



**Auditor of State  
Betty Montgomery**



CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY

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**Auditor of State  
Betty Montgomery**

Clinton County Agricultural Society  
6406 State Route 73 South  
Wilmington, Ohio 43177

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

August 1, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Clinton County Agricultural Society  
Clinton County  
6406 State Route 73 South  
Wilmington, Ohio 43177

To the Board of Directors:

We have audited the accompanying financial statements of the Clinton County Agricultural Society, Clinton 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.

Except as described in the following paragraph, 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.

The Society did not provide sufficient documentation supporting certain admission receipts, which are included in the Admissions transactions line item. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statement or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented admissions receipts represent 10% of the total operating receipts recorded on the financial statement.

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. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) fund separately for 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 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.

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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 their changes in financial position for the year then ended.

Also, in our opinion, except for such adjustments, if any, might have been determined to be necessary had we been able to obtain sufficient documentation supporting certain admission receipts, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Clinton County Agricultural Society, as of November 30, 2004 and 2003, 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 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 August 1, 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

August 1, 2005

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

	<b>2004</b>	<b>2003</b>
Operating Receipts:		
Admissions	\$179,646	\$130,312
Privilege Fees	42,719	34,806
Rentals	79,597	71,780
Sustaining and Entry Fees	28,600	28,492
Parimutuel Wagering Commission	1,525	682
Other Operating Receipts	27,149	18,506
Total Operating Receipts	359,236	284,578
Operating Disbursements:		
Wages and Benefits	21,357	20,438
Utilities	52,441	55,005
Professional Services	45,669	40,787
Equipment and Grounds Maintenance	93,656	120,306
Race Purse	59,207	59,602
Senior Fair	58,634	28,627
Junior Fair	5,550	8,365
Capital Outlay	116,048	21,132
Other Operating Disbursements	51,671	33,805
Total Operating Disbursements	504,233	388,067
(Deficiency) of Operating Receipts		
(Under) Operating Disbursements	(144,997)	(103,489)
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	20,000	50,000
Debt Proceeds	85,469	-
Donations/Contributions	20,860	20,800
Investment Income	307	657
Sales of Assets	-	225
Debt Agreements Paid to the County	(29,500)	(7,893)
Net Non-Operating Receipts (Disbursements)	131,118	100,714
Excess (Deficiency) of Receipts Over (Under) Disbursements	(13,879)	(2,775)
Cash Balance, Beginning of Year	57,943	60,718
<b>Cash Balance, End of Year</b>	<b>\$44,064</b>	<b>\$57,943</b>

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

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**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Clinton County Agricultural Society, Clinton County, 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 1837 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Clinton County Fair during July. During the fair, harness races are held. Clinton 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 15 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Clinton County and pay an annual membership fee to the Society.

**B. Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. 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 Clinton County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Notes 7 and Note 8, respectively.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**C. Basis of Accounting**

These financial 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 include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**D. Cash and Deposits**

The Society's funds are pooled in a checking account and a certificate of deposit with a local community bank. Interest earned is recognized and recorded when received.

**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.

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**H. Race Purse**

Stake races are conducted during the Clinton 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 Clinton County Harness Horseman's 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.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement 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 statements as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

**2. CASH AND DEPOSITS**

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

	2004	2003
Demand deposits	\$17,216	\$28,559
Certificates of deposit	26,848	29,384
Total deposits	\$44,064	\$57,943

**Deposits:** 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, 2004 was \$25,848 and November 30, 2003 was \$28,384, 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.

	2004	2003
Total Amount Bet (Handle)	\$ 20,797	\$ 13,265
Less: Payoff to Bettors	(16,622)	(10,636)
Parimutuel Wagering Commission	4,175	2,629
Tote Service Set Up Fee	0	(600)
Tote Service Commission	(2,106)	(1,024)
State Tax	(544)	(323)
Society Portion	\$ 1,525	\$ 682

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

**4. DEBT**

During 2003, Clinton County (the County) incurred \$435,000 in debt through the issuance of Bond Anticipation Notes bearing interest at 1.83% per annum for the Clinton County Agricultural Society (the Society), maturing in 2004. The County expended \$85,469 of the proceeds to make capital improvements to an existing building (Floral Hall) and \$349,531 to pay off existing debt originally incurred by the Society to construct another building (Expo Building) both of which are located at the Clinton County Fairgrounds. During 2004, Clinton County received \$410,000 in bond anticipation notes to pay off the Society's 2003 Bond Anticipation Notes. This note matures in 2005. The Society pays directly to the County the annual principal and interest due by the County for the debt obligation. The note is unsecured and uncollateralized.

**5. RETIREMENT SYSTEM**

The Society does not have employees. Those doing work for the Society are treated as contract labor and issued a 1099 if they earn \$600 or more.

**6. RISK MANAGEMENT**

The Clinton County Commissioners provide general insurance coverage for all the buildings on the Clinton County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by The Cincinnati Insurance Company with limits of \$2,000,000 aggregate. The Society's Treasurer and Secretary are bonded with coverage of \$115,000 for each position.

