



**Auditor of State
Betty Montgomery**

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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**Auditor of State
Betty Montgomery**

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

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

December 8, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the accompanying financial statements of Adams County Agricultural Society, Adams County, Ohio (the Society), as of and for the fiscal 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 fiscal 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 statements referred to above for the fiscal year ended November 30, 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, 2004, or its changes in financial position or cash flows for the fiscal year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Adams County Agricultural Society, Adams County, as of November 30, 2004 and 2003, and its combined cash receipts and disbursements for the fiscal 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 fiscal 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 December 8, 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

December 8, 2005

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

	2004	2003
Operating Receipts:		
Admissions	\$180,053	\$170,976
Privilege Fees	35,430	27,087
Rentals	15,330	13,421
Other Operating Receipts	25,854	19,176
 Total Operating Receipts	 256,667	 230,660
Operating Disbursements:		
Wages and Benefits	14,112	11,022
Utilities	18,092	24,570
Professional Services	75,832	68,329
Equipment and Grounds Maintenance	34,455	34,295
Senior Fair	33,471	28,261
Junior Fair	17,100	8,160
Capital Outlay	2,785	37,752
Other Operating Disbursements	56,889	48,505
 Total Operating Disbursements	 252,736	 260,894
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 3,931	 (30,234)
Non-Operating Receipts (Disbursements):		
State Support	7,134	7,541
County Support	2,800	2,995
Debt Proceeds	25,000	74,500
Restricted Donations/Contributions	9,720	7,535
Unrestricted Donations/Contributions	16,934	20,903
Interest Earnings	289	8
Other Financings Sources	170	909
Debt Service	(46,879)	(59,850)
 Net Non-Operating Receipts (Disbursements)	 15,168	 54,541
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 19,099	 24,307
 Cash Balance, Beginning of Year	 27,734	 3,427
 Cash Balance, End of Year	 \$46,833	 \$27,734

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

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**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS 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 Adams County Agricultural Society, Adams County, Ohio (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 to operate an annual agricultural fair. The Society sponsors the week-long Adams County Fair during July. Adams County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of nineteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Adams County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and other year round activities at the fairgrounds including facility rental and community events. The reporting entity does not include any other activities or entities of Adams 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 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 Deposits

The Society's accounting basis includes certificates of deposit in its cash balances. Accordingly, this basis does not report certificate of deposit purchases as disbursements or certificate of deposit redemption as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. CASH DEPOSITS

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

	2004	2003
Demand deposits	\$11,291	\$2,742
Money Market Fund Deposit Account	\$35,542	\$10,658
Certificates of deposit	-	14,334
Total deposits and Investments	46,833	27,734

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

3. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
USDA Mortgage Loan	\$134,693	5.75%
House Installment Loan	5,461	6.00%
Mortgage Loan	30,600	6.50%
Total	\$170,754	

The United States Department of Agriculture (USDA) Mortgage Loan bears an interest rate of 5.75% and is due to USDA Rural Development. The note was entered into on June 22, 1988 and matures on June 22, 2018. Proceeds of the note were used to construct a cattle barn and the USDA Rural Development has a mortgage against the cattle barn.

The House Installment Loan is a variable rate secured loan and is due to a local financial institution. The loan was taken out for \$10,130 on February 15, 2002 and matures on February 15, 2007. Proceeds of the loan were used to purchase a house and lot adjacent to the fairgrounds. The interest rate on the loan at November 30, 2004 is 7.25%. The loan is collateralized by the house and the land.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

3. DEBT (Continued)

The Mortgage Loan for a house purchased on Boyd Avenue bears an interest rate of 6.5% and is due to a local financial institution. The loan was taken out for \$37,500 on May 12, 2003 and matures on October 1, 2012. Proceeds of the loan were used to purchase a house and lot on 806 Boyd Avenue, adjacent to the fairgrounds. The interest rate on the loan at November 30, 2004 is 6.5%. The loan is collateralized by the house and the land.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	USDA Mortgage Loan	House Installment Loan	Mortgage Loan	Total
2005	14,334	2,360	5,023	\$21,717
2006	14,334	2,360	5,023	21,717
2007	14,334	1,180	5,023	20,537
2008	14,334		5,023	19,357
2009	14,334		5,023	19,357
2010-2014	71,670		15,069	86,739
2015-2018	57,336			57,336
Total	<u>\$200,676</u>	<u>\$5,900</u>	<u>\$40,184</u>	<u>\$246,760</u>

