



**Auditor of State
Betty Montgomery**

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter.....	1
Independent Accountants' Report	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2003	5
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2004	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	15

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**Auditor of State
Betty Montgomery**

Agricultural Society
Scioto County
1718 Oakland Avenue
Portsmouth, Ohio 45662

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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

July 25, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Scioto County
1718 Oakland Avenue
Portsmouth, Ohio 45662

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Scioto County, Ohio (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. 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 changes in financial position or cash flows for the year then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Agricultural Society, Scioto 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 July 25, 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

July 25, 2005

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	2004
Operating Receipts:	
Admissions	\$ 376,862
Privilege Fees	86,161
Rentals	86,312
Other Operating Receipts	59,251
Total Operating Receipts	608,586
Operating Disbursements:	
Wages and Benefits	67,428
Utilities	35,344
Professional Services	236,404
Equipment and Grounds Maintenance	100,856
Senior Fair	15,372
Junior Fair	17,601
Capital Outlay	29,834
Other Operating Disbursements	37,442
Total Operating Disbursements	540,281
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	68,305
Non-Operating Receipts/(Disbursements):	
State Support	7,134
County Support	2,400
Donations/Contributions	33,665
Investment Income	1,853
Debt Service	(71,653)
Net Non-Operating Receipts/(Disbursements)	(26,601)
Excess (Deficiency) of Receipts Over/(Under) Disbursements	41,704
Cash Balance - Beginning of Year	206,230
Cash Balance - End of Year	\$ 247,934

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

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003**

	2003
Operating Receipts:	
Admissions	\$ 336,943
Privilege Fees	82,490
Rentals	75,075
Other Operating Receipts	57,117
Total Operating Receipts	551,625
Operating Disbursements:	
Wages and Benefits	60,510
Utilities	32,180
Professional Services	221,598
Equipment and Grounds Maintenance	89,647
Senior Fair	15,147
Junior Fair	17,612
Capital Outlay	2,540
Other Operating Disbursements	40,311
Total Operating Disbursements	479,545
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	72,080
Non-Operating Receipts/(Disbursements):	
State Support	7,543
County Support	10,400
Debt Proceeds	0
Donations/Contributions	40,501
Investment Income	1,961
Debt Service	(67,840)
Net Non-Operating Receipts/(Disbursements)	(7,435)
Excess (Deficiency) of Receipts Over/(Under) Disbursements	64,645
Cash Balance - Beginning of Year	141,585
Cash Balance - End of Year	\$ 206,230

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

**AGRICULTURAL SOCIETY
SCIOTO 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 Agricultural Society, Scioto 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 1908 to operate an annual agricultural fair. The Society sponsors the week-long Scioto County Fair during August. Scioto County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 24 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Scioto 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, ground track, and community events including Swap days and poultry shows. The reporting entity does not include any other activities or entities of Scioto 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 permits.

C. Cash

Certificates of deposit are valued at cost.

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.

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

2. CASH

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

	2004	2003
Demand deposits	\$177,744	\$136,539
Certificates of deposit	30,000	30,000
Money market account	40,190	39,691
Total deposits	\$247,934	\$206,230

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

3. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
County Fair Facility Bonds	\$730,000	4.35-5.7%

Scioto County loaned the Society \$835,000 in 2000 as part of a various purpose bond issuance to provide funds for the construction of a Livestock Complex at the Scioto County Fairgrounds. The Society is responsible for payment to Scioto County for the bonds.

Amortization of the above debt is scheduled as follows:

Year ending	County Loan	Interest	Total
November 30:			
2005	\$30,000	\$40,213	\$70,213
2006	30,000	38,758	68,758
2007	35,000	37,273	72,273
2008-2012	195,000	158,905	353,905
2013-2017	250,000	98,610	348,610
2018-2020	190,000	21,945	211,945
Total	\$730,000	\$395,703	\$1,125,703

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

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

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2004.

5. RISK MANAGEMENT

Risk Pool Membership

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.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

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

5. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

Financial Position (Continued)

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

6. RELATED PARTIES

During 2004 and 2003, the Society acquired various products and services totaling \$13,534 from Gahm's Car and Truck Parts and Gahm's Super Value. These two businesses are owned by a brother of Board Member Eugene Gahm. Also during 2004 and 2003, various products and services were acquired from Gamps John Deer Sales and Services in the amount of \$4,453. This business is owned by Board member Jerry Gamp.

7. JUNIOR FAIR BOARD

The Junior Fair consists of 4-H, FFA, VICA, Boy and Girl Scouts and local school participants. Its activities are overseen by a four member 4-H advisory committee. The Fair Board's mission is to promote the interest of Scioto County youth through their exhibits and activities at the County Fair. The Jr. Fairboard helps to facilitate events prior to and during the annual fair. The Junior Fair Board does not receive, disburse or hold cash and they do not have a bank account.

