



**Auditor of State
Betty Montgomery**

AGRICULTURAL SOCIETY
WASHINGTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We were engaged to audit the accompanying financial statements of the Agricultural Society, Washington County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003. The financial statements are the responsibility of the Society's management.

The Society was unable to adequately protect the supporting documentation for the Society's financial transactions for 2004 and 2003 from flood damage. Most of this supporting documentation was destroyed or otherwise unavailable for audit. We were, therefore, unable to apply generally accepted auditing procedures to satisfy ourselves in regards to the cash receipts and cash disbursements of the Society for both 2004 and 2003.

Because we were unable to satisfy ourselves as to the completeness and valuation of the cash receipts and cash disbursements, as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above of the Agricultural Society, Washington County, Ohio, for the years ended November 30, 2004 and 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 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.

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Betty Montgomery
Auditor of State

September 23, 2005

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**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

	<u>2004</u>	<u>2003</u>
Operating Receipts:		
Admissions	\$ 212,511	\$ 184,178
Privilege Fees	33,364	27,470
Rentals	114,808	132,005
Sustaining and Entry Fees	15,146	17,710
Racing Fees and Charges	29,477	24,483
Other Operating Receipts	<u>39,132</u>	<u>37,026</u>
 Total Operating Receipts	 <u>444,438</u>	 <u>422,872</u>
Operating Disbursements:		
Wages and Benefits	17,799	25,707
Utilities	47,964	44,561
Professional Services	100,828	189,028
Equipment and Grounds Maintenance	112,029	135,957
Race Purse	59,731	50,953
Senior Fair	11,905	14,752
Junior Fair	17,693	17,760
Capital Outlay	468,416	31,958
Other Operating Disbursements	<u>67,199</u>	<u>43,330</u>
 Total Operating Disbursements	 <u>903,564</u>	 <u>554,006</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>(459,126)</u>	 <u>(131,134)</u>
Non-Operating Receipts/(Disbursements):		
State Support	33,982	36,925
County Support	3,300	13,496
Debt Proceeds	400,000	
Donations/Contributions - Restricted	24,169	92,563
Donations/Contributions - Unrestricted	101,397	11,762
Investment Income		94
Debt Service:		
Redemption of Principal	(61,988)	(72,387)
Interest and Other Fiscal Charges	<u>(22,058)</u>	<u>(8,261)</u>
 Net Non-Operating Receipts/(Disbursements)	 <u>478,802</u>	 <u>74,192</u>
Excess (Deficiency) of Receipts Over/(Under) Disbursements	19,676	(56,942)
Cash Balance - Beginning of Year	<u>23,749</u>	<u>80,691</u>
 Cash Balance - End of Year	 <u>\$ 43,425</u>	 <u>\$ 23,749</u>

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

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**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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, Washington County (the Society), as a body corporate and politic. The Society is an agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the four day Washington County Fair over Labor Day weekend. During the fair, harness races are held. Washington County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Washington 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 and other year round activities at the fairgrounds including facility rental, track and stall rental, and community events such as the July 4 celebration. The reporting entity does not include any other activities or entities of Washington County, Ohio.

The financial activity of the Junior Fair Board is included in the Society's books. Note 6 summarizes the 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. 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.

D. 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.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Race Purse

Harness stake races are held during the Washington 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 U.S. Trotting 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. These fees are reflected on the accompanying financial statement 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.

F. Parimutuel Wagering

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. The Society's commission amount is not separately identified on the accompanying financial statement.

2. CASH

The carrying amount of cash at November 30, follows:

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 43,425	\$ 23,749

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

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2004 and 2003, amounted to \$33,982 and \$36,925, respectively, as State Support.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

3. HORSE RACING (Continued)

Parimutual 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.

4. RELATED PARTY TRANSACTION

The Society engaged in business with Ron's Port-A-John, which is owned by Board of Directors member Ron Brooker. These transactions totaled \$3,540 in 2003 and \$3,922 in 2004.

5. DEBT

Debt outstanding at November 30, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage - Grandstand	\$ 94,506	8.75%
Mortgage - Capital Improvements	13,644	8.75%
Mortgage - Multi-Purpose Arena	400,000	5.50%
Lease/Purchase - Mower	2,097	7.76%
Lease/Purchase - Tractor, Loader, Backhoe	6,370	7.12%
Total	<u>\$ 516,617</u>	

The mortgage for the Grandstand is due to Peoples Bank. It was entered into on April 19, 1996 and matures October 20, 2007. Proceeds were used to purchase a grandstand. The land was mortgaged as security for this note.

The mortgage for capital improvements is due to Peoples Bank. It was entered into on February 15, 2000 and matures February 15, 2006. Proceeds were used for capital improvements to a kitchen. The land was mortgaged as security for this note.

