



**Auditor of State  
Betty Montgomery**



HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY

TABLE OF CONTENTS

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance - For the Year Ended November 30, 2004 .....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance - For the Year Ended November 30, 2003.....	6
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

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**Auditor of State  
Betty Montgomery**

Hardin County Agricultural Society  
P.O. Box 371  
14134 Fairground Road  
Kenton, Ohio 43326

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

May 19, 2005

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Hardin County Agricultural Society  
P.O. Box 371  
14134 Fairground Road  
Kenton, Ohio 43326

To the Board of Directors:

We have audited the accompanying financial statements of the Hardin 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 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 this Society does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

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

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 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

May 19, 2005



**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

<b>Cash Receipts:</b>	
Taxes	\$349
Admissions	168,082
Privilege Fees	74,960
Sales by Fairboard	3,615
Racing	69,620
Sales Activities	2,043
Utilities	266
Fees	16,892
Rentals	31,199
Restricted	35,486
Unrestricted	<u>22,870</u>
 Total Cash Receipts	 <u>425,382</u>
<b>Cash Disbursements:</b>	
Wages and Salaries	59,588
Benefits	7,276
Administrative Expenses	7,749
Race Supplies	866
Supplies	21,665
Utilities	39,319
Racing Expenses	101,677
Services	35,288
Property Expenses	27,554
Advertising	15,888
Repairs	35,788
Insurance	14,103
Rent/Lease Expense	18,868
Capital Outlay	14,524
Senior Fair Expenses	18,972
Contests	3,705
Junior Fair Expenses	21,188
Other Fair Expenses	6,668
Miscellaneous Expenses	<u>16,740</u>
 Total Cash Disbursements	 <u>467,426</u>
 Cash Receipts (Under) Cash Disbursements	 <u>(42,044)</u>
<b>Other Financing Receipts and Disbursements:</b>	
State Support	33,982
County Support	31,500
Investment Income	751
Sale of Personal Property	8,758
Debt Service	<u>(320)</u>
 Total Other Financing Receipts and Disbursements:	 <u>74,671</u>
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	  32,627
 Cash Balances, December 1	 <u>98,329</u>
 <b>Cash Balances, November 30</b>	 <u><u>\$130,956</u></u>

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

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

<b>Cash Receipts:</b>	
Taxes	\$832
Admissions	166,430
Privilege Fees	68,727
Sales by Fairboard	3,820
Racing	81,851
Sales Activities	2,669
Utilities	1,013
Fees	23,927
Rentals	45,918
Restricted	28,176
Unrestricted	<u>15,939</u>
 Total Cash Receipts	 <u>439,302</u>
<b>Cash Disbursements:</b>	
Wages and Salaries	49,980
Benefits	5,302
Administrative Expenses	6,921
Race Supplies	311
Supplies	21,457
Utilities	39,065
Racing Expenses	119,950
Services	34,999
Property Expenses	26,619
Advertising	15,370
Repairs	29,758
Insurance	13,249
Rent/Lease Expense	16,616
Capital Outlay	10,570
Senior Fair Expenses	19,986
Contests	3,990
Junior Fair Expenses	24,748
Other Fair Expenses	3,872
Miscellaneous Expenses	<u>18,634</u>
 Total Cash Disbursements	 <u>461,397</u>
 Cash Receipts (Under) Cash Disbursements	 <u>(22,095)</u>
<b>Other Financing Receipts and Disbursements:</b>	
State Support	36,925
County Support	33,300
Sale of Notes	30,000
Investment Income	593
Sale of Personal Property	7,500
Debt Service	<u>(30,383)</u>
 Total Other Financing Receipts and Disbursements:	 <u>77,935</u>
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	  55,840
 Cash Balance, December 1	 <u>42,489</u>
 <b>Cash Balance, November 30</b>	 <u><u>\$98,329</u></u>

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

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Hardin County Agricultural Society (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 1852 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Hardin County Fair during September. During the fair, harness races are held. Hardin 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 18 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Hardin 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, harness racing during fair week, other year round activities at the fairgrounds including facility rental, track and stall rental, and community events such as auctions. The reporting entity does not include any other activities or entities of Hardin County, Ohio.

The financial activity of the Junior Fair Board, the Junior Livestock Sale Committee, and the annual consignment auction is summarized in Notes 7, 8 and 9, respectively.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**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. Budgetary Process**

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget, at the fund, function, level, in its final form during the first six months of each fiscal year. The fund, function, level, is their legal level. The Board reviews the budget throughout the year and compares it with actual results.

