



**Auditor of State
Betty Montgomery**

HANCOCK COUNTY AGRICULTURAL SOCIETY

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**Auditor of State
Betty Montgomery**

Hancock County Agricultural Society
1017 E. Sandusky Street
P.O. Box 148
Findlay, Ohio 45839-0148

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 black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

May 4, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Hancock County Agricultural Society
1017 E. Sandusky Street
P.O. Box 148
Findlay, Ohio 45839-0148

To the Board of Directors:

We have audited the accompanying financial statements of the Hancock County Agricultural Society (the Society) as of and for the years ended December 31, 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 December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 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 December 31, 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 December 31, 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 combined fund cash balances of the Hancock County Agricultural Society, as of December 31, 2004 and 2003, and its combined 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 December 31, 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 4, 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 4, 2005

HANCOCK COUNTY AGRICULTURAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2004

	2004
Operating Receipts:	
Admissions	\$ 187,710
Privilege Fees	91,373
Rentals	135,625
Sustaining and Entry Fees	37,330
Fees	40,318
Other Operating Receipts	12,620
Total Operating Receipts	504,976
Operating Disbursements:	
Wages and Benefits	87,351
Utilities	42,953
Professional Services	74,828
Equipment and Grounds Maintenance	137,183
Race Purse	65,504
Senior Fair	47,504
Junior Fair	32,756
Capital Outlay	125,387
Other Operating Disbursements	91,683
Total Operating Disbursements	705,149
Excess of Operating Disbursements Over Operating Receipts	(200,173)
Non-Operating Receipts (Disbursements):	
State Support	63,886
County Support	3,396
Debt Proceeds	62,474
Donations/Contributions	58,228
Investment Income	722
Debt Service	(4,302)
Net Non-Operating Receipts (Disbursements)	184,404
Excess of Disbursements Over Receipts	(15,769)
Cash Balance, Beginning of Year	79,276
Cash Balance, End of Year	\$ 63,507

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

HANCOCK COUNTY AGRICULTURAL SOCIETY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003

	2003
Operating Receipts:	
Admissions	\$ 136,197
Privilege Fees	77,617
Rentals	79,181
Sustaining and Entry Fees	35,866
Fees	41,284
Other Operating Receipts	15,512
Total Operating Receipts	385,657
Operating Disbursements:	
Wages and Benefits	74,118
Utilities	41,644
Professional Services	55,084
Equipment and Grounds Maintenance	119,257
Race Purse	66,334
Senior Fair	47,930
Junior Fair	30,998
Capital Outlay	8,474
Other Operating Disbursements	54,241
Total Operating Disbursements	498,080
Excess of Operating Disbursements Over Operating Receipts	(112,423)
Non-Operating Receipts (Disbursements):	
State Support	36,925
County Support	3,300
Donations/Contributions	44,524
Investment Income	1,118
Debt Service	(148)
Net Non-Operating Receipts (Disbursements)	85,719
Excess of Disbursements Over Receipts	(26,704)
Cash Balance, Beginning of Year	105,980
Cash Balance, End of Year	\$ 79,276

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

HANCOCK COUNTY AGRICULTURAL SOCIETY

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 Hancock County Agricultural Society, (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 1938 to operate an annual agricultural fair. The Society sponsors the week-long Hancock County Fair during August and September. During the fair, harness races are held, culminating in the running of the North Central Colt stake races. Hancock County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-six directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Hancock 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 a 4th of July festival, horse shows, and craft shows. The reporting entity does not include any other activities or entities of Hancock 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

The 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.

D. 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 three months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

HANCOCK COUNTY AGRICULTURAL SOCIETY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(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. 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

North Central Colt stake races are held during the Hancock 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 North Central Colt Association 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.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2004, the Society had budgeted receipts of \$721,129, actual receipts of \$693,682, resulting in a variance of \$27,447. Additionally, the Society had budgeted disbursements of \$711,945, actual disbursements of \$709,451, resulting in a variance of \$2,494.

For the year ended November 30, 2003, the Society had budgeted receipts of \$534,960, actual receipts of \$471,524, resulting in a variance of \$63,436. Additionally, the Society had budgeted disbursements of \$534,960, actual disbursements of \$498,228, resulting in a variance of \$36,732.

3. CASH

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 63,507</u>	<u>\$ 79,276</u>

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. Balances in excess of \$100,000 are uninsured and uncollateralized, with a maximum of

HANCOCK COUNTY AGRICULTURAL SOCIETY

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

\$182,042 at September 30, 2004 and \$161,927 at September 30, 2003, of deposits that were not insured or collateralized, contrary to Ohio law.

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, 2004 and November 30, 2003 was \$26,848 and \$29,384, as State Support.

5. DEBT

Debt outstanding at November 30, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgaged Debt	<u>\$ 61,333</u>	5.50%

The debt was issued to finance the purchase of a house and lot next to the fairgrounds.

Amortization of the above debt, including interest, is scheduled as follows:

<u>Year ending November 30:</u>	<u>Loan Amount</u>
2005	\$ 5,192
2006	5,192
2007	5,192
2008	5,192
2009	5,192
2010-2014	25,956
2015-2019	25,956
2020-2024	22,496
Total	<u>\$ 100,368</u>

6. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2004 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, 2004.

7. RISK MANAGEMENT

The Hancock County Commissioners provide general insurance coverage for all the buildings on the Hancock County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability coverage is provided by the Public Entities Pool of Ohio with limits of \$5,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$5,000,000. The Society's general manager is bonded with coverage of \$200,000.

HANCOCK COUNTY AGRICULTURAL SOCIETY

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

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.

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 Hancock County Fair. The Society disbursed \$32,756 for 2004 and \$30,998 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. Hancock County paid the Society \$500 for years ending November 30, 2004 and 2003 to support 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 years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 878	\$ 1,915
Receipts	5,500	3,847
Disbursements	(5,554)	(4,884)
Ending Cash Balance	<u>\$ 824</u>	<u>\$ 878</u>

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 Hancock County's auction. A commission of 5 percent per head of a grand champion and three percent per head of all other animals sold, assessed on the auction price and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 29,547	\$ 16,431
Receipts	308,326	301,350
Disbursements	(305,622)	(288,234)
Ending Cash Balance	<u>\$ 32,251</u>	<u>\$ 29,547</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***

Hancock County Agricultural Society
1017 E. Sandusky Street
P.O. Box 148
Findlay, Ohio 45839-0148

To the Board of Directors:

We have audited the financial statements of the Hancock County Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated May 4, 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 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 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 4, 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

Hancock County Agricultural Society
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Government's management dated May 4, 2005, we reported other related matters.

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.

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 4, 2005

HANCOCK COUNTY AGRICULTURAL SOCIETY

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Noncompliance Citation

Generally, Ohio Revised Code § 135.18, provides in part that the treasurer before making a deposit in a public depository require the institution to pledge eligible securities as collateral to adequately protect the public money deposited in excess of the federal depository insurance. Such collateral is to be deposited with the treasurer or with a qualified third party trustee.

The Society had no collateral for deposits in excess of \$100,000. This caused deposits to exceed the federal depository insurance at various times throughout the audit period, with a maximum of \$182,042 of deposits in excess of federal depository insurance at September 30, 2004. The Society should regularly monitor its deposits and obtain collateral from by its banks to ensure all deposits are protected.



**Auditor of State
Betty Montgomery**

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HANCOCK AGRICULTURAL SOCIETY

HANCOCK 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 2, 2005**