



**Auditor of State
Betty Montgomery**

**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

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**Auditor of State
Betty Montgomery**

Sandusky 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 1, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Sandusky 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 Agricultural Society, Sandusky County, (the Society) as of and for the years ended November 30, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004 (and 2003). 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 statement referred to above for the year ended November 30, 2004 does 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, 2004, or its change in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Sandusky Agricultural Society, Sandusky County, as of November 30, 2004 and 2003, 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 year ended November 30, 2004. 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 1, 2005, 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.



Betty Montgomery
Auditor of State

August 1, 2005

**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Admissions	\$356,186	\$393,699
Privilege Fees	112,571	101,676
Rentals	144,094	145,731
Other Operating Receipts	<u>68,633</u>	<u>56,281</u>
 Total Operating Receipts	 <u>681,484</u>	 <u>697,387</u>
Operating Disbursements:		
Wages and Benefits	154,446	149,876
Utilities	62,334	60,788
Professional Services	161,187	172,227
Equipment and Grounds Maintenance	170,945	172,114
Senior Fair	61,474	62,936
Junior Fair	26,605	24,720
Capital Outlay	169,244	171,474
Other Operating Disbursements	<u>128,427</u>	<u>110,613</u>
 Total Operating Disbursements	 <u>934,662</u>	 <u>924,748</u>
Deficiency of Operating Receipts Under Operating Disbursements	 <u>(253,178)</u>	 <u>(227,361)</u>
Non-Operating Receipts (Disbursements):		
State Support	7,134	7,541
County Support	41,000	3,000
Debt Proceeds	80,000	20,000
Donations/Contributions	176,617	204,882
Investment Income	1,056	1,053
Debt Service	<u>(34,256)</u>	<u>(256)</u>
 Net Non-Operating Receipts	 <u>271,551</u>	 <u>236,220</u>
 Excess of Receipts Over Disbursements	 18,373	 8,859
 Cash Balance, Beginning of Year	 <u>118,953</u>	 <u>110,094</u>
 Cash Balance, End of Year	 <u>\$137,326</u>	 <u>\$118,953</u>

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

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**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003**

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 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 during 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 including 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 6 and 7, 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 prescribes or permits.

C. 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.

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.

**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(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. BUDGETARY ACTIVITY

For the year ended November 30, 2004, the Society had budgeted receipts of \$1,023,600, actual receipts of \$987,291, resulting in a variance of \$(36,309). Additionally, the Society had budgeted disbursements of \$1,023,600, actual disbursements of \$968,918, resulting in a variance of \$54,582. For the year ended November 30, 2003, the Society had budgeted receipts of \$953,723, actual receipts of \$933,863, resulting in a variance of \$(19,860). Additionally, the Society had budgeted disbursements of \$953,723, actual disbursements of \$925,004, resulting in a variance of \$28,719.

3. CASH

The carrying amount of cash at November 30, 2004 and 2003 follows:

	2004	2003
Demand deposits	\$137,326	\$118,953

The Federal Depository Insurance Corporation insures the Society's bank balances.

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Construction Line of Credit	\$69,219	5.00%
Operating Line of Credit	0	5.25%
Total	\$69,219	

The Construction Line of Credit has a maximum available line of credit of \$100,000, bears an interest rate of 5 percent, and is due to the Old Fort Banking Company. The note was entered into on August 15, 2003 and matures August 15, 2013. Proceeds of the note were used to construct a barn and restroom on the fairgrounds and are uncollateralized. There is no amortization schedule available for this note. 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 5.25 percent, 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.

