



Mary Taylor, CPA  
Auditor of State



**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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# Mary Taylor, CPA Auditor of State

Agricultural Society  
Morgan County  
10151 North Meigs Creek Road  
McConnelsville, Ohio 43756

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 an 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 adverse 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.

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**Mary Taylor, CPA**  
Auditor of State

October 18, 2007

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society  
Morgan County  
10151 North Meigs Creek Road  
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Morgan County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005. 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 the 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.

GAAP require presenting entity wide statements. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require agricultural societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position 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 the Agricultural Society, Morgan County, as of November 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

October 18, 2007



**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	<b>2006</b>	<b>2005</b>
<b>Operating Receipts:</b>		
Admissions	\$118,648	\$101,449
Privilege Fees	21,906	21,630
Rentals	33,087	29,328
Sustaining and Entry Fees	26,445	34,068
Parimutuel Wagering Commission	268	372
Other Operating Receipts	10,763	10,796
 Total Operating Receipts	 211,117	 197,643
<b>Operating Disbursements:</b>		
Wages and Benefits	49,264	43,374
Utilities	20,733	21,333
Professional Services	79,904	73,201
Equipment and Grounds Maintenance		17,972
Race Purse	52,163	62,571
Capital Outlay	8,703	
Senior Fair	7,117	5,837
Contest Expenses	11,320	5,910
Junior Fair	9,379	9,340
Debt Service	16,516	12,017
Other Operating Disbursements	22,799	20,700
 Total Operating Disbursements	 277,898	 272,255
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(66,781)	(74,612)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	29,155	32,044
County Support	2,992	2,991
Donations/Contributions	41,561	40,272
Investment Income	663	391
 Net Non-Operating Receipts (Disbursements)	 74,371	 75,698
Excess (Deficiency) of Receipts Over (Under) Disbursements	7,590	1,086
Cash Balance, Beginning of Year	8,176	7,090
<b>Cash Balance, End of Year</b>	<b>\$15,766</b>	<b>\$8,176</b>

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

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**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2006 AND 2005**

**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 Agricultural Society, Morgan 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 1851 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Morgan County Fair during September. During the fair, harness races are held. Morgan County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morgan 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, golf course green fees and community events including horse shows sponsored by the Arabian Horse Association of Ohio and fundraisers sponsored by the Morgan County Chamber of Commerce. The reporting entity does not include any other activities or entities of Morgan County, Ohio.

Notes 9 and 10, 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. Budgetary Process**

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

**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.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2006 AND 2005  
(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. Race Purse**

Harness stake races are held during the Morgan 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 Southern Valley Colt 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.

**H. 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.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2006 AND 2005  
(Continued)**

**2. BUDGETARY ACTIVITY**

For the year ended November 30, 2006, the Society had budgeted receipts of \$290,000, actual receipts of \$285,488, resulting in a variance of (\$4,512). Additionally, the Society had budgeted disbursements of \$290,000, actual disbursements of \$277,898, resulting in a variance of \$12,102.

For the year ended November 30, 2005, the Society had budgeted receipts of \$288,800, actual receipts of \$273,341, resulting in a variance of (\$15,459). Additionally, the Society had budgeted disbursements of \$288,800, actual disbursements of \$272,255, resulting in a variance of \$16,545.

**3. CASH**

The carrying amount of cash at November 30, 2006 and 2005 follows:

	2006	2005
Demand deposits	\$15,766	\$8,176

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation (up to \$100,000 of the Society's bank balance).

**4. HORSE RACING**

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2006 and 2005 was \$29,155 and \$32,044 respectively, as State Support.

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.

	2006	2005
Total Amount Bet	\$8,363	\$12,698
Less: Payoff to Bettors	(6,944)	(10,558)
Parimutuel Wagering Commission	1,419	2,140
Tote Service Set-Up Fee	(400)	(400)
Tote Service Commission	(573)	(1,023)
State Tax	(201)	(279)
Society Portion	\$245	\$438

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2006 AND 2005  
(Continued)**

**5. DEBT**

Debt outstanding at November 30, 2006 was as follows:

	Principal	Interest Rate
Mortgage	\$15,000	5.00%
Total	\$15,000	

The \$15,000 mortgage bears an interest rate of 5% and is due to Citizens National Bank. The original note was entered into on June 7, 2000 with a maturity date of November 30, 2004. Proceeds of the note were used to construct a new multipurpose building located at the fairgrounds and is collateralized by the land and buildings supervised by the Society. The mortgage was modified on October 30, 2002 to reduce the interest rate from 5.95% to 5.00% and reduce the annual payments from \$29,924 to a demand note. The mortgage was modified again on November 19, 2004 to extend the loan for a period of five years to November 30, 2009. The demand option of the note calls for the Society to have all principal and interest paid off by November 30, 2009. The Society must make an annual principal payment of \$8,000 plus interest.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Mortgage	Interest	Total
2007	\$8,000	\$750	\$8,750
2008	7,000	350	7,350
Total	\$15,000	\$1,100	\$16,100

**6. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of the participant's gross salaries through November 30, 2006.

**7. RISK MANAGEMENT**

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

The Morgan County Commissioners provide general insurance coverage for all the buildings on the Morgan County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000. The Society's Secretary and Treasurer are bonded with coverage of \$20,000 each.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2006 AND 2005  
(Continued)**

**8. RELATED PARTY TRANSACTIONS**

The Society engaged in business with Welch's Electric, which is owned by the father of 2005 Board member Willis Welch. These transactions totaled \$8,435 in fiscal year 2005.

**9. 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 Morgan County Fair. The Society disbursed \$9,379 for 2006 and \$9,340 for 2005 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Society was reimbursed \$500 in 2006 and \$500 in 2005 by Morgan County for its support of Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$2,195	\$2,441
Receipts	4,070	3,636
Disbursements	(5,695)	(3,882)
Ending Cash Balance	\$570	\$2,195

**10. 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 Morgan County Fair auction. Monies to cover the cost of the auction are generated through a 3% commission 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, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$8,636	\$7,891
Receipts	213,346	190,007
Disbursements	(217,069)	(189,262)
Ending Cash Balance	\$4,913	\$8,636

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Agricultural Society  
Morgan County  
10151 North Meigs Creek Road  
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Morgan County, Ohio (the Society), as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated October 18, 2007, wherein we noted the Society followed 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 statement 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 statement 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 October 18, 2007, 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 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated October 18, 2007, we reported other matters related to noncompliance we deemed immaterial.

Agricultural Society  
Morgan 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.

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**Mary Taylor, CPA**  
Auditor of State

October 18, 2007



**Mary Taylor, CPA**  
Auditor of State

**AGRICULTURAL SOCIETY**

**MORGAN 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  
NOVEMBER 20, 2007**