



**Auditor of State
Betty Montgomery**

VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY

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**Auditor of State
Betty Montgomery**

Van Wert County Agricultural Society
Van Wert County
1055 South Washington Street
Van Wert, Ohio 45891

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

November 9, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Van Wert County Agricultural Society
1055 South Washington Street
Van Wert, Ohio 45891

To the Board of Directors:

We have audited the accompanying financial statements of Van Wert County Agricultural Society (the Society) as of and for the fiscal 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 fiscal year ended November 30, 2004. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the fiscal year ended November 30, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2004, or its changes in financial position or cash flows for the fiscal year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balance of the Society, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the fiscal years then ended on the accounting basis described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the fiscal 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 November 9, 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

November 9, 2005

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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

	2004
Operating Receipts:	
Admissions	\$311,729
Privilege Fees	124,953
Rentals	153,758
Sustaining and Entry Fees	24,615
Parimutuel Wagering Commission	11,137
Other Operating Receipts	104,818
 Total Operating Receipts	 731,010
Operating Disbursements:	
Wages and Benefits	130,039
Utilities	66,869
Professional Services	121,108
Equipment and Grounds Maintenance	135,186
Race Purse	125,211
Senior Fair	55,410
Junior Fair	24,666
Capital Outlay	25,537
Other Operating Disbursements	144,035
 Total Operating Disbursements	 828,061
(Deficiency) of Operating Receipts	
(Under) Operating Disbursements	(97,051)
Non-Operating Receipts (Disbursements):	
State Support	33,982
County Support	39,140
Debt Proceeds	32,000
Donations/Contributions	51,978
Investment Income	110
Debt Service	(68,325)
 Net Non-Operating Receipts (Disbursements)	 88,885
(Deficiency) of Receipts (Under) Disbursements	(8,166)
Cash Balance, Beginning of Year	14,145
 Cash Balance, End of Year	 \$5,979

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

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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

	2003
Operating Receipts:	
Admissions	\$308,292
Privilege Fees	109,586
Rentals	128,208
Sustaining and Entry Fees	24,186
Parimutuel Wagering Commission	7,460
Other Operating Receipts	110,174
 Total Operating Receipts	 687,906
Operating Disbursements:	
Wages and Benefits	130,344
Utilities	63,582
Professional Services	127,889
Equipment and Grounds Maintenance	156,911
Race Purse	122,264
Senior Fair	49,832
Junior Fair	26,278
Capital Outlay	38,964
Other Operating Disbursements	144,058
 Total Operating Disbursements	 860,122
(Deficiency) of Operating Receipts	
(Under) Operating Disbursements	(172,216)
Non-Operating Receipts (Disbursements):	
State Support	36,925
County Support	43,000
Debt Proceeds	396,000
Donations/Contributions	55,379
Investment Income	362
Debt Service	(362,327)
 Net Non-Operating Receipts (Disbursements)	 169,339
(Deficiency) of Receipts (Under) Disbursements	(2,877)
Cash Balance, Beginning of Year	17,022
 Cash Balance, End of Year	 \$14,145

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

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT 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 Van Wert 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 1856 to operate an annual agricultural fair. The Society sponsors the week-long Van Wert County Fair during August and September. During the fair, harness races are held, culminating in the running of the Harvest and Peony Races. Van Wert 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 Van Wert 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 Apple Festival, the Peony Festival, and the Old Fashion Farmers Day. The reporting entity does not include any other activities or entities of Van Wert County, Ohio.

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Society's cash deposits are valued at cost.

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.

E. 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.

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Northwestern Ohio Super stake races are held during the Van Wert 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 Northwestern Ohio Colt Racing 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 statements report 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.

G. 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 statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

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	<u>\$5,979</u>	<u>\$14,145</u>

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

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2004 and 2003 was \$26,848 and \$29,384, respectively, as State Support.