4. RISK MANAGEMENT

The Adams County Commissioners provide general insurance coverage for all the buildings on the Adams County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$6,000,000 and \$6,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Adams County Fair. The Society disbursed \$5,100 directly to the Junior Fair Board and \$9,611 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$8,287 by the Ohio Department of Agriculture for its support of Junior Club Work. Adams County paid the Society \$5,600 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 are as follows:

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

6. JUNIOR FAIR BOARD (Continued)

	2004	2003
Beginning Cash Balance	\$ 4,127	\$ 8,000
Receipts	23,755	19,224
Disbursements	(19,722)	(23,098)
Ending Cash Balance	\$ 8,160	\$ 4,127

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 Adams County's auction. A commission of 3 percent on 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 years ended December 31, 2004 and 2003 are as follows:

	2004	2003
Beginning Cash Balance	\$ 7,148	\$ 9,225
Receipts	220,340	206,614
Disbursements	(218,264)	(205,373)
Ending Cash Balance	\$ 9,225	\$ 10,466

8. COMPLIANCE

The Society did not deposit receipts in accordance with Ohio Revised Code, Section 9.38.



**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***

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the financial statements of the Adams County Agricultural Society, Adams County, Ohio (the Society), as of and for the year ended November 30, 2004 and 2003, and have issued our report thereon dated December 8, 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 to be 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 Adams County Agricultural Society's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 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. We also noted other matters involving the internal control over financial reporting that do not require inclusion in the report, that we have reported to management of the Society in a separate letter dated December 8, 2005.

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 that 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 December 8, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

December 8, 2005

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS 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

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 9.38, provides, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit.

\$6,121 of the Society's receipts for fiscal year 2003 was not deposited in compliance with Ohio Rev. Code Section 9.38. These receipts, which represent 2% of the Society's total receipts for fiscal year 2003, were not deposited to the Society's bank account and were used to make cash payments to vendors, fair contest winners, and creditors. Also, other deposits were not made in a timely manner during the course of the 2003 fair. Failure to deposit funds in accordance with Ohio Rev. Code Section 9.38 could result in misappropriation of funds, since payments made directly from receipts were not subject to the normal payment approval or documentation requirements.

The Uniform System of Accounting for Agricultural Societies Manual further provides that all cash receipts shall be deposited into the checking account and all cash disbursements shall be made by a check redeemable against the checking account. Agricultural societies shall not make payments out of un-deposited receipts. We recommend the society implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt and that all cash disbursements are made by a check redeemable against the checking account.

FINDING NUMBER 2004-002

Reportable Condition

Receipts

The following conditions were noted during receipts testing:

- Season pass receipts were commingled with other receipts on the deposit and complimentary passes given were not documented.
- Pre-numbered duplicate tickets were not used for all ticketed events.
- Contracts were not maintained for all rental activities.

Proper supporting documentation should be maintained for all receipts. Failure to maintain appropriate accounting records may adversely affect the decision of management and could result in inaccurate financial reporting. To improve accountability over receipts, we recommend the following:

- The Society should reference the season pass numbers sold on each deposit and posting and documentation on complimentary passes given should be maintained.

**FINDING NUMBER 2004-002
(Continued)**

- Pre-numbered, duplicate tickets should be used for all events. A signed ticket tally sheet with worker names and beginning and ending ticket numbers listed should be maintained for all events. A completed ticket inventory recap before the event, and verification at the end of the event would provide better accountability. Daily ticket reconciliations should match deposits made.
- Contracts should be completed and maintained for all rental activities of the Society. These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. All contracts should be dated, completed prior to the event, and all required information on the contracts should be completed. Contracts should be marked "Paid in full" once complete payment has been received.

ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS 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>
2002-001	Ohio Rev. Code, Section 9.38, depositing timely.	No	Not Corrected. Finding in current audit report.



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

ADAMS 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
DECEMBER 30, 2005**