, CPA

Auditor of State

Putnam County Agricultural Society
Putnam County
1490 E. Second Street
P.O. Box 47
Ottawa, Ohio 45875-0047

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.

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Mary Taylor, CPA
Auditor of State

June 12, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Putnam County Agricultural Society
Putnam County
1490 E. Second Street
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Directors:

We have audited the accompanying financial statements of the Putnam County Agricultural Society (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.

Instead of the fund the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 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 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 the Putnam County Agricultural Society, 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 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 June 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

June 12, 2007

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

	2006
Operating Receipts:	
Admissions	\$100,284
Privilege Fees	37,377
Rentals	22,053
Sustaining and Entry Fees	63,225
Parimutuel Wagering Commission	1,315
Other Operating Receipts	13,973
Total Operating Receipts	238,227
Operating Disbursements:	
Wages and Benefits	17,674
Utilities	19,329
Professional Services	49,909
Equipment and Grounds Maintenance	29,593
Race Purse	85,523
Senior Fair	13,655
Junior Fair	8,358
Other Operating Disbursements	46,567
Total Operating Disbursements	270,608
Excess of Operating Disbursements Over Operating Receipts	(32,381)
Non-Operating Receipts (Disbursements):	
State Support	29,155
County Support	3,300
Donations/Contributions	20,350
Investment Income	268
Debt Service	(1,501)
Net Non-Operating Receipts (Disbursements)	51,572
Excess of Receipts Over Disbursements	19,191
Cash Balance, Beginning of Year	16,657
Cash Balance, End of Year	\$35,848

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

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

	2005
Operating Receipts:	
Admissions	\$101,565
Privilege Fees	44,219
Rentals	19,440
Sustaining and Entry Fees	53,250
Parimutuel Wagering Commission	3,692
Other Operating Receipts	19,525
Total Operating Receipts	241,691
Operating Disbursements:	
Wages and Benefits	25,156
Utilities	18,432
Professional Services	72,926
Equipment and Grounds Maintenance	47,925
Race Purse	78,906
Senior Fair	6,107
Junior Fair	11,466
Other Operating Disbursements	73,688
Total Operating Disbursements	334,606
Excess of Operating Disbursements Over Operating Receipts	(92,915)
Non-Operating Receipts (Disbursements):	
State Support	32,044
County Support	10,700
Donations/Contributions	34,657
Investment Income	420
Debt Service	(3,001)
Net Non-Operating Receipts (Disbursements)	74,820
Excess of Disbursements Over Receipts	(18,095)
Cash Balance, Beginning of Year	34,752
Cash Balance, End of Year	\$16,657

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

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Putnam County Agricultural Society, Putnam County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1855 to operate an annual agricultural fair. The Society sponsors the week-long Putnam County Fair during June. During the fair, harness races are held, culminating in the running of the Western Ohio Super Stakes. Putnam County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 20 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Putnam County and pay an annual membership fee 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. 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 Putnam County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's 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

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

Certificates of Deposit are valued at cost.

D. Budgetary Process

The Board of Directors did not prepare an operating budget, including estimated receipts and disbursements, for 2006 or 2005.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

F. 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.

G. Race Purse

The Western Ohio Super Stake races are held during the Putnam County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial 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.

H. 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.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

2. CASH

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

	2006	2005
Demand Deposits	\$35,848	\$16,657

Bank balances were covered by Federal Depository Insurance (FDIC).

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2006 and 2005, of \$25,309 and \$28,192, 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.

	2006	2005
Total Amount Bet (Handle)	\$ 6,606	\$ 18,319
Less: Payoff to Bettors	(5,291)	(14,627)
Parimutuel Wagering Commission	1,315	3,692
Tote Service Set Up Fee	(200)	(400)
Tote Service Commission	(575)	(1,680)
State Tax	(157)	(492)
Society Portion	\$ 383	\$ 1,120

4. DEBT

The Society entered into a rental agreement in 2004, for 3.6 acres, to be used for fair parking. It is a 5 year lease with \$1,500 due each year on December 1st, starting 2004.

The Society pays the County \$1 annually for rental of the fairgrounds.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

5. SOCIAL SECURITY

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 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries through November 30, 2006.

6. RISK MANAGEMENT

The Putnam County Commissioners provide general insurance coverage for all the buildings on the Putnam County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability insurance, with an aggregate limit of \$2,000,000. This policy includes wrongful acts coverage with a limit of \$2,000,000 per occurrence. The Society's treasurer and secretary are bonded with coverage of \$20,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2007.

7. CONTINGENT LIABILITIES

The Society is subject to an unasserted claim or assessment involving the fall of an attendee at the fair in 2006. No demands or actions have been made as of June 12, 2007 although legal counsel has been retained to represent the party(s)

8. JUNIOR FAIR BOARD

The Junior Fair Board, 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 Putnam County Fair. The Society disbursed \$8,358 in 2006 and \$11,466 in 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. Putnam County paid the Society \$500 for the years ended November 30, 2006 and 2005, to support Junior Club work. The accompanying financial statements do include the activities of the Junior Fair Board.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

9. 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 Putnam County's auction. A commission of 2.5 percent on auction sales is retained by the Junior Livestock Committee. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2006 and 2005 follows:

	<u>2006</u>	<u>2005</u>
Beginning Cash Balance	\$ 7,740	\$ 13,527
Receipts	265,852	247,840
Disbursements	<u>(252,407)</u>	<u>(253,627)</u>
Ending Cash Balance	<u>\$ 21,185</u>	<u>\$ 7,740</u>

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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*

Putnam County Agricultural Society
Putnam County
1490 E. Second Street
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Directors:

We have audited the financial statements of the Putnam County Agricultural Society (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated June 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2006-001.

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 the reportable condition 2006-001 listed above to be material weaknesses. In a separate letter to the Society's management dated June 12, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

One Government Center / Suite 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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 June 12, 2007, we reported a matter related to noncompliance we deemed immaterial.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

June 12, 2007

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-001

Material Weakness – Monitoring Controls by Board of Directors

The small size of the Society's fiscal operations does not allow for an adequate segregation of duties. The Treasurer performs most accounting functions. It is therefore important that the Board of Directors (the Directors) monitor financial activity closely. The following deficiencies were noted in the monitoring of financial activity by the Directors:

- Neither individual bank reconciliations, nor monthly cash reconciliations of bank balances to the Society books were reviewed by the Directors.
- Some of the minutes were not signed by the Directors.
- A budget was not adopted by the Directors.

These weaknesses could allow posting errors or deficit spending to occur. To improve controls over financial transactions and to reduce the possibility of the possible loss of cash assets we recommend that the following monitoring controls be implemented:

- Monthly bank reconciliations and monthly cash reconciliations of the General Fund balance should be presented to the Directors for review, with their approval documented in the minutes.
- Directors should sign the minutes to show their approval of Board actions taken.
- A complete budget for all expenditure line items should be approved annually by the Directors, based on anticipated available funds. Furthermore, the Directors should routinely receive budget vs. actual reports of expenditures and compare actual amounts to budgeted amounts.

These controls will provide the Directors with the necessary information with which to effectively manage the Society, This information can help answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?

Official's Response:

We did not receive a response from Officials to this finding.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM 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	Accountability over Admissions	No	Partially Corrected. Management Comment Issued.
2004-002	Accountability over Privilege Fees	No	Partially Corrected. Management Comment Issued.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

PUTNAM 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
JULY 5, 2007**