



**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2005-2004



**Auditor of State
Betty Montgomery**

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

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**Auditor of State
Betty Montgomery**

Fairfield County Agricultural Society
Fairfield County
P.O. Box 945
Lancaster, Ohio 43130

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 Agricultural Society 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**

September 28, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield County Agricultural Society
Fairfield County
P.O. Box 945
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the accompanying financial statements of the Fairfield County Agricultural Society, Fairfield County, Ohio (the Society) as of and for the years ended November 30, 2005 and November 30, 2004. 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, 2005 and 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 Society's to reformat their statements. The Society has elected not to reformat its statements. Since this 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, 2005 and 2004 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, 2005 and November 30, 2004 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Fairfield County Agricultural Society, Fairfield County, Ohio, as of November 30, 2005 and November 30, 2004, 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, 2005 and 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 September 28, 2006 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

September 28, 2006

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

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

	<u>Operating</u>	<u>State and Local</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$3,327	\$0	\$3,327
Admissions	384,218	0	384,218
Privilege Fees	161,649	0	161,649
Sales	4,560	0	4,560
Racing Fees and Charges	52,262	0	52,262
Parimutuel Wagering Commission	14,029	0	14,029
Utilities	34,710	0	34,710
Fees	8,431	0	8,431
Rentals	125,350	0	125,350
State Support	0	32,044	32,044
Local Support	0	4,500	4,500
Restricted Support	46,779	0	46,779
Unrestricted Support	11,809	0	11,809
Investment Income	4,694	0	4,694
Other Receipts	23	0	23
Total Cash Receipts	<u>851,841</u>	<u>36,544</u>	<u>888,385</u>
Cash Disbursements:			
Salaries and Wages	184,285	0	184,285
Benefits	16,733	0	16,733
Administrative	14,307	0	14,307
Racing Supplies	4,441	1,000	5,441
Supplies	28,083	0	28,083
Utilities	63,564	3,033	66,597
Racing Expenses	76,160	24,304	100,464
Professional Services	80,512	0	80,512
Property Services	47,324	1,855	49,179
Advertising	36,510	0	36,510
Repairs	23,786	1,200	24,986
Insurance	25,408	0	25,408
Rent and Lease	14,712	0	14,712
Capital Outlay	25,533	0	25,533
Senior Fair	24,392	800	25,192
Contest Expenses	16,181	0	16,181
Junior Fair	36,995	4,352	41,347
Other Fair	541	0	541
Miscellaneous	13,463	0	13,463
Total Operating Disbursements	<u>732,930</u>	<u>36,544</u>	<u>769,474</u>
Total Receipts Over/(Under) Disbursements	118,911	0	118,911
Fund Cash Balance, December 1, 2004	415,841	0	415,841
Fund Cash Balance, November 30, 2005	<u>\$534,752</u>	<u>\$0</u>	<u>\$534,752</u>

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

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	<u>Operating</u>	<u>State and Local</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$2,812	\$0	\$2,812
Admissions	305,191	0	305,191
Privilege Fees	139,751	0	139,751
Sales	6,170	0	6,170
Racing Fees and Charges	42,012	0	42,012
Parimutuel Wagering Commission	8,554	0	8,554
Utilities	34,281	0	34,281
Fees	8,822	0	8,822
Rentals	124,032	0	124,032
State Support	0	33,982	33,982
Local Support	0	4,500	4,500
Restricted Support	50,229	0	50,229
Unrestricted Support	13,468	0	13,468
Investment Income	3,519	0	3,519
Other Receipts	190	0	190
Total Cash Receipts	<u>739,031</u>	<u>38,482</u>	<u>777,513</u>
Cash Disbursements:			
Salaries and Wages	183,230	0	183,230
Benefits	16,733	0	16,733
Administrative	14,573	0	14,573
Racing Supplies	7,311	1,000	8,311
Supplies	33,791	0	33,791
Utilities	59,564	5,056	64,620
Racing Expenses	62,445	25,848	88,293
Professional Services	86,430	0	86,430
Property Services	45,990	0	45,990
Advertising	33,756	0	33,756
Repairs	43,699	1,200	44,899
Insurance	24,730	0	24,730
Rent and Lease	13,569	0	13,569
Capital Outlay	57,090	0	57,090
Senior Fair	24,277	800	25,077
Contest Expenses	15,714	0	15,714
Junior Fair	36,861	4,578	41,439
Other Fair	338	0	338
Miscellaneous	14,137	0	14,137
Total Operating Disbursements	<u>774,238</u>	<u>38,482</u>	<u>812,720</u>
Total Receipts Over/(Under) Disbursements	(35,207)	0	(35,207)
Fund Cash Balance, December 1, 2003	451,048	0	451,048
Fund Cash Balance, November 30, 2004	<u><u>\$415,841</u></u>	<u><u>\$0</u></u>	<u><u>\$415,841</u></u>

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

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fairfield County Agricultural Society, Ohio, (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1850 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Fairfield County Fair during October. Fairfield County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of sixteen directors serving staggered three-year terms, elected from the membership of 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 including facility and storage rental, and community events including trade shows, horse shows and classic car shows.