**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2004 AND 2003
(Continued)**

5. RISK MANAGEMENT

The Society provides health coverage for full-time 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 coverage, and user liability with limits of \$1,000,000 per occurrence and \$5,000,000 aggregate for general liability and \$3,000,000 aggregate for user liability. 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 2005.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Camp Fire Youth organization representatives, is responsible for the Junior Fair Division activities of the Sandusky County Fair. The Society disbursed \$26,605 in fiscal year 2004 and \$24,720 in fiscal year 2003 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. Sandusky County paid the Society \$500 each year to support Junior Club work. 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 years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$4,222	\$2,348
Receipts	28,854	26,700
Disbursements	(30,061)	(24,826)
Ending Cash Balance	\$3,015	\$4,222

7. 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 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, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$17,483	\$16,990
Receipts	313,333	295,241
Disbursements	(319,472)	(294,748)
Ending Cash Balance	\$11,344	\$17,483

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Sandusky 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 Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated August 1, 2005, 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 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 2004-001 through 2004-004.

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 reportable conditions that are also considered material weaknesses. We consider reportable conditions 2004-003 and 2004-004 listed above to be material weaknesses. In a separate letter to the Society's management dated August 1, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 August 1, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

August 1, 2005

**SANDUSKY AGRICULTURAL SOCIETY
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Reportable Condition - Contracted Receipts

The Uniform System of Accounting for Agricultural Societies manual states “deposits and intermediate and final payments for campground, fairground or building rentals and privilege fees shall be receipted and deposited separately as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payments.” The Society does have contracts, but does not track the receipt number along with interim and final payments. This could lead to payments being lost, or unaccounted for, and does not provide an appropriate audit trail. To improve controls over cash receipts, we recommend the Society revise their contracts to include a space for tracking receipt numbers and amounts. It is further recommended the Society track the pre-numbered contracts issued to assure all contracts are accounted for. This can be accomplished through the use of a spreadsheet to track contracts issued and voided, or by storing them in sequential order and accounting for all voided contracts.

FINDING NUMBER 2004-002

Reportable Condition - Receipts

The Uniform System of Accounting for Agricultural Societies manual states “Agricultural societies shall deposit all cash receipts into a society-owned bank account. A multi-part pre-numbered receipt should be completed for each cash receipt, except for ticket sales. The Society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt (e.g., camping contract).” The Society did not issue receipts for all cash received, and did not use a consecutively pre-numbered receipt book throughout the year. This could lead to cash being unsupported and unaccounted for. We recommend the Treasurer obtain receipt books that are consecutively numbered throughout the year, and that a receipt is issued for all transactions of the Society. It is further recommended that the Treasurer note in the receipt book when, and in what amount, deposits are made.

FINDING NUMBER 2004-003

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. To improve controls over cash, we recommend the following:

- 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.

**FINDING NUMBER 2004-003
(Continued)**

- The Treasurer shall prepare a listing and track all outstanding checks for all bank accounts.
- 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 be submitted to the Board monthly for their review. This review should be documented in the minutes of the Board. It is further recommended that the Board obtain explanations and investigate situations when the accounts do not reconcile.

FINDING NUMBER 2004-004

Material Weakness - Accounting Ledgers

The Uniform System of Accounting for Agricultural Societies manual states "Agricultural societies are to maintain a double-entry bookkeeping system which demonstrates the effect of a transaction on at least two accounts – cash and either a receipt or a disbursement account." The Treasurer did complete monthly ledgers that show the effect on a receipt and disbursement account, but there was no ledger to show the complete activity for the year by account. Once these were completed by the Treasurer, as requested by the auditors, the account totals did not agree to the amounts reported in the annual financial report of the Society. As a result, numerous adjustments were made to the annual report so the report would agree to the accounting ledgers provided which resulted in additional audit costs. To improve the accountability of the Society, and to avoid audit adjustments, we recommend the Treasurer prepare annual receipt and disbursement ledgers, and that he use those ledgers to complete the annual report of the Society. It is further recommend that the Board consider the use of a computerized bookkeeping system in order to simplify the accounting process and to eliminate arithmetic errors.



**Auditor of State
Betty Montgomery**

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800-282-0370

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SANDUSKY COUNTY 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
AUGUST 25, 2005**