



**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2005 & 2006



Mary Taylor, CPA
Auditor of State

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

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Mary Taylor, CPA

Auditor of State

Sandusky County Agricultural Society
Sandusky County
712 North Street, Suite 101
Fremont, Ohio 43420-1158

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

August 14, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky County Agricultural Society
Sandusky County
712 North Street, Suite 101
Fremont, Ohio 43420-1158

To the Board of Directors:

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

Except as described in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting grandstand admission revenues. These revenues account for 30% and 32% of all admission revenues for the years ended November 30, 2006 and 2005, respectively.

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 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence for amounts reported as admissions in the Society's fund for fiscal years 2006 and 2005, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Sandusky County Agricultural Society, Sandusky 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 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 August 14, 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.



Mary Taylor, CPA
Auditor of State

August 14, 2007

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

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

	2006	2005
Operating Receipts:		
Admissions	\$441,064	\$500,269
Privilege Fees	106,540	97,666
Rentals	146,120	152,832
Other Operating Receipts	84,836	87,614
Total Operating Receipts	778,560	838,381
Operating Disbursements:		
Wages and Benefits	161,824	160,294
Utilities	78,562	61,850
Professional Services	238,400	215,290
Equipment and Grounds Maintenance	170,302	192,992
Senior Fair	57,234	66,090
Junior Fair	25,726	24,668
Capital Outlay	40,302	79,577
Other Operating Disbursements	149,915	157,411
Total Operating Disbursements	922,265	958,172
Deficiency of Operating Receipts Under Operating Disbursements	(143,705)	(119,791)
Non-Operating Receipts (Disbursements):		
State Support	6,451	6,740
County Support	6,000	
Sale of Land		33,509
Donations/Contributions	203,158	110,930
Investment Income	1,100	857
Debt Service	(18,385)	(50,750)
Net Non-Operating Receipts	198,324	101,286
Excess (Deficiency) of Receipts Over (Under) Disbursements	54,619	(18,505)
Cash Balance, Beginning of Year	118,821	137,326
Cash Balance, End of Year	\$173,440	\$118,821

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

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY 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 Sandusky County Agricultural Society, Sandusky 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Sandusky County Fair in August. Sandusky County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Sandusky 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. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including a flea market. The reporting entity does not include any other activities or entities of Sandusky County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes these financial statements present 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 rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribe or permit.

C. Cash

Certificates of deposit are valued at cost.

D. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY 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. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2006, the Society had budgeted receipts of \$1,037,402, actual receipts of \$995,269, resulting in a variance of \$(42,133). Additionally, the Society had budgeted disbursements of \$974,230, actual disbursements of \$940,650, resulting in a variance of \$33,580. For the year ended November 30, 2005, the Society had budgeted receipts of \$1,028,111, actual receipts of \$990,417, resulting in a variance of \$(37,694). Additionally, the Society had budgeted disbursements of \$965,477, actual disbursements of \$1,008,922, resulting in a variance of \$(43,445).

3. CASH

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

	2006	2005
Demand deposits	\$107,340	\$118,221
Cash on hand	1,100	600
Certificates of deposit	65,000	
Total deposits	\$173,440	\$118,821

The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance and the National Credit Union Association insures up to \$100,000 of amounts held in the Fremont Federal Credit Union.

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
Construction Line of Credit	\$2,683	5.00%
Operating Line of Credit		9.25%
Total	\$2,683	

The Construction Line of Credit has a maximum available line of credit of \$100,000, bears an interest rate of five percent, and is due to the Old Fort Banking Company. The note was entered into on August 15, 2003 and matures on August 15, 2013. Proceeds of the note were used to construct a barn and restroom on the fairgrounds and are uncollateralized. The Society has made extra payments on the note in an attempt to pay it off early. The bank requires monthly payments of \$1,107.16 plus accrued interest on the outstanding balance.

The Operating Line of Credit has a maximum available line of \$100,000, bears a variable interest rate, currently at 9.25%, and is due to the Croghan Colonial Bank. The note was entered into on July 1, 2003 and matures on demand. The Society has not drawn funds from this note. The note is uncollateralized.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Construction Line of Credit
2007	\$2,683

5. RISK MANAGEMENT

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

The Sandusky County Commissioners provide general insurance coverage for all the buildings on the Sandusky County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability, director and officer liability, automobile liability, equipment floater and crime coverage, with limits of \$1,000,000 per occurrence and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's Treasurer is bonded with coverage of \$10,000.

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.

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

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

6. SUBSEQUENT EVENTS

On April 26, 2007, the Society entered in to a \$40,135 promissory note with the Fremont Federal Credit Union. The note matures on April 26, 2012, and is uncollateralized. Proceeds of the note will be used to construct a show barn on the fairgrounds.

