



**Auditor of State  
Betty Montgomery**



**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

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**Auditor of State  
Betty Montgomery**

Perry County Agricultural Society  
Perry County  
5445 State Route 37 East  
P.O. Box 189  
New Lexington, Ohio 43764

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 statement 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 statement in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 3, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Perry County Agricultural Society  
Perry County  
5445 State Route 37 East  
P.O. Box 189  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the accompanying financial statement of Perry County Agricultural Society, Perry County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004. 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.

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 this financial statement 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 statement 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 years ended November 30, 2005 and 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 statement. 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 statement referred to above for the years ended November 30, 2005 and 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, 2005 and 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Perry County Agricultural Society, Perry County, as of November 30, 2005 and 2004, 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 years ended November 30, 2005 and 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

August 3, 2006

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2005 AND 2004**

	<b>2005</b>	<b>2004</b>
<b>Operating Receipts:</b>		
Admissions	\$205,308	\$220,874
Privilege Fees	35,225	29,156
Rentals	46,430	33,613
Sustaining and Entry Fees	30,203	33,293
Other Operating Receipts	3,356	1,013
Total Operating Receipts	320,522	317,949
<b>Operating Disbursements:</b>		
Wages and Benefits	37,298	35,371
Utilities	25,754	24,442
Professional Services	110,700	102,410
Equipment and Grounds Maintenance	83,469	76,552
Senior Fair	38,651	41,592
Junior Fair	31,379	29,165
Capital Outlay	800	155,450
Other Operating Disbursements	2,626	8,046
Total Operating Disbursements	330,677	473,028
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(10,155)	(155,079)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	6,740	7,134
County Support	9,751	9,751
Debt Proceeds	0	451,300
Donations/Contributions	113,328	63,151
Investment Income	603	378
Other Non-Operating Receipts	0	2,317
Debt Service	(86,196)	(302,239)
Net Non-Operating Receipts (Disbursements)	44,226	231,792
Excess (Deficiency) of Receipts Over (Under) Disbursements	34,071	76,713
Cash Balance, Beginning of Year	85,737	9,024
<b>Cash Balance, End of Year</b>	<b>\$119,808</b>	<b>\$85,737</b>

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

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**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004**

**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 Perry County Agricultural Society, Perry 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 1954 to operate an annual agricultural fair. The Society sponsors the week-long Perry County Fair during July. Perry County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Perry 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 other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including tug pulls, horse riding, bull riding, concerts, and truck and tractor pulls.

The reporting entity does not include private activities occurring at the fairgrounds such as the "Gun Bash" nor any other activities or entities of Perry 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 accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment 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 statement does not include these items as assets.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

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

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**F. 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.

**G. 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, 2005 and 2004 follows:

	2005	2004
Demand deposits	\$119,808	\$85,737

**Deposits:** The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized.

**3. DEBT**

Debt outstanding at November 30, 2005 was as follows:

	Principal	Interest Rate
Construction Loan	\$451,300	5.25%

The Society borrowed \$300,000 through a promissory note from People's National Bank on May 22, 2002 for the construction of a new coliseum at the fairgrounds and to refund existing debt. The loan was scheduled to be paid over ten years beginning on September 25, 2002 and ending on September 25, 2011, with annual payments, including interest, of \$38,046.

The Society borrowed \$451,300, at an interest rate of 5.25%, from People's National Bank on December 27, 2003, in order to consolidate loan accounts and obtain funding for additional improvements. This loan repaid the outstanding principal balance of \$241,391, plus accrued interest, on the construction loan and repaid the outstanding balance on the Society's line of credit. The consolidation loan is scheduled to be paid over ten years beginning on September 25, 2004, with annual payments, including interest, of \$58,419.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

**3. DEBT (continued)**

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Total Payments
2006	\$58,419
2007	58,419
2008	58,419
2009	58,419
2010	58,419
2011-2013	129,281
Total	<u>\$421,376</u>

**4. SOCIAL SECURITY**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004, 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, 2005.

**5. RISK MANAGEMENT**

The Society provides health coverage for full-time employees through an insurance company.

The Perry County Commissioners provide general insurance coverage for all the buildings on the Perry County Fairgrounds pursuant to Ohio Revised Code § 1711.24. Ace American Insurance Company provides general liability insurance, with limits of \$5,000 aggregate. Crime coverage for employee dishonesty, with limits of liability of \$60,000, is provided by the Chubb Group of Insurance Companies.

