



**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2003-2004



**Auditor of State
Betty Montgomery**

HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY

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**Auditor of State
Betty Montgomery**

Huron County Agricultural Society
Huron County
940 Fair Rd.
Norwalk, OH 44857-2041

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 2, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Huron County Agricultural Society
Huron County
940 Fair Rd.
Norwalk, OH 44857-2041

To the Board of Directors:

We have audited the accompanying financial statements of the Huron County Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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 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 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 year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the 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 2, 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 audits.



Betty Montgomery
Auditor of State

November 2, 2005

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

	2004	2003
Operating Receipts:		
Admissions	\$160,318	\$176,591
Privilege Fees	83,323	82,078
Rentals	57,994	50,568
Sustaining and Entry Fees	61,700	66,730
Pari-mutuel Wagering Commission	5,923	6,005
Other Operating Receipts	21,833	22,558
Total Operating Receipts	391,091	404,530
Operating Disbursements:		
Wages and Benefits	30,678	33,315
Utilities	32,763	36,372
Professional Services	117,169	102,312
Equipment and Grounds Maintenance	66,362	58,896
Race Purse	87,553	95,119
Senior Fair	31,795	27,612
Junior Fair	25,935	18,043
Other Operating Disbursements	80,918	69,842
Total Operating Disbursements	473,173	475,715
Excess of Operating Disbursements Over Operating Receipts	(82,082)	(71,185)
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	10,000	15,000
Donations/Contributions	29,205	28,275
Investment Income	247	467
Debt Service	(29,000)	(25,470)
Net Non-Operating Receipts (Disbursements)	44,434	55,197
Excess of Disbursements Over Receipts	(37,648)	(15,988)
Cash Balance, Beginning of Year	70,085	86,073
Cash Balance, End of Year	\$32,437	\$70,085

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

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**HURON COUNTY AGRICULTURAL SOCIETY
HURON 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 Huron County Agricultural Society, Huron 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 1921 to operate an annual agricultural fair. The Society sponsors the week-long Huron County Fair during August. During the fair, harness races are held, culminating in participation in the Buckeye Super Stakes Circuit. Huron County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 31 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Huron 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 including antique fairs, FARM shows, flea markets and motorcycle races. The reporting entity does not include any other activities or entities of Huron County, Ohio.

Notes 8 and 9, 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 prescribes 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.

Certificates of deposit are valued at cost.

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

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.

F. Race Purse

Part of the Buckeye Super Stakes Circuit stake races are held during the Huron 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 Buckeye Super Stakes Circuit 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 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 4 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.

2. CASH AND INVESTMENTS

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

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

	2004	2003
Demand deposits	\$32,437	\$59,979
Certificates of deposit		10,106
Total deposits	\$ 32,437	\$ 70,085

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse, as state support. The amount received in 2004 was \$33,982 and in 2003 was \$36,925.

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)	\$29,547	\$30,264
Less: Payoff to Bettors	(23,624)	(24,259)
Parimutuel Wagering Commission	5,923	6,005
Tote Service Set Up Fee	(450)	(450)
Tote Service Commission	(2,636)	(2,660)
State Tax	(766)	(795)
Society Portion	\$2,071	\$2,100

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Expo Loan	\$80,066	8.00%

The Huron County Commissioners took out a loan on behalf of the Agricultural Society in the amount of \$150,000 with an interest rate of 8 percent in July of 1999 for the completion of the Expo Building. The Society must repay the loan at a rate of thirteen thousand dollars (\$13,000) per year. The interest rate applicable at November 30, 2004 and 2003 is 8 percent.

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Expo Loan	Interest	Total
2005	\$9,543	\$3,457	\$13,000
2006	7,358	5,642	13,000
2007	7,947	5,053	13,000
2008	8,570	4,430	13,000
2009	9,269	3,731	13,000
2010 - 2014	37,379	6,899	44,278
Total	<u>\$80,066</u>	<u>\$29,212</u>	<u>\$109,278</u>

5. RISK MANAGEMENT

The Huron County Commissioners provide general insurance coverage for all the buildings on the Huron County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities, and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

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. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

7. RELATED PARTY TRANSACTIONS

A Board member is part owner of a company from which the Society paid to repair the race barn and water lines and to acquire salt during the audit period. The Society paid \$1,060 for these services.

8. 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 Huron County Fair. The Society disbursed \$25,935 in 2004 and \$18,043 in 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.

9. 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 Huron County's auction. Monies to cover the cost of the auction are generated through a 4 percent commission on Grand Reserve animals and a 2 percent commission on all other animals and are retained by the Junior Livestock Committee. The accompanying financial statement does not

**HURON COUNTY AGRICULTURAL SOCIETY
HURON COUNTY**

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

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	\$7,775	\$5,249
Receipts	276,504	267,452
Disbursements	<u>(276,098)</u>	<u>(264,926)</u>
Ending Cash Balance	<u><u>\$8,181</u></u>	<u><u>\$7,775</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***

Huron County Agricultural Society
Huron County
940 Fair Rd.
Norwalk, OH 44857-2041

To the Board of Directors:

We have audited the financial statements of the Huron County Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated November 2, 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 audits 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 audits, 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 2, 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 audits 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*.

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Huron County Agricultural Society
Huron 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. 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 2, 2005



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

HURON 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 6, 2005**