B. 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.

	2004	2003
Total Amount Bet (Handle)	\$101,238	\$69,229
Less: Payoff to Bettors	(80,709)	(55,091)
Parimutuel Wagering Commission	20,529	14,138
Tote Service Commission	(9,392)	(6,678)
State Tax	(2,809)	(1,997)
Society Portion	\$ 8,328	\$ 5,463

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Consolidation Loan	\$322,994	6.00%
Line of Credit	39,000	5.75%
John Deere Chopper Loan	2,700	4.75%
County Loan	31,000	0.00%
Total	\$395,694	

The Consolidation Loan was issued to pay-off the real estate loans for the horse barn, Administrative building roof, restroom repair/construction, and the operating cost/loss. The loan was entered into on June 19, 2003 and matures November 1, 2023 with an interest rate of 6.00%.

The promissory note issued for the John Deere Chopper bears an interest rate of 4.75%. The loan was entered into on February 27, 2002 and matures February 15, 2007. Proceeds of the loan were used to purchase a John Deere Chopper.

Van Wert County loaned the Society \$36,000 on November 6, 2003 for operating cost/loss. The loan from the County shall be paid back to the County at a rate of six thousand dollars (\$6,000) per year.

The Agricultural Society also has a \$40,000 line of credit available with a local financial institution to cover operating expenses incurred during the fair. The interest rate for the line of credit is 5.75%. They had a \$39,000 outstanding balance as of November 30, 2004. The line of credit is rolled-over once a year into a new line of credit.

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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

4. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

<u>Year ending November 30:</u>	<u>Consolidation Loan</u>	<u>JD Chopper Loan</u>	<u>Line of Credit</u>	<u>County Loan</u>	<u>Total</u>
2005	\$29,144	\$900	\$41,243	\$6,000	\$77,287
2006	29,144	900		6,000	36,044
2007	29,144	943		6,000	36,087
2008	29,144			6,000	35,144
2009	29,144			7,000	36,144
2010-2014	145,720				145,720
2015-2019	145,720				145,720
2020-2023	116,573				116,573
Total	<u>\$553,733</u>	<u>\$2,743</u>	<u>\$41,243</u>	<u>\$31,000</u>	<u>\$628,719</u>

5. RISK MANAGEMENT

The Van Wert County Commissioners provide general insurance coverage for all the buildings on the Van Wert County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by an Acord Insurance Company. The total coverage for Van Wert County is \$40,567,000. The Agricultural Society's coverage is approximately \$5,116,000. The Society's Secretary-Treasurer is bonded with coverage of \$50,000. 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.

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 Van Wert County Fair. The Society disbursed \$24,666 in fiscal year 2004 and \$26,278 in fiscal year 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. 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 November 30, 2003 follows:

	<u>2004</u>	<u>2003</u>
Beginning Cash Balance	\$865	\$171
Receipts	5,164	5,908
Disbursements	<u>(5,217)</u>	<u>(5,214)</u>
Ending Cash Balance	<u>\$812</u>	<u>\$865</u>

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT 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 Van Wert County's auction. Monies to cover the cost of the auction are generated through a 25% commission on the gross sales and are retained by the Junior Livestock Committee. The accompanying financial statement does 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	\$ 6,863	\$ 8,942
Receipts	6,034	3,514
Disbursements	<u>(11,059)</u>	<u>(5,593)</u>
Ending Cash Balance	<u>\$ 1,838</u>	<u>\$ 6,863</u>

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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*

Van Wert County Agricultural Society
1055 South Washington Street
Van Wert, Ohio 45891

To the Board of Directors:

We have audited the financial statements of the Van Wert County Agricultural Society (the Society) as of and for the fiscal years ended November 30, 2004 and November 30, 2003, and have issued our report thereon dated November 9, 2005, wherein we noted the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Society's management dated November 9, 2005, we reported other matters involving internal control over financial reporting 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 November 9, 2005, we reported other matters related to noncompliance we deemed immaterial.

Van Wert County Agricultural Society
Van Wert 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

November 9, 2005



**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
VAN WERT 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
DECEMBER 27, 2005**