The mortgage for the Multi-Purpose Arena is due to Settlers Bank. It was entered into on April 23, 2004 and matures October 23, 2024. Proceeds were used to construct a multi-purpose arena. The land was mortgaged as security for this note.

The lease/purchase agreement for the mower is due to John Deere Credit, Inc. The lease/purchase agreement was entered into on September 17, 2001 and matures September 17, 2006. The equipment was pledged as security interest for this agreement.

The lease/purchase for the tractor, loader, and backhoe is due to John Deere Credit, Inc. The lease/purchase agreement was entered into on January 29, 2001 and matures December 29, 2005. The equipment was pledged as security interest for this agreement.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year ending November 30:	Grandstand	Capital Improvements	Multi- Purpose Arena	Mower	Tractor, Loader, Backhoe	Total
2005	\$ 41,977	\$ 13,889	\$ 33,019	\$ 1,228	\$ 6,629	\$ 96,742
2006	41,977		33,019	1,023		76,019
2007	26,232		33,019			59,251
2008			33,019			33,019
2009			33,019			33,019
2010 - 2014			165,095			165,095
2015 - 2019			165,095			165,095
2020 - 2024			165,095			165,095
2025			33,019			33,019
Total	<u>\$ 110,186</u>	<u>\$ 13,889</u>	<u>\$ 693,399</u>	<u>\$ 2,251</u>	<u>\$ 6,629</u>	<u>\$ 826,354</u>

6. RISK MANAGEMENT

The Washington County Commissioners provide general insurance coverage for all the buildings on the Washington County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. A private company provides general liability insurance.

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 Washington County's auction. A commission of three 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 November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 7,808	\$ 5,914
Receipts	15,614	6,258
Disbursements	<u>(12,919)</u>	<u>(4,364)</u>
Ending Cash Balance	<u>\$ 10,503</u>	<u>\$ 7,808</u>

8. SUBSEQUENT EVENTS

During 2005, the Society received over \$80,000 in Federal Emergency Management Agency receipts related to damages caused by the flooding of September 2004. The State share of these receipts (25%) is expected to be received in 2006.



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
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We were engaged to audit the financial statements of the Agricultural Society, Washington County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated September 23, 2005. We did not express an opinion on the cash receipts and cash disbursements of the Society for the years ended November 2004 and 2003 because of the destruction or unavailability of the financial records.

Internal Control Over Financial Reporting

In planning and performing certain procedures, we considered the Society's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statement 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 September 23, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2004-001 through 2004-003. In a separate letter to the Society's management dated September 23, 2005, we reported another matter related to noncompliance we deemed immaterial.

Agricultural Society
Washington County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

September 23, 2005

**AGRICULTURAL SOCIETY
WASHINGTON 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

Ohio Rev. Code Section 117.38 states cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end.

As of the date of this report, the Society had not yet filed either the 2003 or 2004 annual reports with the Auditor of State. Failure to do so could result in penalties or other administrative actions being assessed against the Society.

We recommend the Society ensure annual financial reports are filed with the Auditor of State in a timely manner.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 121.22 states all meetings of any public body are declared to be public meetings open to the public at all times. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions. A resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body.

There were instances noted in the minutes where the Board granted the Executive Committee the power to take action, such as refinancing a loan and obtaining a loan. These actions appeared to be taken, but were not subsequently approved by the Board. In addition, there were instances noted in the minutes where the Executive Committee had taken action then reported it to the Board, and again, these actions were not subsequently approved by the Board. In addition, there are no minutes recorded from the Executive Committee meetings. There was no authorization in the Society's By-Laws to grant the Executive Committee power to take action on behalf of the entire Board. This could call into question the validity of actions taken by the Executive Committee.

We recommend the Society refrain from authorizing the Executive Committee to act on its behalf. Any actions taken by Executive Committee should be approved by the Board and this approval should be reflected in the minutes. In addition, minutes should be recorded from all Executive Committee meetings and be made available for public inspection.

**AGRICULTURAL SOCIETY
WASHINGTON 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)
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FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Rev. Code Section 149.351 establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, damaged or otherwise disposed of, in whole or in part, except as provided by law or under the rules adopted by the Records Commission provided under Sections 149.38 to 149.52 of the Ohio Revised Code.

The fairgrounds, as well as the Society's offices, were devastated by flooding in September 2004. As a result, supporting documentation for receipts and disbursements was not available for audit.

We recommend the Society and management take the necessary steps to ensure the integrity of the records. The Society should develop a disaster recovery plan which could include the off-site storage and periodic backup of critical financial records and/or other information (both financial and operational). This could include, but not be limited to, off-site storage and protection of current (vouchers, receipts, financial ledgers, etc.) and permanent records (minutes, payroll, etc.).



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

WASHINGTON 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 20, 2005**