8. JUNIOR LIVESTOCK SALE COMMITTEE

The 4-H Market and Breeding Animal 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 Scioto County's auction. Monies to cover the cost of the large livestock auction are generated through a \$10 fee per sale of animal and are retained by the Committee. Monies to cover the cost of the poultry auction are generated through a 5% commission paid to the auctioneer. The accompanying financial statement does not include the activities of the 4-H Market and Breeding Animal Committee. The 4-H Market and Breeding Animal Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 6,341	\$ 9,409
Receipts	23,352	5,167
Disbursements	(21,674)	(8,235)
Ending Cash Balance	<u>\$ 8,019</u>	<u>\$ 6,341</u>



**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***

Agricultural Society
Scioto County
1718 Oakland Avenue
Portsmouth, Ohio 45662

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Scioto County, Ohio (the Society), as of and for the year ended November 30, 2004 and 2003, and have issued our report thereon dated July 25, 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 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 2004-002 .

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. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Society's management dated July 25, 2005, we reported other matters involving internal control over financial reporting which 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2004-001. In a separate letter to the Society's management dated July 25, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report. 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

July 25, 2005

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

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

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

FINDING NUMBER 2004-001

Finding for Recovery

The Society's annually published Fair Book stated gate admission ticket price was \$6.00 per ticket for 2003. The Director assigned to oversee gate collections prepared daily ticket sales records for each gate entrance which listed the total number of tickets sold, the total amount that should have been collected and the total amount actually collected, along with any variance between the total to be collected and the total actually collected. The Director also prepared a weekly ticket sales recap for each gate entrance which listed the total number of tickets sold for the week, the total amount that should have been collected, the total amount deposited and the variance between the total to be collected and the total actually collected.

We recalculated the total number of tickets sold, based on beginning and ending ticket numbers. We multiplied that by the price per ticket and compared the recalculated amount to the recorded fair gate admission ticket receipts in the Assistant Treasurer's receipt ledger. Our results show total fair gate admission ticket receipts being less than the recalculated amount by \$369 in 2003, as documented by the Society. The following table reflects our recalculation:

Number of Gate Admission Tickets Sold	Ticket Price	Recalculated Gate Admissions	Gate Admissions Received	Variance
49070	\$6.00	\$294,420	\$294,051	(\$369)

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery is hereby issued for public monies collected but unaccounted for against Gene Emnett, Director, in the amount of \$369, in favor of the Society County Agricultural Society General Operating Fund.

FINDING NUMBER 2004-002

Reportable Condition

The Agricultural Society should maintain an accounting system and accounting records sufficient to enable the Agricultural Society to identify, assemble, analyze, classify, record and report its transactions, as indicated in Ohio Admin. Code Section 117-2-02 (A) and (B).

The Agricultural Society utilized vending machines for the sale of pop. The total amount collected during 2003 was \$21,417 and during 2004 was \$29,345. These items were purchased by the Agricultural Society and vending machines were stocked and utilized during special events such as the annual fair, Swap Days, etc. Records were not maintained by the Agricultural Society to document amount collected, quantity purchased, beginning inventory, ending inventory, quantity sold and profit from sales. The lack of accountability over these funds could result in an inability to account for items purchased for resale and an inability to verify the amounts collected and recorded to the Agricultural Society's Receipt Ledger.

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-002 (Continued)

Reportable Condition (Continued)

In addition, the Agricultural Society charged parking admission for entrance to the "Swap Days" event. The total amount collected during the year amounted to \$18,900 in 2003 and \$16,300 in 2004. No tickets were issued and no other records were maintained to document the amount collected per individual parking cars, number of cars admitted, etc. The lack of accountability over these funds could result in an inability to identify, assemble, analyze, etc., the amount collected and possible theft of funds.

We recommend the Agricultural Society establish control procedures that would allow them to determine the completeness and existence of revenues. In addition, we recommend the Agricultural Society require records to be maintained to support amounts received from vending machine sales and parking admissions. For vending machine sales such records might include: beginning inventories, purchases, ending inventories, cost of sales, profit from sales, machine collection summaries and summaries of amounts paid into the Assistant Secretary – Treasurer's Office. For parking admission, such records might include tickets and ticket accountability forms. The ticket accountability forms should document the first ticket number sold, the last ticket number sold, total tickets sold and amount collected. This information should be recorded separately for each individual selling the tickets. Control procedures should require a separate individual to compare and/or analyze this information for completeness and existence. The individual performing the verification and review of such records should sign and date the records reviewed indicating any variances noted, etc., as well as any follow up procedures performed.

**AGRICULTURAL SOCIETY
SCIOTO COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-60773-001	Adopt a policy for related party transactions	Yes	
2002-60773-002	Maintain records for vending machine sales	No	See Finding Number 2004-002 in the accompanying Schedule of Findings
2002-60773-003	Utilize tickets for parking receipts	No	See Finding Number 2004-002 in the accompanying Schedule of Findings



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

SCIOTO 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
FEBRUARY 9, 2006**