



**Auditor of State
Betty Montgomery**

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Receipts, Disbursements, and Changes in Cash Balances - For the Years Ended November 30, 2004 and 2003.....	3
Notes to the Financial Statement	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	9
Schedule of Findings.....	11
Schedule of Prior Audit Finding	12

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Guernsey County Agricultural Society
Guernsey County
64600 Larrick Ridge Road
Cambridge, Ohio 43725

To the Board of Directors:

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

Except as discussed 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. We believe that our audit provides a reasonable basis for our opinion.

We were unable to obtain evidence supporting the collection process and corresponding receipts for privilege fees (concession receipts), nor were we able to satisfy ourselves as to those financial activities by other auditing procedures. Those financial activities represent 12 percent and 10 percent of total revenues for 2004 and 2003, respectively.

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).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence supporting the completeness and accuracy of privilege fees, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Guernsey County Agricultural Society, Guernsey County, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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.

This report is intended solely for the information and use of management, the Board of Directors, the audit committee and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be, and should not be used by 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 31, 2005

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

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

	2004	2003
Operating Receipts:		
Admissions	\$175,626	\$237,263
Privilege Fees	48,748	46,547
Rentals	37,699	38,080
Sustaining and Entry Fees	39,139	39,222
Parimutuel Wagering Commission	350	270
Other Operating Receipts	1,385	1,063
Total Operating Receipts	302,947	362,445
Operating Disbursements:		
Wages and Benefits	23,836	26,762
Utilities	24,309	24,178
Professional Services	89,992	100,481
Equipment and Grounds Maintenance	79,879	83,247
Race Purse	61,435	61,391
Senior Fair	18,738	29,245
Junior Fair	16,794	15,818
Capital Outlay	47,745	125,471
Other Operating Disbursements	44,086	47,534
Total Operating Disbursements	406,814	514,127
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(103,867)	(151,682)
Non-Operating Receipts:		
State Support	33,982	36,925
County Support	50,800	50,800
Donations/Contributions	15,313	18,861
Investment Income	40	649
Total Non-Operating Receipts	100,135	107,235
(Deficiency) of Receipts (Under) Disbursements	(3,732)	(44,447)
Cash Balances, December 1	52,441	96,888
Cash Balances, November 30	\$48,709	\$52,441

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

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**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY 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 Guernsey County Agricultural Society, Guernsey County (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 1952 to operate an annual agricultural fair. The Society sponsors the week-long Guernsey County Fair during September. During the fair, harness races are held. Guernsey County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Guernsey 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. The reporting entity does not include any other activities or entities of Guernsey County, Ohio.

Note 6 and 7, respectively, summarize the Junior Fair Boards and the Junior Livestock Sale Committee's financial activity.

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

B. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid rather than when a liability is incurred.

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

C. Property, Plant and Equipment

The Society's accounting basis records acquisitions of property, plant and equipment as capital outlay disbursements when paid. The accompanying financial statement does not include these items as assets.

D. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Race Purse

The Harness Program stake races are conducted during the Guernsey 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 US Trotting Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

F. 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.

Pari-mutuel wagering commission (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.

2. CASH

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

	2004	2003
Demand deposits	<u>\$48,709</u>	<u>\$52,441</u>

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

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2004 and 2003 was \$21,848 and \$24,384, respectively, as State Support.

Pari-mutuel Wagering

The Society conducted pari-mutuel wagering during the 2004 and 2003 Guernsey County Fairs, however, the Society's commission from these activities was insignificant.

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. For 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.

5. RISK MANAGEMENT

The Guernsey County Commissioners provide general insurance coverage for all the buildings on the Guernsey County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by United States Liability Insurance Company with limits of \$1,000,000 each claim and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000.

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 Guernsey County Fair. The Society disbursed \$16,794 for 2004 and \$15,818 for 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 \$4,078 for 2004 and \$4,209 for 2003 by the State of Ohio for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the years ended November 30, 2004 and 2003, follows:

	2004	2003
Beginning Cash Balance	\$ 11,203	\$ 9,522
Receipts	24,880	22,204
Disbursements	31,832	20,523
Ending Cash Balance	\$ 4,251	\$ 11,203

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

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

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 Guernsey County's auction. A commission of 3% on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2004 and 2003, follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$ 316	\$ 979
Receipts	2,725	2,349
Disbursements	<u>1,334</u>	<u>3,012</u>
Ending Cash Balance	<u><u>\$ 1,707</u></u>	<u><u>\$ 316</u></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**

Guernsey County Agricultural Society
Guernsey County
64600 Larrick Ridge Road
Cambridge, Ohio 43725

To the Board of Directors:

We have audited the financial statement of the Guernsey County Agricultural Society, Guernsey County, Ohio (the Society), as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated March 31, 2005, wherein we noted we were unable to satisfy ourselves as to the completeness of privilege fees due to the Society not providing supporting documentation. 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 statement and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2004-001.

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 statement 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 to be material weaknesses. We consider the reportable condition listed above to be a material weakness. In a separate letter to the Society's management dated March 31, 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 such 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 March 31, 2005, we reported another matter related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

March 31, 2005

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

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

FINDING RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Material Weakness

It is management's responsibility to design and implement internal control policies and procedures to reasonably ensure specific financial objectives will be achieved, including ensuring all fees are appropriately collected, safeguarded, deposited, and accurately recorded into the accounting records. A sound internal control structure requires thorough documentation of the procedures performed to provide management with reasonable assurance they are being performed timely and consistently.

Concession fee contracts were not always properly completed and were not sequentially numbered to assist in the accounting for each contract. The concessions manager did not maintain a detailed summary list of contracts entered into, and their related information, as additional documentation for these contracts. As a result, the Society did not have the ability to assure the completeness of total concession revenues which, in turn, could lead to the loss or inaccurate payments of concession fees paid by vendors. Subsequently, we were not able to gain adequate assurances over the accuracy of concession and related receipts. This led to the qualification of our financial statement opinion in regards to privilege fees. For 2004, privilege fees amounted to \$48,748 which represents 12% of total revenues. For 2003, privilege fees amounted to \$46,547 which represents 10% of total revenues.

We recommend that concession contracts be sequentially numbered and completely filled out. The Society should maintain a detailed listing of all contracts issued. The listing should include the vendor's name, amount due, amount of deposit, date deposit paid, date the balance of contract is paid and the amount of balance paid. Pre-numbered duplicate receipts should be issued for each payment received from the vendor. The duplicate receipt number and date paid should be recorded in the detailed listing of contracts. The concession manager's receipts should indicate the contract number the payment was for, name of payer and receipt number.

**GUERNSEY COUNTY AGRICULTURAL SOCIETY
GUERNSEY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING
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>
2002-61030-001	Lack of supporting documentation for receipt postings.	Yes	N/A.



**Auditor of State
Betty Montgomery**

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800-282-0370
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GUERNSEY COUNTY AGRICULTURAL SOCIETY

GUERNSEY 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
MAY 26, 2005**