



**Auditor of State
Betty Montgomery**

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

Agricultural Society
Ottawa County
7870 W. State Route 163, P.O. Box 28
Oak Harbor, Ohio 43449-8706

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

October 18, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Ottawa County
7870 W. State Route 163, P.O. Box 28
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the accompanying financial statements of the Ottawa County Agricultural Society, Ottawa County, (the Society) as of and for the years ended November 30, 2005 and 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 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 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 or 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 cash balances of the Society, as of November 30, 2005 and 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 October 18, 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

October 18, 2006

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

	2005
Operating Receipts:	
Admissions	\$151,989
Privilege Fees	28,484
Rentals	72,034
Sustaining and Entry Fees	32,250
Parimutuel Wagering Commission	4,666
Other Operating Receipts	9,589
Total Operating Receipts	299,012
Operating Disbursements:	
Wages and Benefits	18,656
Utilities	25,588
Professional Services	110,758
Equipment and Grounds Maintenance	23,500
Race Purse	62,600
Senior Fair	6,727
Junior Fair	26,639
Capital Outlay	5,315
Other Operating Disbursements	87,356
Total Operating Disbursements	367,139
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(68,127)
Non-Operating Receipts (Disbursements):	
State Support	32,044
County Support	18,600
Unrestricted donations/contributions	15,215
Restricted donations/contributions	9,542
Investment Income	1,364
Other financing sources	43
Debt Service	(595)
Net Non-Operating Receipts (Disbursements)	76,213
Excess of Receipts Over Disbursements	8,086
Cash Balance, Beginning of Year	60,600
Cash Balance, End of Year	\$68,686

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

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

	2004
Operating Receipts:	
Admissions	\$152,550
Privilege Fees	33,479
Rentals	64,787
Sustaining and Entry Fees	29,109
Parimutuel Wagering Commission	7,226
Other Operating Receipts	11,785
Total Operating Receipts	298,936
Operating Disbursements:	
Wages and Benefits	17,316
Utilities	24,417
Professional Services	89,383
Equipment and Grounds Maintenance	23,543
Race Purse	64,893
Senior Fair	6,638
Junior Fair	22,920
Capital Outlay	19,297
Other Operating Disbursements	82,134
Total Operating Disbursements	350,541
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(51,605)
Non-Operating Receipts (Disbursements):	
State Support	33,982
County Support	18,600
Unrestricted donations/contributions	1,389
Restricted donations/contributions	12,906
Investment Income	649
Debt Service	(5,157)
Net Non-Operating Receipts (Disbursements)	62,369
Excess (Deficiency) of Receipts (Under) Disbursements	10,764
Cash Balance, Beginning of Year	49,836
Cash Balance, End of Year	\$60,600

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

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

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, Ottawa 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 1964 to operate an annual agricultural fair. The Society sponsors the week-long Ottawa County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series. Ottawa 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 Ottawa 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, harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Ottawa County, Ohio.

As discussed in Note 6, Junior Fair Board Activity is reflected in the accompanying financial statements.

The financial activity of the Junior Livestock Sale Committee's is summarized in Note 7. Its activity is not reflected in the accompanying financial statements.

The Society's management believes this financial statement 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.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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.

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.

H. Race Purse

Ohio State Race Series stake races are held during the Ottawa 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 Northwestern Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake 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.

I. 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.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30 follows:

	2005	2004
Demand deposits	\$68,286	\$60,200
Cash on hand	400	400
Total cash on hand and deposits	\$68,686	\$60,600

The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2005 and 2004, in the amounts of \$20,304 and \$21,848.

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.

	2005	2004
Total Amount Bet (Handle)	\$ 23,460	\$ 36,072
Less: Payoff to Bettors	18,794	28,846
Parimutuel Wagering Commission	4,666	7,226
Tote Service Set Up Fee	900	900
Tote Service Commission	2,085	3,506
State Tax	558	931
Society Portion	\$ 1,123	\$ 1,889

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

4. DEBT

Ottawa County loaned the Society \$100,000 on December 20, 2000, for the building of an office complex. The Society was to repay the loan to the County at a rate of twenty thousand dollars (\$20,000) per year plus interest of 4 percent. The County Commissioners have forgiven the principal that was due in 2001 and 2002 in the amount of \$40,000. The Society has repaid \$5,000 in 2003 and \$3,400 in 2004. As of November 30, 2005, the Society owed \$51,600. The Society is currently preparing an amended amortization schedule for the County based on their ability to pay.

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 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. 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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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 2005 was \$1,682,589.

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 township.

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

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

5. RISK MANAGEMENT – (Continued)

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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and 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.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The Society's share of these unpaid claims is approximately \$19,414.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, and FCCLA organization representatives, is responsible for the Junior Fair Division activities of the Ottawa County Fair.

The Junior Fair Board activity is accounted for in the accounting records of the Society and is reflected in the accompanying financial statements. The Society subsidizes the Junior Fair Division to the extent necessary each year.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

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 the Ottawa County's auction. A commission of 6 percent on grand champions and 3 percent on other auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30 follows:

	2004	2005
Beginning Cash Balance	\$ 10,020	\$ 11,691
Receipts	191,924	187,987
Disbursements	<u>(190,253)</u>	<u>(187,317)</u>
Ending Cash Balance	<u>\$ 11,691</u>	<u>\$ 12,361</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
Ottawa County
7870 W. State Route 163, P.O. Box 28
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the financial statements of the Ottawa County Agricultural Society (the Society) as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated October 18, 2006, 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. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated October 18, 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 October 18, 2006, we reported a matter related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, 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

October 18, 2006



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

OTTAWA 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**