



**Auditor of State
Betty Montgomery**

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ottawa County Agricultural Society
7870 W. State Route 163, P.O. Box 28
Oak Harbor, Ohio 43449-0028

To the Board of Directors:

We have audited the accompanying financial statements of the Ottawa County Agricultural Society (the Society) as of and for the years ended November 30, 2003 and 2002. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 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 that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash balances of the Society as of November 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

October 5, 2004

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

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

Operating Receipts:	
Admissions	\$ 148,188
Privilege Fees	28,115
Rentals	51,746
Sustaining and Entry Fees	29,215
Pari-mutuel Wagering Commission	6,418
Other Operating Receipts	8,562
Total Operating Receipts	272,244
Operating Disbursements:	
Wages and Benefits	18,979
Utilities	22,262
Professional Services	94,133
Equipment and Grounds Maintenance	30,501
Race Purse	66,668
Senior Fair	5,761
Junior Fair	20,111
Capital Outlay	750
Other Operating Disbursements	47,236
Total Operating Disbursements	306,401
Excess of Operating Disbursements Over Operating Receipts	(34,157)
Non-Operating Receipts (Disbursements):	
State Support	36,925
County Support	26,034
Donations/Contributions	13,208
Investment Income	236
Debt Service	(7,648)
Net Non-Operating Receipts (Disbursements)	68,755
Excess of Receipts Over Disbursements	34,598
Cash Balance, Beginning of Year	15,238
Cash Balance, End of Year	\$ 49,836

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2002**

Operating Receipts:	
Admissions	\$ 140,207
Privilege Fees	27,956
Rentals	54,021
Sustaining and Entry Fees	27,027
Pari-mutuel Wagering Commission	8,204
Other Operating Receipts	6,517
Total Operating Receipts	263,932
Operating Disbursements:	
Wages and Benefits	20,758
Utilities	21,539
Professional Services	86,637
Equipment and Grounds Maintenance	59,972
Race Purse	69,970
Senior Fair	5,738
Junior Fair	20,713
Capital Outlay	24,422
Other Operating Disbursements	65,424
Total Operating Disbursements	375,173
Excess of Operating Disbursements Over Operating Receipts	(111,241)
Non-Operating Receipts (Disbursements):	
State Support	38,626
County Support	34,067
Other Financing Sources	6,933
Donations/Contributions	26,746
Investment Income	403
Debt Service	(8,228)
Net Non-Operating Receipts (Disbursements)	98,547
Excess of Disbursements Over Receipts	(12,694)
Cash Balance, Beginning of Year	27,932
Cash Balance, End of Year	\$ 15,238

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ottawa 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 1964 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Ottawa County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series. Ottawa 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 24 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Ottawa 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 include facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Ottawa County, Ohio.

As discussed in Note 7, Junior Fair Board activity is reflected in the accompanying financial statements.

The financial activity of the Junior Livestock Sale Committee is summarized in Note 8. Its activity is not reflected in the accompanying financial statements.

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

B. Basis of Accounting

These financial statements follow 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.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

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

C. Cash and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. As of November 30, 2003, the Society has no investments.

D. Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

E. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

F. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

G. Race Purse

Part of the Ohio State Race Series stake races are conducted during the Ottawa 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.

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

Sustaining and Entry Fees

Horse owners and the Northwest 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 statements 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 the race purse. See Note 3 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 determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering 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 statements as pari-mutuel wagering commission. See Note 3 for additional information.

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$ 49,836</u>	<u>\$ 15,238</u>

The bank balance was covered by the Federal Depository Insurance Corporation (FDIC).

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement the purse for the year ended November 30, 2003 and 2002, was \$28,384 and \$29,488, respectively, and is included within State Support on the accompanying financial statements.

Pari-mutuel Wagering

The Society does not record the total amount bet or the payoff to bettors in the accompany financial statements, 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.

	2003	2002
Total Amount Bet (Handle)	\$ 31,865	\$ 40,932
Less: Payoff to Bettors	(25,447)	(32,728)
Pari-mutuel Wagering Commission	6,418	8,204
Tote Service Set Up Fee	(900)	(900)
Tote Service Commission	(3,034)	(4,119)
State Tax	(850)	(967)
Society Portion	\$ 1,634	\$ 2,218

4. DEBT

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
County Loan	\$ 55,000	4%

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

Ottawa County loaned the Society \$100,000 on December 20, 2000, for the building of an office complex. The terms of the loan require that the Society promises to pay to the order of the County the sum of \$20,000 with interest thereon at the rate of 4 percent per annum, payable annually commencing on December 20, 2001, and payable each year, thereafter, on said date. The County Commissioners have forgiven the 2001 and 2002 principal in the amount of \$40,000. They also accepted a payment of \$5,000 in 2003 with the remaining \$15,000 still due and payable at a later date.

Amortization of the above debt is scheduled as follows:

<u>Year ending November 30:</u>	<u>County Loan</u>
2004	\$ 15,000
2005	20,000
2006	20,000
Total	<u>\$ 55,000</u>

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002 employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2003.

6. RISK MANAGEMENT

Risk Pool Membership

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

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

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 with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, 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. 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 township.

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>2003</u>	<u>2002</u>
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>
<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>

**AGRICULTURAL SOCIETY
OTTAWA COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, and FCCLA organization representatives, is responsible for the Junior Fair Division activities of the Ottawa County Fair.

The Junior Fair Board activity is accounted for within the accounting records of the Society and is reflected in the accompanying financial statements. The Society subsidizes the Junior Fair Division to the extent necessary each year.

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 the Ottawa County's auction. Monies to cover the cost of the auction are generated through a 6 percent commission on grand champions and a 3 percent commission is assessed on all other sales and is retained by the Junior Livestock Committee. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Beginning Cash Balance	\$ 11,818	\$ 8,673
Receipts	151,887	146,761
Disbursements	<u>(153,685)</u>	<u>(143,616)</u>
Ending Cash Balance	<u>\$ 10,020</u>	<u>\$ 11,818</u>

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Ottawa County Agricultural Society
7870 W. State Route 163, P.O. Box 28
Oak Harbor, Ohio 43449-0028

To the Board of Directors:

We have audited the financial statements of the Ottawa County Agricultural Society (the Society) as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated October 5, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the Society's management in a separate letter dated October 5, 2004.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A

material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated October 5, 2004.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by 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

October 5, 2004



**Auditor of State
Betty Montgomery**

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OTTAWA COUNT AGRICULTURAL SOCIETY

OTTAWA 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 16, 2004**