As discussed in Note 7, Junior Fair Board activity is reflected in the accompanying financial statements.

The reporting entity does not include any other activities or entities of Fairfield County, Ohio. The financial activity of the Junior Livestock Sale is summarized in Note 8.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financials 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 includes adequate disclosure of material matters, as the Auditor of State prescribes 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.

The Society values certificates of deposit at cost.

D. Fund Accounting

The Society uses fund accounting to segregate cash and investments that are restricted as to use. The Society classifies its funds into the following types:

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Operating Fund

The Operating Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

State and Local Grant Fund

This fund is used to account for proceeds from specific sources (other than from trusts), i.e. stake racing monies, that are restricted to expenditure for specific purposes.

E. Budgetary Process

An operating budget is prepared annually by the Fair Manager and Board of Directors, including estimated revenues and expenses. The budget is approved by the Board during the first two months of each fiscal year. The Fair Manager and Treasurer review the budget throughout the year and compared with actual results. Significant variances with the budget are discussed with the Board, if considered necessary by the Fair Manager and Treasurer.

F. 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.

G. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

H. 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.

I. Race Purse

Harness races are conducted during the Fairfield County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Race Purse (Continued)

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See Note 4 for additional information.

J. 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 determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel 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 Parimutuel Wagering Commission. See Note 4 for additional information.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2005, the Society had budgeted receipts of \$777,600, actual receipts of \$888,385, resulting in a favorable variance of \$110,785. Additionally, the Society had budgeted disbursements of \$802,920, actual disbursements of \$769,474, resulting in a favorable variance of \$33,446.

For the year ended November 30, 2004, the Society had budgeted receipts of \$777,500, actual receipts of \$777,513, resulting in a favorable variance of \$13. Additionally, the Society had budgeted disbursements of \$841,835, actual disbursements of \$812,720, resulting in a favorable variance of \$29,115.

3. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2005 and November 30, 2004 is as follows:

	2005	2004
Demand deposits	\$159,907	\$45,989
Certificates of deposit	374,845	369,852
Total deposits	534,752	415,841

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

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

4. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purses for the year ended November 30, 2005 and November 30, 2004 was \$20,304 and \$21,848, respectively as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements, 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.

	2005	2004
Total Amount Bet (Handle)	\$ 71,303	\$ 46,574
Less: Payoff to Bettors	(56,831)	(37,127)
Parimutuel Wagering Commission	14,472	9,447
Tote Service Set Up Fee	0	(800)
Tote Service Commission	(6,420)	(4,045)
State Tax	(1,895)	(1,293)
Society Portion	\$ 6,157	\$ 3,309

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, 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, 2005.

6. RISK MANAGEMENT

The Fairfield County Commissioners provide general insurance coverage for all the buildings on the Fairfield County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. A private company provides general liability insurance, with limits of \$1,000,000 and \$5,000,000 aggregate, and vehicle insurance. The policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Fair Manager is bonded with coverage of \$30,000.

The Society provides workers compensation coverage on all employees through Compensation Consultants Incorporated. Coverage is currently in effect through June 30, 2006.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

7. JUNIOR FAIR BOARD

A member of the Board of Directors also serves as a member of the Junior Fair Board. The Junior Fair Board discusses activities and makes recommendations to the Society's Board of Directors. All decisions about Junior Fair activities must be approved by the Society. The financial activities of the Junior Fair are included in the Society's financial statements

8. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Sale, an auction held during fair week, is managed by Ohio Fair Services, Inc. Children may sell their animals directly to market or through auction. Monies to cover the cost of the auction are generated through a 3.5% commission assessed on the auction price and are retained by the Ohio Fair Services, Inc. Total receipts from the livestock sale during the fair were, \$337,615 for fiscal year 2005 and \$354,913 for fiscal year 2004. The accompanying financial statements do not include the activities of Ohio Fair Services, Inc.

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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*

Fairfield County Agricultural Society
Fairfield County
P.O. Box 945
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the financial statements of Fairfield County Agricultural Society, Fairfield County, Ohio (the Society) as of and for the years ended November 30, 2005 and November 30, 2004, and have issued our report thereon dated September 28, 2006, wherein we noted that the Society prepared its financial statements using 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. In a separate letter to the Society's management dated September 28, 2006, 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 September 28, 2006 we reported an other matter 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.

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

Betty Montgomery
Auditor of State

September 28, 2006

FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Expenditures exceeded budget amounts	Yes	N/A



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

FAIRFIELD 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
NOVEMBER 9, 2006**