7. 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 Sandusky County Fair. The Society disbursed \$25,726 in fiscal year 2006 and \$24,668 in fiscal year 2005 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursements. Sandusky County paid the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$1,813	\$3,015
Receipts	26,853	25,917
Disbursements	(25,799)	(27,119)
Ending Cash Balance	\$2,867	\$1,813

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 Sandusky County's auction. A commission of \$10 per head on auction sales covers auction costs. The Junior Livestock Committee retains this money. 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:

	2006	2005
Beginning Cash Balance	\$16,279	\$11,344
Receipts	294,307	302,825
Disbursements	(290,831)	(297,890)
Ending Cash Balance	\$19,755	\$16,279

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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*

Sandusky County Agricultural Society
Sandusky County
712 North Street, Suite 101
Fremont, Ohio 43420-1158

To the Board of Directors:

We have audited the financial statements of the Sandusky County Agricultural Society, Sandusky County (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated August 14, 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 qualified our report due to our inability to obtain sufficient evidential matter supporting grandstand admissions revenue in fiscal years 2006 and 2005. Except as discussed in the preceding sentence, 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 August 14, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-003. In a separate letter to the Society's management dated August 14, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Board of Directors. It is not intended for anyone other than these specified parties.

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Mary Taylor, CPA
Auditor of State

August 14, 2007

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY 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

Bank Reconciliations

Bank reconciliations should be performed monthly. These reconciliations should include bank statement values, less a detailed outstanding check listing plus any other reconciling items, which should agree to the fund balance of the Society as reported in their accounting ledgers. The Society's bank accounts did not reconcile to the fund balance of the Society's accounting records. This lack of control could lead to cash going unaccounted for and has the potential for findings for recovery to be issued as well as audit adjustments. To improve controls over cash, we recommend the following:

1. The Board shall adopt a policy for writing off long outstanding checks. Checks that are over a year old should be written off. This policy should be approved by the Board in their minutes. The actual writing off of the checks should also be approved by the Board in their minutes.
2. The Treasurer shall prepare a listing and track all outstanding checks for all bank accounts.
3. Monthly bank reconciliations, including bank statements, a detailed outstanding check list for all checking accounts, and other reconciling items, should be compared to the fund balance of the Society and be submitted to the Board monthly for their review. This review should be documented in the minutes of the Board and the Board should sign the reconciliation to document their review. It is further recommended that the Board obtain explanations and investigate situations when the accounts do not reconcile.

Officials Response

The Board Treasurer will submit a copy of the bank statement and reconciliation reports to the Board at each monthly meeting. Each Board member will sign a copy of the report which will be kept with the minutes. The Board will also adopt a policy on writing off long outstanding checks.

FINDING NUMBER 2006-002

Material Weakness

Ticket Accountability

The Uniform System of Accounting for Agricultural Societies manual states “all tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold.” The Society used pre-numbered tickets for its grandstand events, but did not account for all tickets given for distribution and did not prepare any reconciliations between expected revenue and actual revenue received. Grandstand admissions accounted for 30% and 32% of all admissions revenue in fiscal years 2006 and 2005, respectively. The lack of proper ticket accountability over grandstand events resulted in a qualified opinion. We recommended the Society account for all tickets and prepare a reconciliation between expected revenues and actual revenues for tickets sold.

Officials Response

The Board will implement policies and procedures to assure that all tickets are properly accounted for.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Revised Code §149.351 provides in part that all records are the property of the public office concerned, and 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 records commissions provided for under §§149.38 to 149.42.

Some of the unused grandstand event tickets from the 2006 and 2005 fairs, as well as two employee time cards could not be located. As a result, the auditors were unable to properly test all admission revenues and payroll disbursements for 2006 and 2005. The lack of documentation over admissions resulted in a qualified opinion. We recommend the Board implement policies and procedures to assure all the Society’s records are retained and stored for audit purposes.

Officials Response

The Board will implement policies and procedures to ensure the safekeeping of all records.

**SANDUSKY COUNTY AGRICULTURAL SOCIETY
SANDUSKY 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	Reportable Condition – Weakness on completeness of contracts.	No	Partially corrected. Reported in the management letter.
2004-002	Reportable Condition – Receipts should be issued for all transactions.	No	Partially corrected. Reported in the management letter.
2004-003	Material Weakness – Board should approve bank reconciliations and adopt a policy on writing off long outstanding checks.	No	Not corrected. Repeated as Finding # 2006-001.
2004-004	Material Weakness – Annual receipt and disbursement ledgers should be prepared.	Yes	



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

SANDUSKY 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
SEPTEMBER 11, 2007**