



**Auditor of State
Betty Montgomery**

FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Years Ended November 30, 2004 and November 30, 2003.....	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings	17

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

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 Society 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

July 12, 2005

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

We have audited the accompanying financial statements of Fayette County Agricultural Society, Fayette 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 Societies 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 statement referred to above for the year ended November 30, 2004 does 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, the financial statements referred to above present fairly, in all material respects, the fund cash balances of Fayette 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 financial statements 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 July 10, 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

July 12, 2005

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

	2004	2003
Operating Receipts:		
Admissions	\$214,935	\$197,963
Privilege Fees	55,029	52,147
Rentals	125,782	125,186
Sustaining and Entry Fees	71,637	35,057
Parimutuel Wagering Commission	2,730	2,572
Other Operating Receipts	22,290	46,110
Total Operating Receipts	492,403	459,035
Operating Disbursements:		
Wages and Benefits	72,555	83,442
Utilities	62,792	93,219
Professional Services	45,457	68,948
Equipment and Grounds Maintenance	52,753	50,655
Race Purse	100,908	97,934
Senior Fair	53,169	29,043
Junior Fair	14,249	14,000
Capital Outlay	0	1,200
Other Operating Disbursements	87,166	66,395
Total Operating Disbursements	489,049	504,836
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	3,354	(45,801)
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	2,800	2,800
Donations/Contributions	7,052	3,868
Investment Income	171	277
Debt Service	(12,362)	(11,521)
Net Non-Operating Receipts (Disbursements)	31,643	32,349
Excess (Deficiency) of Receipts Over (Under) Disbursements	34,997	(13,452)
Cash Balance, Beginning of Year	28,232	41,684
Cash Balance, End of Year	\$63,229	\$28,232

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

This page intentionally left blank.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fayette County Agricultural Society, Fayette 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 1881 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held. Fayette 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 13 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Fayette 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 Fayette 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.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2004 AND 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 Fayette 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 Ohio Colt Racing 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.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

2. CASH AND DEPOSITS

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

	2004	2003
Demand deposits	\$52,187	\$17,277
Certificates of deposit	11,042	10,955
Total deposits	\$63,229	\$28,232

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 and November 30, 2003 was \$26,848 and \$29,384 respectively, 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)	\$ 36,304	\$ 34,338
Less: Payoff to Bettors	(28,894)	(27,352)
Parimutuel Wagering Commission	7,410	6,986
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(3,336)	(3,144)
State Tax	(1,044)	(970)
Society Portion	\$ 2,730	\$ 2,572

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Capital Improvement Note	\$22,212	5.20%
Capital Improvement Note	8,831	5.50%
Total	\$31,043	

The \$20,700 Capital Improvement Note bears an interest rate of 5.50% and is due to Merchants National Bank. The note was entered into on June 16, 2001 and matures March 1, 2006. Proceeds of the note were used to remodel the Grandstands. The note was unsecured and uncollateralized.

The \$50,000 Capital Improvement Note bears an interest rate of 5.20% and is due to Merchants National Bank. The note was entered into on April 21, 1999 and matures August 15, 2008. Proceeds of the note were used to construct a restroom facility in the Mahan building. The note was unsecured and uncollateralized.

Amortization of the above debt is scheduled as follows:

	Grandstand Loan	Restroom Loan	Interest	Total
Year ending November 30:				
2005	4,299	5,183	1,641	11,123
2006	4,532	5,453	1,135	11,120
2007	0	5,736	602	6,338
2008	0	5,840	304	6,144
Total	\$8,831	\$22,212	\$3,682	\$34,725

5. RETIREMENT SYSTEM

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

6. RISK MANAGEMENT

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by The Public Entities Pool of Ohio with limits of \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000 (\$50,000 during fair week). The Society's Treasurer and Secretary are each bonded with coverage 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 2005.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2004 AND 2003
(Continued)**

