



**Auditor of State
Betty Montgomery**

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

TABLE OF CONTENTS

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

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**Auditor of State
Betty Montgomery**

Brown County Agricultural Society
Brown County
325 W. State Street
Georgetown, Ohio 45121

To the Board:

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, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brown County Agricultural Society
Brown County
325 W. State Street
Georgetown, Ohio 45121

To the Board

We have audited the accompanying financial statements of the Brown County Agricultural Society, Brown County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Brown County Agricultural Society, Brown County, as of November 30, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 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

October 18, 2005

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

	2004	2003
Operating Receipts:		
Admissions	\$398,388	\$395,816
Privilege Fees	64,493	65,954
Rentals	97,687	86,523
Sustaining and Entry Fees	17,408	17,450
Other Operating Receipts	16,758	44,965
Total Operating Receipts	594,734	610,708
Operating Disbursements:		
Wages and Benefits	25	13,375
Utilities	59,985	59,178
Professional Services	126,235	123,735
Equipment and Grounds Maintenance	166,571	137,351
Senior Fair	26,166	23,718
Junior Fair	20,698	17,431
Capital Outlay	121,465	47,002
Other Operating Disbursements	118,441	118,614
Total Operating Disbursements	639,586	540,404
Deficiency of Operating Receipts under Operating Disbursements	(44,852)	70,304
Non-Operating Receipts (Disbursements):		
State Support	7,134	7,541
County Support	3,300	3,300
Donations/Contributions	23,119	8,175
Investment Income	2,205	2,004
Debt Service	(6,679)	(21,560)
Net Non-Operating Receipts (Disbursements)	29,079	(540)
Excess of Receipts Over Disbursements	(15,773)	69,764
Cash Balance, Beginning of Year	265,631	195,867
Cash Balance, End of Year	\$249,858	\$265,631

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

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**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN 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 Brown County Agricultural Society, Brown 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 in 1851 to operate an annual agricultural fair. The Society sponsors the week-long Brown County Fair during September. Brown County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 16 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Brown County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, horse shows and tractor pulls. The reporting entity does not include any other activities or entities of Brown County, Ohio.

Notes 8 and 9, 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

Interest earned is recognized and recorded when received.

D. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

G. 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. BUDGETARY ACTIVITY

For the year ended November 30, 2004, the Society had budgeted receipts of \$736,000, actual receipts of \$630,492, resulting in a variance of \$105,508. Additionally, the Society had budgeted disbursements of \$743,484, actual disbursements of \$646,265, resulting in a variance of \$97,219.

For the year ended November 30, 2003, the Society had budgeted receipts of \$684,950, actual receipts of \$631,728, resulting in a variance of \$53,222. Additionally, the Society had budgeted disbursements of \$650,450, actual disbursements of \$561,964, resulting in a variance of \$88,486.

3. CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$154,358	\$265,131
Certificates of deposit	95,500	500
Total deposits	<u>\$249,858</u>	<u>\$265,631</u>

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was insured by the pledged collateral held by the banking institution.

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Capital Improvement Note (Stalls)	<u>\$42,272</u>	4.75%

The \$42,272 Capital Improvement Note bears an interest rate of 4.75% and is due to the Fifth Third Bank. The note was entered into on August 23, 2002 and matures November 1, 2013. Proceeds of the note were used to place stalls in the new horse barn.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4,359	2,038	6,397
2006	4,569	1,828	6,397
2007	4,789	1,608	6,397
2008	5,016	1,381	6,397
2009	5,261	1,136	6,397
2010-2013	18,278	1,840	20,118
Total	<u>\$42,272</u>	<u>\$9,831</u>	<u>\$52,103</u>

5. RISK MANAGEMENT

The Brown County Commissioners provide general insurance coverage for all the buildings on the Brown County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2004.

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 Brown County Fair. The Society disbursed \$20,698 in 2004 and \$17,431 in 2003 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 \$500 in 2004 and \$500 in 2003 by Brown County and \$4,078 in 2004 and \$4,209 in 2003 by the state for its support of 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 11/03/03 and 11/30/04 follows:

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

6. JUNIOR FAIR BOARD (Continued)

	2004	2003
Beginning Cash Balance	\$ 38,828	\$ 38,848
Receipts	27,993	34,378
Disbursements	<u>(22,788)</u>	<u>(34,398)</u>
Ending Cash Balance	<u>\$ 44,033</u>	<u>\$ 38,828</u>

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 Brown County's auction. Monies to cover the cost of the auction are generated through a \$6 per item cost and are retained by the Junior Livestock Committee. 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	\$ 14,982	\$ 14,858
Receipts	281,764	243,478
Disbursements	<u>(270,749)</u>	<u>(243,354)</u>
Ending Cash Balance	<u>\$ 25,997</u>	<u>\$ 14,982</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*

Brown County Agricultural Society
Brown County
325 W. State Street, Suite 1
Georgetown, Ohio 45121

To the Board of Directors:

We have audited the financial statements of the Brown County Agricultural Society, Brown County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated October 18, 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. 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.

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

Brown County Agricultural Society
Brown 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 the audit committee, management, Board of Directors, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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Betty Montgomery
Auditor of State

October 18, 2005

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN 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	Ticketed Events, Rates, Contracts, Duplicate Receipts	No	Partially corrected. This issue is addressed in the 2004-2003 management letter.



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

BROWN 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 15, 2005**