



**Auditor of State  
Betty Montgomery**



**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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## Auditor of State Betty Montgomery

### 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, 2004 and 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement 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 statement referred to above presents fairly, in all material respects, the cash balance of the Agricultural Society, Morgan County, Ohio, as of November 30, 2004 and 2003, 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 March 9, 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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Agricultural Society  
Morgan County  
Independent Accountants' Report  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Directors and other officials authorized to receive this report under Section 117.26, Ohio Revised Code. 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

March 9, 2005

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

	<b>2004</b>	<b>2003</b>
<b>Operating Receipts:</b>		
Admissions	\$ 94,507	\$ 102,037
Privilege Fees	22,333	21,719
Rentals	24,561	25,630
Sustaining and Entry Fees	5,590	7,420
Racing Fees and Charges	35,815	34,214
Parimutuel Wagering Commission	493	371
Charges for Services - Golf Course	36,424	37,142
Other Operating Receipts	9,842	13,494
 Total Operating Receipts	 229,565	 242,027
<b>Operating Disbursements:</b>		
Wages and Benefits	52,216	53,746
Utilities	14,495	13,249
Professional Services	60,328	58,050
Equipment and Grounds Maintenance	32,363	27,506
Race Purse	59,694	60,383
Senior Fair	5,191	7,511
Junior Fair	8,378	8,173
Capital Outlay	9,599	6,400
Other Operating Disbursements	28,089	32,944
 Total Operating Disbursements	 270,353	 267,962
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (40,788)	 (25,935)
<b>Non-Operating Receipts/(Disbursements):</b>		
State Support	33,982	36,925
County Support	2,991	2,991
Sale of Assets		2,400
Donations/Contributions	1,493	748
Investment Income	195	289
Debt Service	(2,084)	(14,597)
 Net Non-Operating Receipts/(Disbursements)	 36,577	 28,756
 Excess (Deficiency) of Receipts Over/(Under) Disbursements	 (4,211)	 2,821
 Cash Balance - Beginning of Year	 11,301	 8,480
 <b>Cash Balance - End of Year</b>	 <b>\$ 7,090</b>	 <b>\$ 11,301</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, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Agricultural Society, Morgan County (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 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 responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of twenty directors serving staggered three-year terms, elected from the membership of the Society. 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. The reporting entity does not include any other activities or entities of Morgan County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 8 and Note 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**

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.

**D. Budgetary Process**

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The budget is approved at the function level. The Board of Directors reviews the budget annually and compares it with actual results.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

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

**E. 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.

**F. Restricted Support**

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

**G. 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.

**H. Race Purse**

The Society's stake races are conducted 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. 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. Parimutuel 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 parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

The parimutuel wagering commission (commission) is the Society's share of total parimutuel 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 Parimutuel Wagering Commission. See Note 4 for additional information.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

**2. BUDGETARY ACTIVITY**

For the year ended November 30, 2004, the Society had budgeted receipts of \$296,300, actual receipts of \$268,226, resulting in a variance of (\$28,074). Additionally, the Society had budgeted disbursements of \$296,300, actual disbursements of \$272,437, resulting in a variance of \$23,863.

For the year ended November 30, 2003, the Society had budgeted receipts of \$300,300, actual receipts of \$285,380, resulting in a variance of (\$14,920). Additionally, the Society had budgeted disbursements of \$300,300, actual disbursements of \$282,559, resulting in a variance of \$17,741.

**3. CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$ 7,090	\$ 11,301

**Deposits:** Deposits are insured by Federal Deposit Insurance Corporation (FDIC).

**4. HORSE RACING**

*State Support Portion of Purse*

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

*Parimutuel Wagering*

The Society does not record the "Total Amount Bet or the Payoff to Bettors" in the accompany financial statement. Rather, it records the "Parimutuel Wagering Commission" (commission), which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2004	2003
Total Amount Bet (Handle)	\$ 11,667	\$ 9,332
Less: Payoff to Bettors	(8,078)	(6,407)
Parimutuel Wagering Commission	3,589	2,925
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(2,370)	(1,894)
State Tax	(326)	(260)
Society Portion	\$ 493	\$ 371

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

**5. DEBT**

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Mortgage	\$ 40,000	5.00%

The \$40,000 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
2005	\$ 8,000	\$ 2,000	\$ 10,000
2006	8,000	1,600	9,600
2007	8,000	1,200	9,200
2008	8,000	800	8,800
2009	8,000	400	8,400
Total	\$ 40,000	\$ 6,000	\$ 46,000

**6. 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.

**7. RISK MANAGEMENT**

The Morgan County Commissioners provide general insurance coverage for all the buildings on the Morgan County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24. General liability and vehicle coverage is provided by private insurers. The Society's Secretary and Treasurer are bonded with coverage of \$20,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through September 2005.

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

**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 Morgan County Fair. The Society disbursed \$8,378 for 2004 and \$8,173 for 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. The Society was reimbursed \$500 in 2004 and \$500 in 2003 by Morgan 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:

	2004	2003
Beginning Cash Balance	\$ 1,687	\$ 364
Receipts	4,052	6,690
Disbursements	(3,298)	(5,367)
Ending Cash Balance	\$ 2,441	\$ 1,687

**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 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, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 8,732	\$ 7,527
Receipts	190,457	159,941
Disbursements	(191,298)	(161,443)
Ending Cash Balance	\$ 7,891	\$ 6,025

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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***

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, 2004 and 2003, and have issued our report thereon dated March 9, 2005. 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 to be material weaknesses. In a separate letter to the Society's management dated March 9, 2005, we reported other matters involving internal control over financial reporting.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

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 management and the 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

March 9, 2005





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
MAY 5, 2005**