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

**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 Perry County Fair. During 2005, the Society disbursed \$31,379 directly to vendors to support Junior Fair activities. During 2004, the Society disbursed \$29,165 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Perry County paid the Society \$500 during 2005 and 2004 to support Junior Club work. The Society was reimbursed \$3,852 and \$4,078 by the State of Ohio for its support of Junior Fair activity for fiscal years 2005 and 2004, respectively. The Junior Fair Board accounts for its activities separately. This accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2005 and 2004 follows:

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

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

	2004	2005
Beginning Cash Balance	\$ 718	\$ 911
Receipts	900	1,005
Disbursements	(707)	(742)
Ending Cash Balance	\$ 911	\$ 1,174

**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 auction. A commission of 6 percent on auction sales of the grand champion and reserve grand champion livestock, and a 4.5 percent commission for all other livestock 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, 2005 and 2004 follows:

Beginning Cash Balance	\$ 8,147
Receipts	14,234
Disbursements	(14,679)
Ending Cash Balance	\$ 7,702



## 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*

Perry County Agricultural Society  
Perry County  
5445 State Route 37 East  
P.O. Box 189  
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the financial statement of the Perry County Agricultural Society, Perry County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated August 3, 2006, 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 in order to express our opinion on the financial statement and not to opine 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 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 management's assertions in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-002 and 2005-003.

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 material weaknesses. We consider reportable condition 2005-003 listed above to be a material weakness. In a separate letter to the Society's management dated August 3, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statement is 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001.

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



**Betty Montgomery**  
Auditor of State

August 3, 2006

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Rev. Code Section 135.12(B) requires, in part, the Agricultural Society to meet every five years for the purpose of designating the public depositories of the public monies of the subdivision. In addition, Ohio Rev. Code Section 135.18(A) requires the Treasurer of the Society to maintain from the depository evidence of eligible securities pledged as collateral for all public monies on deposit in excess of federal deposit insurance, prior to initial deposit. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portions or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited.

The Board of Directors had not formally designated a public depository for the Society. In addition, the Society had approximately \$35,000 in excess of federal deposit insurance during 2005 and the Society neither obtained nor maintained evidence of collateral being pledged to secure these amounts.

We recommend that once every five years the Board approve the designation of the public depositories in which the Society shall deposit public monies during that five year period. Periodically, the Treasurer should request evidence of deposits being secured from the depository when public monies on deposit are in excess of the Society's federal deposit insurance coverage.

**Officials' Response**

Collateral in the amount of \$50,000 has now been pledged to secure deposits in excess of federal deposit insurance.

**FINDING NUMBER 2005-002**

**Reportable Condition**

A well-designed system of internal control relating to bank reconciliations will assure not only the timely completion of bank reconciliations but also the accuracy of the reconciliations. Our review of the Society's year-end reconciliations for fiscal years 2005 and 2004 indicate that bank reconciliations were not reviewed by anyone other than the person performing the reconciliation.

Without a review of bank reconciliations by an individual independent of the reconciliation process, errors and/or irregularities could occur and remain undetected.

We recommend reconciliations be reviewed by the Board of Directors or its designee. The reconciliations should be signed and dated by the individual(s) performing the review.

**Officials' Response**

Bank reconciliations will be completed by a Society employee and reviewed, signed and dated by the Society's Secretary or Treasurer.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2005 AND 2004  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2005-003**

**Material Weakness**

A well-designed system of internal control relating to non-payroll related expenditures will assure that transactions are properly authorized. Our tests of the Society's non-payroll expenditures disclosed the following weaknesses:

- The Treasurer or the Secretary was the only signatory on the Society's checks.
- The Society did not utilize vouchers for the approval of invoices and no other evidence of the Board's approval was maintained.

Failure to require dual signatures on the Society's checks and to obtain the approval for payments could allow improper payments to be made without being detected by the management of the Society.

We recommend the Society require the use of dual signatures on all checks issued. The additional signature should be that of the President of the Board of Directors, or another Director as designated by the Board. Additionally, we recommend a voucher containing the check number, date, payee, amount and appropriate account coding of the expenditure be prepared for all payments. The voucher should be attached to the corresponding invoices and presented to the appropriate committee (such as the finance committee) designated by the Board of Directors for approval, prior to payments being made. Approvals should be evidenced by the signatures and dates of those individuals approving payments.

**Officials' Response**

The Board of Directors has adopted a motion to require all bills in excess of \$2,000 to be approved prior to payment. Any bill in excess of \$2,000 can be paid without prior approval only if it is authorized by a contract or is a routine monthly bill.

**PERRY COUNTY AGRICULTURAL SOCIETY  
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	Deposits were not adequately collateralized.	No.	Not Corrected; Repeated as Finding Number 2005-001
2003-002	Deposits were not timely.	Yes.	
2003-003	Board did not adopt an annual budget.	Yes.	
2003-004	Written contracts were not entered into for work performed by contractors.	Yes.	
2003-005	Bank reconciliations were not reviewed.	No.	Not Corrected; Repeated as Finding Number 2005-002
2003-006	Receipts were not posted timely, controls were not in place to determine who held each book.	Yes.	
2003-007	Payroll disbursements were posted to the accounting system as gross wages and check was written for net amount, causing disagreement.	Yes.	
2003-008	Vouchers were not utilized, only one signature was required on checks, invoices were not always provided, no credit card policy in place.	No.	Partially Corrected; Repeated as Finding Number 2005-003





**Auditor of State  
Betty Montgomery**

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**AGRICULTURAL SOCIETY**

**PERRY 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  
SEPTEMBER 12, 2006**