



**Auditor of State  
Betty Montgomery**



**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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**Auditor of State  
Betty Montgomery**

Agricultural Society  
Auglaize County  
P.O. Box 431  
Wapakoneta, Ohio 45895

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

March 30, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society  
Auglaize County  
P.O. Box 431  
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the accompanying financial statements of the Auglaize County Agricultural Society, (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 require us to include the following paragraph if the statements do not substantially conform to GAAP disclosures or 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.

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 years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Auglaize 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 March 30, 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

March 30, 2005



**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

<b>Operating Receipts:</b>	
Admissions	\$166,526
Privilege Fees	57,922
Rentals	128,290
Sustaining and Entry Fees	51,104
Parimutuel Wagering Commission	5,940
Other Operating Receipts	9,833
Total Operating Receipts	419,615
<b>Operating Disbursements:</b>	
Wages and Benefits	86,154
Utilities	29,395
Professional Services	66,692
Equipment and Grounds Maintenance	77,404
Race Purse	79,444
Senior Fair	24,925
Junior Fair	23,623
Capital Outlay	32,693
Other Operating Disbursements	99,353
Total Operating Disbursements	519,683
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(100,068)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	33,982
County Support	45,000
Donations/Contributions	62,450
Investment Income	828
Debt Service	(26,166)
Net Non-Operating Receipts (Disbursements)	116,094
Excess (Deficiency) of Receipts Over (Under) Disbursements	16,026
Cash Balance, Beginning of Year	47,849
<b>Cash Balance, End of Year</b>	<b>\$63,875</b>

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

**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

<b>Operating Receipts:</b>	
Admissions	\$165,112
Privilege Fees	43,106
Rentals	113,823
Sustaining and Entry Fees	51,766
Parimutuel Wagering Commission	7,242
Other Operating Receipts	<u>8,700</u>
Total Operating Receipts	389,749
<b>Operating Disbursements:</b>	
Wages and Benefits	87,357
Utilities	35,381
Professional Services	75,919
Equipment and Grounds Maintenance	48,089
Race Purse	81,314
Senior Fair	32,365
Junior Fair	23,997
Capital Outlay	9,483
Other Operating Disbursements	<u>118,461</u>
Total Operating Disbursements	<u>512,366</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(122,617)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	36,925
County Support	45,000
Donations/Contributions	60,852
Investment Income	730
Debt Service	<u>(31,475)</u>
Net Non-Operating Receipts (Disbursements)	<u>112,032</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(10,585)
Cash Balance, Beginning of Year	<u>58,434</u>
<b>Cash Balance, End of Year</b>	<b><u><u>\$47,849</u></u></b>

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

**AGRICULTURAL SOCIETY  
AUGLAIZE 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 Ohio establish the rights and privileges of the Auglaize County Agricultural Society, (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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Auglaize County Fair during July and August. During the fair, harness races are held, culminating in the running of the Moon City Trot and Pace, Signature Series.

Auglaize 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, elected from the membership of the Society. Members of the Society must be residents of Auglaize 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 harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including auctions, swap meets, trade shows, and festivals. The reporting entity does not include any other activities or entities of Auglaize County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board and the Junior Livestock Sale Committee's financial activity.

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

**B. 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribe or permits.

**C. Cash and Investments**

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report purchases as disbursements or investment sales 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.

**AGRICULTURAL SOCIETY  
AUGLAIZE 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 are required by the donor to be set aside for specific uses.

**F. Income Tax Status**

The Society is a not-for-profit organization that is 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 for deductible per Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

**G. Race Purse**

Stake races are conducted during the Auglaize 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.

**1. Sustaining and Entry Fees**

Horse owners and the Western Ohio Colt Racing Commission 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. The accompanying financial statements report these fees as Sustaining and Entry Fees.

**2. Ohio Fairs Fund**

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement the race purse. See Note 3 for additional information.