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

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

**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.

**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 Hardin 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 Western 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 4 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 statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

**2. BUDGETARY ACTIVITY**

For the year ended November 30, 2004, the Society had budgeted receipts of \$504,953, actual receipts of \$500,373, resulting in a variance of (\$4,580). The Society had budgeted disbursements of \$504,953, and actual disbursements of \$467,746, resulting in a variance of \$37,207. For the year ended November 30, 2003, the Society had budgeted receipts of \$511,393, actual receipts of \$547,620, resulting in a variance of \$36,227. The Society had budgeted disbursements of \$511,393, and actual disbursements of \$491,780, resulting in a variance of \$19,613.

**3. CASH**

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$113,348	\$80,721
Certificates of deposit	17,608	17,608
Total deposits	<u>\$130,956</u>	<u>\$98,329</u>

**Deposits:** At November 30, 2004, \$128,469 of the balance was covered by the Federal Depository Insurance Corporation (FDIC), and \$2,487 was covered by the National Credit Union Share Insurance Fund (NCUSIF). At November 30, 2003, \$95,856 of the balance was covered by the Federal Depository Insurance Corporation (FDIC), and \$2,473 was covered by the National Credit Union Share Insurance Fund (NCUSIF).

**4. HORSE RACING**

**A. State Support Portion of Purse**

Ohio Fairs Fund money received to supplement purse for the fiscal years ended November 30, 2004 and 2003 was \$26,848 and \$29,384 and is included within State Support on the accompanying financial statements.

**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.

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

**4. HORSE RACING (Continued)**

	<b>2004</b>	<b>2003</b>
Total Amount Bet (Handle)	\$12,869	\$23,554
Less: Payoff to Bettors	(10,275)	(18,802)
Parimutuel Wagering Commission	2,594	4,752
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(1,215)	(2,395)
State Tax	(349)	(634)
Society Portion	<b>\$630</b>	<b>\$1,323</b>

**5. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2004 and 2003, employees contributed 6.2% 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 Hardin County Commissioners provide general insurance coverage for all the buildings on the Hardin County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and automobile coverage is provided by the Public Entities Pool of Ohio with limits of \$3,000,000 and \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer is bonded with coverage of \$110,000.

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.

**7. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, FCCLA, Art, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Hardin County Fair. The Society disbursed \$4,578 during 2004 and \$4,709 during 2003 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 \$500 during 2004 and \$500 during 2003 by Hardin County 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:

	<b>2004</b>	<b>2003</b>
Beginning Balance	\$4,984	\$4,804
Receipts	5,828	5,189
Disbursements	(7,376)	(5,009)
Ending Balance	<b>\$3,436</b>	<b>\$4,984</b>

**HARDIN COUNTY AGRICULTURAL SOCIETY  
HARDIN COUNTY**

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

**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 Hardin County's auction. Monies to cover the cost of the auction are generated through deductions and are retained by the Junior Livestock Committee. A deduction of one dollar per head for market steers was made for the Ohio Beef Marketing program, a deduction of .0040 of the sale value of market hogs was made for the Ohio Pork Producers promotions, a deduction of .0050 of the sale value of market lambs was made for the Ohio Sheep check-off program and a deduction of one dollar per animal going through the sale was made to cover the cost of ear tags during 2004. During 2003, deductions were the same as during 2004, except only 50 cents per animal was deducted to cover the cost of ear tags. 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 2003 follows:

	<b>2004</b>	<b>2003</b>
Beginning Balance	\$2,170	\$1,613
Receipts	311,024	298,432
Disbursements	(312,692)	(297,875)
Ending Balance	\$502	\$2,170

**9. CONSIGNMENT SALE**

The Society sponsors an annual farm machinery consignment sale. The Society collects the proceeds of the sale, withholds commission from the sale based on amounts approved by the Board of Directors and disburses an amount equal to the sale price less the Society's commission to the sellers. The activity of the consignment sale is accounted for in a separate account maintained by the Society specifically for that purpose. The Society earned \$20,000 commission during 2004 and \$8,000 during 2003 from the sale. The Consignment Sale account activity for the years ended November 30, 2004 and 2003 is as follows:

	<b>2004</b>	<b>2003</b>
Beginning Balance	\$692	\$837
Receipts	382,338	194,988
Disbursements	(382,547)	(195,133)
Ending Balance	\$483	\$692

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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***

Hardin County Agricultural Society  
P.O. Box 371  
14134 Fairground Road  
Kenton, Ohio 43326

To the Board of Directors:

We have audited the financial statements of the Hardin County Agricultural Society (the "Society") as of and for the fiscal years ended November 30, 2004 and 2003, and have issued our report thereon dated May 19, 2005, wherein we noted the Society prepared its financial statements using accounting practices the Auditor of State established 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **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 May 19, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

#### **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 May 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Hardin County Agricultural Society  
Hardin 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 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

May 19, 2005



**Auditor of State  
Betty Montgomery**

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**HARDIN COUNTY AGRICULTURAL SOCIETY**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 23, 2005**