**7. 4 H Council**

The Clinton County 4 H Council, 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 Clinton County Fair. The Society disbursed \$5,550 for the year ended November 30, 2004, and \$8,365 for the year ended November 30, 2003 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. Clinton County paid the Society \$500 for the year ended November 30, 2004, and \$500 for the year ended November 30, 2003 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 total receipts and disbursements were not presented for audit. The Junior Fair Board's beginning and ending account balances per bank statements for the years ended November 30, 2004 and November 30, 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 31,770	\$ 29,709
Receipts	30,127	44,423
Disbursements	29,671	42,362
Ending Cash Balance	\$ 32,226	\$ 31,770

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

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

**8. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Sale 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 Clinton County's auction. Monies to cover the cost of the auction are generated through a 2.5% commission assessed on the auction price, plus \$10/head for cattle and 5% commission assessed on the auction price for goats, lambs and hogs and are retained by the Junior Livestock Sale Committee. The total auction amount for the year ended November 30, 2004 was \$173,887 and the Junior Livestock Sale Committee received \$11,720. The total auction amount for the year ended November 30, 2003 was \$173,753 and the Junior Livestock Sale Committee received \$9,005. The accompanying financial statements do not include the activities of the Junior Livestock Sale Committee. The Junior Livestock Sale Committee's financial activity for the years ended November 30, 2004 and November 30, 2003 are included in the Junior Fair Board financial activity in Note 7.

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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***

Clinton County Agricultural Society  
Clinton County  
6406 State Route 73 South  
Wilmington, Ohio 43177

To the Board of Directors:

We have audited the financial statements of the Clinton County Agricultural Society, Clinton County, Ohio (the Society), as of and for the years ended November 30, 2004 and November 30, 2003, and have issued our report thereon dated August 1, 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 qualified our report because the Society did not provide sufficient documentation supporting certain admission receipts, which are included in the Admissions transactions line item. Without this evidential matter, we were unable to obtain sufficient information regarding the receipts recorded for the financial statement or to satisfy ourselves regarding the validity of the underlying transactions through other auditing procedures. The undocumented admissions receipts represent 10% (\$34,005) of the total operating receipts recorded on the financial statement. Except as discussed in the preceding sentence, 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 in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matter involving the internal control over financial reporting and its operation that we consider 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 Government's ability to record, process, summarize, and report financial data consistent with management's assertions 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. We consider reportable conditions 2004-001 and 2004-002 listed above to be material weaknesses. In a separate letter to the Society's management dated August 1, 2005, we reported other matters involving internal control over financial reporting which 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 August 1, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

August 1, 2005

**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2004 AND NOVEMBER 30, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Material Weakness – Admissions**

Proper supporting documentation was not maintained for all admission receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in uncollected funds, inaccurate financial reporting and/or loss of theft of funds. Efforts should be made by the Society to maintain all accounting records. We recommend pre-numbered tickets and ticket tally sheets be used for all grandstand events (i.e. GNTPA Tractor Pulls). The beginning ticket number and ending ticket numbers sold should be documented for each event in the same manner as general admission tickets are documented. Each ticket stub should be maintained separately. The Society should reconcile the number of tickets used to the cash received and deposited.

**FINDING NUMBER 2004-002**

**Material Weakness – Stall Rentals**

The Society does not have measures in place to ensure completeness of Stall Rental revenue activities. In addition, the Society does not ensure that stall rental applications are properly approved before it rents stalls to trainers. Failure to adopt and follow procedures for Stall Rentals could result in the Society not collecting the proper amount of money for Stall Rentals and could result in the Society overcharging or undercharging trainers for stall rentals.

We recommend the Society develop and implement procedures designed to assure completeness (i.e., all parties renting stalls have signed a contract and paid all balances) of Stall Rentals. The procedures should include the following:

- Duplicate receipts should be issued for each stall rental payment;
- A record should be maintained for all rented and vacant stalls each month and matching invoices to individual receipts;
- A comprehensive horse stall inventory system should be implemented that includes the identification of each stall as to whether a horse is racing or not racing, the classification of the type of stall (tack, straw, vacant, occupied with racing horse or non-racing horse, etc.), the amount of rental payment and the period when the account become delinquent; and
- The Society review and initial all stall rent applications to indicate its approval on the stall rental application. The Society should review every stall rent application to ensure that the trainer has agreed to the terms of the rental and that the proper number of stalls are available for rent.

The Secretary's office should be the centralized clearinghouse of all pertinent information and the Board should be updated on the status report on a routine basis.

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**CLINTON COUNTY AGRICULTURAL SOCIETY  
CLINTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2004 AND NOVEMBER 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-60414-001	The Society does not have measures in place to ensure completeness of Stall Rental revenue activities.	No	Reissued as Finding Number 2004-002





**Auditor of State  
Betty Montgomery**

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**CLINTON COUNTY AGRICULTURAL SOCIETY**

**CLINTON 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  
AUGUST 16, 2005**