**H. 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 determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

The pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

**2. CASH AND INVESTMENTS**

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$47,836	\$31,875
Fifth Third Security Investment	16,039	15,974
Total deposits and investments	<u>\$63,875</u>	<u>\$47,849</u>

**Deposits:** The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**Investments:** The Society has an investment with Fifth Third Securities, which is for the Menges Bequest.

**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 and 2003 was \$4,000 for both years, as State Support.

**Pari-mutuel Wagering**

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	<u>2004</u>	<u>2003</u>
Total Amount Bet (Handle)	\$ 29,734	\$35,903
Less: Payoff to Bettors	<u>(23,794)</u>	<u>(28,661)</u>
Parimutuel Wagering Commission	5,940	7,242
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(2,723)	(3,434)
State Tax	<u>(819)</u>	<u>(965)</u>
Society Portion	<u>\$ 1,798</u>	<u>\$ 2,243</u>

**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

**4. DEBT**

Debt outstanding at November 30, 2004 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Commercial Loan	<b>\$181,867</b>	<b>5.50%</b>

The Society consolidated debt in the amount of \$205,524, during November 2003. The commercial loan bears an interest rate of 5.5 percent and is due to the First National Bank of New Bremen. The loan matures January 30, 2013.

Amortization of the above debt is scheduled as follows:

<b>Year Ending November 30,</b>	<b>Commercial Loan</b>	<b>Interest</b>	<b>Total</b>
2005	\$16,163	\$10,003	\$26,166
2006	17,051	9,114	26,165
2007	17,989	8,176	26,165
2008	18,979	7,186	26,165
2009	20,023	6,142	26,165
2010 - 2013	91,662	13,002	104,664
Total	<b>\$181,867</b>	<b>\$53,623</b>	<b>\$235,490</b>

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003 employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2004.

**6. RISK MANAGEMENT**

The Auglaize County Commissioners provide general insurance coverage for all the buildings on the Auglaize County Fairgrounds pursuant to Ohio Revised Code § 1711. 24.

**Risk Pool Membership**

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

**Casualty Coverage** - PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**Property Coverage** - PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

**Financial Position** - PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	(792,061)	(655,318)
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

The Society's Treasurer and Fair Manager are each bonded with \$100,000 of coverage.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**7. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, Future Farmers of America, Boy Scouts, Girl Scouts, and the Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Auglaize County Fair.

The Society disbursed \$23,623 in 2004 and \$23,997 in 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. The Junior Fair Board accounts for its activity separately.

**AGRICULTURAL SOCIETY  
AUGLAIZE COUNTY**

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

**7. JUNIOR FAIR BOARD (Continued)**

The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2004 and 2003 follows:

	<b>2004</b>	<b>2003</b>
Beginning Cash Balance	\$ 4,745	\$ 4,806
Receipts	6,131	6,270
Disbursements	<u>(6,600)</u>	<u>(6,331)</u>
Ending Cash Balance	<u>\$ 4,276</u>	<u>\$ 4,745</u>

**8. 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 Auglaize County auction.

The accompanying financial statements do not include the Junior Livestock Committee activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	<b>2004</b>	<b>2003</b>
Beginning Cash Balance	\$ 9,628	\$ 12,970
Receipts	385,684	315,320
Disbursements	<u>(384,083)</u>	<u>(318,662)</u>
Ending Cash Balance	<u>\$ 11,229</u>	<u>\$ 9,628</u>





## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Agricultural Society  
Auglaize County  
P.O. Box 431  
Wapakoneta, Ohio 45895

To the Board of Directors:

We have audited the financial statements of the Auglaize County Agricultural Society, (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated March 30, 2005, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than Accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated March 30, 2005, we reported other matters involving internal control over financial reporting we did not deem to be 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, that we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated March 30, 2005, we reported other matters related to noncompliance we deemed immaterial.

Agricultural Society  
Auglaize 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 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

March 30, 2005



**Auditor of State  
Betty Montgomery**

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**AGRICULTURAL SOCIETY**

**AUGLAIZE 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  
JUNE 21, 2005**