



Mary Taylor, CPA
Auditor of State

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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Mary Taylor, CPA
Auditor of State

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

To the Board of Directors:

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 Darke County Agricultural Society as of November 30, 2006 and 2005, or its changes in financial position or cash flows 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 Darke County Agricultural Society, Darke County, as of November 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 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 5, 2007

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

	2006
Operating Receipts:	
Admissions	\$659,210
Privilege Fees	351,700
Rentals	277,900
Sustaining and Entry Fees	67,000
Parimutuel Wagering Commission	29,263
Fees	47,542
Other Operating Receipts	98,331
 Total Operating Receipts	 1,530,946
Operating Disbursements:	
Wages and Benefits	207,400
Utilities	196,739
Professional Services	200,850
Equipment and Grounds Maintenance	292,569
Race Purse	141,909
Senior Fair	540,905
Junior Fair	41,898
Capital Outlay	10,432
Other Operating Disbursements	186,804
 Total Operating Disbursements	 1,819,506
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(288,560)
Non-Operating Receipts (Disbursements):	
State Support	31,325
Restricted Support	460,555
Unrestricted Support	5,251
Investment Income	2,242
Debt Service	(114,129)
 Net Non-Operating Receipts (Disbursements)	 385,244
 Excess of Receipts Over Disbursements	 96,684
 Cash Balance, Beginning of Year	 117,494
 Cash Balance, End of Year	 \$214,178

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

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

	2005
Operating Receipts:	
Admissions	\$829,542
Privilege Fees	315,037
Rentals	265,337
Sustaining and Entry Fees	68,050
Parimutuel Wagering Commission	29,598
Fees	40,382
Other Operating Receipts	30,493
Total Operating Receipts	1,578,439
Operating Disbursements:	
Wages and Benefits	216,539
Utilities	247,487
Professional Services	382,859
Equipment and Grounds Maintenance	401,035
Race Purse	146,035
Senior Fair	537,998
Junior Fair	41,909
Capital Outlay	94,685
Other Operating Disbursements	163,546
Total Operating Disbursements	2,232,093
(Deficiency) of Operating Receipts	
(Under) Operating Disbursements	(653,654)
Non-Operating Receipts (Disbursements):	
State Support	37,385
Debt Proceeds	75,000
Restricted Support	410,956
Unrestricted Support	5,680
Investment Income	2,379
Debt Service	(59,549)
Net Non-Operating Receipts (Disbursements)	471,851
(Deficiency) of Receipts (Under) Disbursements	(181,803)
Cash Balance, Beginning of Year	299,297
Cash Balance, End of Year	\$117,494

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

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE 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 Darke County Agricultural Society, Darke County, (the Society) as a body corporate and politic. The Society is an independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded on November 24, 1852, to operate an annual agricultural fair. The Society sponsors the nine day-long Great Darke County Fair during August each year. During the fair, harness races are held, consisting of various speed races. Darke County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eleven directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Darke 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 and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Darke 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 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. 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.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses. These include money for sponsorships and promotions. The receipts for the Junior Livestock Sale are also classified as restricted support.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE 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.

G. Race Purse

The H. M. Parshall stakes race is held during the Darke 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 Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stakes races. They must make payment before a horse can participate in a stakes 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.

I. 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. CASH AND INVESTMENTS

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

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

2. CASH AND INVESTMENTS (Continued)

	2006	2005
Demand deposits	\$33,563	\$113,885
Certificates of deposit	180,615	3,609
Total deposits	\$214,178	\$117,494

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purses for the years ended November 30, 2006 and 2005 was \$18,454 and \$20,304, respectively, as part of the amount shown as State Support.

B. 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)	\$142,593	\$144,615
Less: Payoff to Bettors	(113,330)	(115,017)
Parimutuel Wagering Commission	29,263	29,598
Tote Service Commission	(12,520)	(12,787)
State Tax	(4,223)	(4,023)
Society Portion	\$12,520	\$12,788

4. DEBT

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
Riegle Property Loan	\$60,000	2.50%
Total	\$60,000	

On May 4, 2005, the Society purchased 5.991 acres from Gene and Martha Riegle with a purchase price of \$140,000. The Society made a \$15,000 down payment on May 23, 2005. The remaining \$125,000 was financed at 2.5%, which is payable annually on September 15th. The total interest over the life of loan is \$4,496. The debt payments are issued to the Riegle's. The loan matures on September 13, 2008.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

4. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Land Loan	Interest	Total
2007	\$30,000	\$1,500	\$31,500
2008	30,000	752	30,752
Total	\$60,000	\$2,252	\$62,252

In addition to the property loan above, the Society obtained a line of credit from Second National Bank in June 2005 for \$100,000 of which \$75,000 was used to pay expenses in preparing for the 2005 fair. On August 3, 2006, the bank was repaid in full for the line of credit \$75,918 for principal and interest.

5. RISK MANAGEMENT

The Darke County Commissioners provide general insurance coverage for all the buildings on the Darke County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager is bonded with coverage of \$1,000,000.

A. Risk Pool Membership

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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.

B. Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,00 for each claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

5. RISK MANAGEMENT (Continued)

C. Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

D. 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:

Casualty Coverage	2006	2005
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>
Property Coverage	2006	2005
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>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, 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 \$59,335. This payable includes the subsequent year's contribution due if the Society 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.

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

5. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
2004	\$29,116
2005	32,408
2006	29,668

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must 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 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 was incurred or reported prior to the withdrawal.