7. 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 Fayette County Fair. The Society disbursed \$14,249 for the year ended November 30, 2004, and \$14,000 for the year ended November 30, 2003 directly to the Junior Fair Board to support Junior Fair activities. These expenses are reflected as disbursements in the accompanying financial statements as Junior Fair Disbursements. Fayette 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 financial activity for the years ended November 30, 2004 and November 30, 2003 follows:

	2004	2003
Beginning Cash Balance	\$2,320	\$3,901
Receipts	14,282	18,290
Disbursements	<u>(13,587)</u>	<u>(19,871)</u>
Ending Cash Balance	<u>\$3,015</u>	<u>\$2,320</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 Fayette County auction. Monies to cover the cost of the auction are generated through a 4% commission assessed on the auction price and are retained by the Junior Livestock Committee. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and November 30, 2003 follows:

	2004	2003
Beginning Cash Balance	\$54,520	\$15,756
Receipts	324,344	275,486
Disbursements	<u>(364,856)</u>	<u>(236,722)</u>
Ending Cash Balance	<u>\$14,008</u>	<u>\$ 54,520</u>

This page intentionally left blank.



**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**

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

We have audited the financial statements of the Fayette County Agricultural Society, Fayette 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 July 12, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 through 2004-002.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, of the reportable conditions described above, we consider item 2004-001 to be a material weakness. In a separate letter to the Society's management dated July 12, 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 July 12, 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.



Betty Montgomery
Auditor of State

July 12, 2005

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2004-001

Material Weakness (Supporting Documentation for Receipts)

Proper supporting documentation was not maintained for all receipts. Alternative procedures were performed to verify accountability over receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting, and loss or theft of funds. Efforts should be made by the Society to maintain all accounting records. We recommend the following:

1. Contracts should be completed for all rental activities of the Society (buildings, privilege fees, camping, etc.). These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. Duplicate receipts should be issued for payments received on all contracts. All contracts should be dated and all required information on the contracts should be completed. All contracts should be marked "Paid in Full" once complete payment has been received.
2. All rates charged for rental of buildings, ground space, equipment, etc., should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Directors.
3. We recommend pre-numbered tickets be used for all ticketed events (i.e. demolition derbies). A ticket tally sheet should be maintained for all grandstand events. 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 sold to the cash received and deposited.

FINDING NUMBER 2004-002

Reportable Condition (Segregation of Duties)

The small size of the Society's staff does not allow for an adequate segregation of duties. The Secretary handles all the financial record keeping including receipting, depositing, check writing, check signing and posting. The weakness of this system is that it allows for diversion of funds through possible alteration of source documents. Also, bookkeeping errors may occur without detection in a timely manner.

In addition, we believe the following conditions indicate a need for increased oversight of management by the Board:

- The Secretary is the only person signing checks;
- Meetings Minutes Not Approved at the next meeting;
- On three occasions the monthly financial reports were not approved in the minutes;
- The minutes of the meetings were not signed by the Board President and Secretary.

To ensure accountability and to strengthen internal accounting controls, officials should periodically review the records, (i.e. reconciliations, etc), and require dual signatures (Secretary and a Board Member) on all checks, to determine accuracy and to verify that proper procedures were followed by the fiscal officer. These periodic reviews should be noted in the minutes, and documents reviewed should be initialed by the reviewer. All minutes should be reviewed and approved by the Board and signed by the officials indicating their approval.

This page intentionally left blank.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE 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>
2002-60624-001	Funds were not deposited timely as prescribed by Ohio Rev. Code, Section 9.38.	No	Partially Corrected. Reissued in the Management Letter
2002-60624-002	Proper supporting documentation was not maintained for all receipts.	No	Reissued as FINDING NUMBER 2004-001
2002-60624-003	Inadequate Segregation of Duties.	No	Reissued as FINDING NUMBER 2004-002



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

AGRICULTURAL SOCIETY

FAYETTE 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 9, 2005**