6. SUBSEQUENT EVENTS

Line of Credit

On January 29, 2007, the Board approved to transfer \$15,000 at 8.25% interest of the available \$75,000 line of credit at Second National Bank to the Second National Bank general checking account. The Board's intent is that the amount will be paid back when the income increases in March and April of 2007. As of April 30, 2007, the Profit & Loss financial statement had a fund deficit of (\$24,654). The fund balance is expected to increase when the County Fair approaches and will result in a positive fund balance.

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 Darke County Fair. The Society disbursed \$41,898 for 2006 and \$41,909 in 2005 directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$3,845 for 2006 and \$3,852 for 2005 by the state for its support of the Junior Fair Board. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2006, and 2005 follows:

	<u>2006</u>	<u>2005</u>
Beginning Cash Balance	\$732	\$415
Receipts	6,830	10,501
Disbursements	<u>(7,001)</u>	<u>(10,184)</u>
Ending Cash Balance	<u>\$561</u>	<u>\$732</u>

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

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 Darke County Fair's auction. There is no commission collected from the auction. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The treasurer's annual report for the Junior Livestock Sale Committee for November 30, 2005, was unavailable. The Junior Livestock Committee's financial activity for the year ended November 30, 2006, follows:

Beginning Cash Balance	\$3,451
Receipts	58
Disbursements	<u>(2,304)</u>
Ending Cash Balance	<u><u>\$1,205</u></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*

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

To the Board of Directors:

We have audited the financial statements of the Darke 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 5, 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 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 deficiencies described in the accompanying schedule of findings to be a significant deficiencies in internal control over financial reporting: 2006-001 and 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.

**Internal Control Over Financial Reporting
(Continued)**

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 believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated June 5, 2007.

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 June 5, 2007.

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

June 5, 2007

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY**

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

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

FINDING NUMBER 2006-001

Significant Deficiency:

Admission Receipts

The admission receipts records provided for the 2006 and 2005 fairs were incomplete and/or failed to document the stated controls in the following areas:

- Daily gate admission ticket sheets were not maintained for the 2006 fair week. These sheets provide accountability of the tickets sold compared to the revenue collected. The gate admission ticket sheets should be prepared and maintained.
- Season ticket accountability should be improved by the use of sheets to monitor the number of tickets printed versus the number sold.
- In 2005, there were 21 missing season ticket books that could not be accounted for. All of the season ticket books should be maintained to support the number purchased.
- There were no admission ticket reports for the 2005 and 2006 band spectacular and harness races. Without an account of the tickets sold through documentation, there is no accountability and completeness of the revenue. Ticket reports with the first and last tickets sold and reconciliation to the revenue collected should be performed.
- In 2005, the Society had a Monster Truck show. The ticket prices for the event and a detail revenue report was available. However, there were no records maintained of how many attended the event and how many individuals purchased tickets.
- On August 20, 2005, \$9,840 of the gate admissions revenue (account code 1230) was improperly recorded as non-vote ticket revenue (1220). This recording error created an understatement in admissions revenue and overstatement in non-vote revenue.
- The 2006 and 2005 tractor pull and demolition derby's privilege tickets (account code 1260) allowed individuals to buy \$10 wristbands to sit on the infield during these two events. However, there were no records of how many attended or how many wristbands were sold to verify the completeness of this revenue.

As of result of these issues, alternative procedures had to be performed to ensure the completeness and accuracy of admission receipts. The failure to issue tickets and maintain complete and accurate gate receipt sheets could lead to a loss of revenue for the Society as well as the inability to detect errors and omissions promptly.

The Society should review their policies and procedures over ticket sales and implement procedures to improve accountability for admission and season tickets that will verify the accuracy of the tickets sold by reconciling the daily collections with the number of tickets sold at each location.

Officials Response:

None

FINDING NUMBER 2006-002

Significant Deficiency:

Rental Contracts

Our testing of the Society's rental revenues for 2005 and 2006 indicated that basic controls were either missing or not fully implemented during the period due to the following:

- The rental contracts were not pre-numbered to allow management to determine that all the forms were properly accounted for.
- In 2005, the actual contracts were missing for eight ground rental contracts to support \$5,925 of receipts. In 2006, there were fourteen missing ground rental contracts to support \$6,572 in receipts.
- The Society did not charge the lessee/vendor at the Board approved rate in one instance for stall rental. The amount paid on the contract was \$1,520 and they should have paid \$2,280.
- In two instances, building rental contracts were not signed by a member of the Board, Fair Secretary, and the Lessee/Vendor as required since the vendor signature was missing.

As of result of these issues, alternative procedures had to be performed to ensure the completeness and accuracy of rental contracts. The failure to develop and implement basic controls to address these issues could result in the Society's inability to detect errors and irregularities during the normal course of business.

The Society should require that every contract be pre-numbered to allow the Society to account for all the forms printed. The Society should maintain a copy of all contracts issued as proof of purchase to support the revenue received. All Society contracts should clearly state the rates being charged and any deviation from the Board approved rates should be documented and explained on the contract form. The Society should require that all contracts contain the required signatures to show agreement with the contract terms and rates.

Officials Response:

None

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE 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	Privilege Fees and Rental Contracts	No	Rental contracts comment was reissued as finding 2006-002. Privilege fees were partially corrected and a management letter comment issued.
2004-002	Cash Reconciliations	No	Partially corrected and recommendation issued in the management letter



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

DARKE 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 10, 2007**