



**Auditor of State
Betty Montgomery**

PUTNAM COUNTY AGRICULTURAL SOCIETY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Changes in Cash Balances - For the Year Ended November 30, 2004	5
Statement of Receipts, Disbursements, and Changes in Cash Balances - For the Year Ended November 30, 2003	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

Putnam County Agricultural Society
1490 E. Second Street
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Trustees:

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

May 10, 2005

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Putnam County Agricultural Society
1490 E. Second St., P.O. Box 47
Ottawa, OH 45875-0047

To the Board of Directors:

We have audited the accompanying financial statements of the Putnam 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 audit.

Except as discussed in the following paragraph, 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.

We were unable to obtain sufficient evidential matter supporting amounts reported as grandstand admissions which account for 15 percent and 12 percent of the 2003 and 2004 admissions revenue, respectively. In addition, we were unable to obtain sufficient evidential matter supporting amounts reported as concession privilege fees which account for 51 percent and 42 percent of the 2003 and 2004 privilege fees revenue, respectively.

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. 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 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 their changes in financial position for the year then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence for amounts reported as grandstand admissions and concession privilege fees in the Society's fund for fiscal years 2003 and 2004, the financial statements referred to above present fairly, in all material respects, the fund cash balances of the Putnam County Agricultural Society, 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 May 10, 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 10, 2005

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

	2004
Operating Receipts:	
Admissions	\$ 95,985
Privilege Fees	40,627
Rentals	20,400
Sustaining and Entry Fees	66,100
Pari-mutuel Wagering Commission	5,699
Other Operating Receipts	11,973
Total Operating Receipts	240,784
Operating Disbursements:	
Wages and Benefits	20,153
Utilities	15,642
Professional Services	50,789
Equipment and Grounds Maintenance	44,092
Race Purse	93,536
Senior Fair	16,255
Junior Fair	10,134
Capital Outlay	8,419
Other Operating Disbursements	52,281
Total Operating Disbursements	311,301
Excess of Operating Disbursements Over Operating Receipts	(70,517)
Non-Operating Receipts:	
State Support	33,983
County Support	3,300
Donations/Contributions	26,652
Investment Income	500
Net Non-Operating Receipts	64,435
Excess of Disbursements Over Receipts	(6,082)
Cash Balance, Beginning of Year	40,834
Cash Balance, End of Year	\$ 34,752

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

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

	2003
Operating Receipts:	
Admissions	\$ 87,340
Privilege Fees	35,506
Rentals	18,672
Sustaining and Entry Fees	59,875
Pari-mutuel Wagering Commission	2,417
Other Operating Receipts	12,881
Total Operating Receipts	216,691
Operating Disbursements:	
Wages and Benefits	16,773
Utilities	15,029
Professional Services	40,123
Equipment and Grounds Maintenance	46,283
Race Purse	88,814
Senior Fair	18,459
Junior Fair	10,394
Capital Outlay	14,288
Other Operating Disbursements	51,383
Total Operating Disbursements	301,546
Excess of Operating Disbursements Over Operating Receipts	(84,855)
Non-Operating Receipts:	
State Support	36,925
County Support	3,300
Donations/Contributions	26,197
Investment Income	698
Net Non-Operating Receipts	67,120
Excess of Disbursements Over Receipts	(17,735)
Cash Balance, Beginning of Year	58,569
Cash Balance, End of Year	\$ 40,834

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

PUTNAM 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 Putnam 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 1855 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Putnam County Fair during June. During the fair, harness races are held, culminating in the running of the Western Ohio super Stakes. Putnam 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 Putnam 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. The reporting entity does not include any other activities or entities of Putnam 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

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

Certificates of Deposit are valued at cost.

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.

PUTNAM 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

The Western Ohio Super Stake races are held during the Putnam 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 Western Ohio Colt Racing 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.

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 (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.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2004, the Society had budgeted receipts of \$512,472, actual receipts of \$305,219, resulting in a variance of \$207,253. Additionally, the Society had budgeted disbursements of \$510,462, actual disbursements of \$311,301, resulting in a variance of \$199,161.

PUTNAM COUNTY AGRICULTURAL SOCIETY

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

For the year ended November 30, 2003, the Society had budgeted receipts of \$512,472, actual receipts of \$283,811, resulting in a variance of \$228,661. Additionally, the Society had budgeted disbursements of \$510,462, actual disbursements of \$301,546, resulting in a variance of \$208,916.

3. CASH

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

	2004	2003
Demand deposits	\$ 12,758	\$ 23,764
Certificates of Deposit	21,994	17,070
Total deposits	<u>\$ 34,752</u>	<u>\$ 40,834</u>

Bank balances were covered by Federal Depository Insurance Corporation (FDIC).

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 \$25,848 and \$28,384, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of the 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)	\$ 28,129	\$ 11,959
Less: Payoff to Bettors	<u>(22,430)</u>	<u>(9,542)</u>
Pari-mutuel Wagering Commission	5,699	2,417
Tote Service Set Up Fee	(400)	(200)
Tote Service Commission	(2,714)	(1,153)
State Tax	<u>(776)</u>	<u>(296)</u>
Society Portion	<u>\$ 1,809</u>	<u>\$ 768</u>

5. DEBT

During 2003 the Society entered into an agreement with the Putnam County Commissioners, for the Society to repay the County \$40,000 for its purchase of 4 acres to be used for fair parking. The Agreement requires 7 annual payments of \$5,714.29 at 0 percent interest paid by the Society to the County, with the first payment due December 31, 2003.

PUTNAM COUNTY AGRICULTURAL SOCIETY

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

During 2004 the Society entered into an agreement for the rental of 3.6 acres, to be used for fair parking. It is a 5 year lease with \$1,500 due each year on December 1st, starting 2004.

6. SOCIAL SECURITY

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 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 Putnam County Commissioners provide general insurance coverage for all the buildings on the Putnam County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability coverage is provided by the Hans and Wilkerson Insurance Company with limits of \$5,000,000. The Society also includes equipment, auto, and volunteer fair workers policies. The Society's Treasurer and Secretary 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 August 2005.

8. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, and Girl Scout Youth organization representatives, is responsible for the Junior Fair Division activities of the Putnam County Fair. The Society disbursed \$10,134 for 2004 and \$10,394 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. Putnam County paid the Society \$500 for years ending November 30, 2004 and 2003 to support Junior Club work. The accompanying financial statements do include the activities of the Junior Fair Board.

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 Putnam County's auction. Monies to cover the cost of the auction are generated through a 2.5 percent commission of gross sales and are retained by the Junior Livestock Committee. The accompanying financial statements do 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	\$ 16,342	\$ 12,388
Receipts	244,504	223,608
Disbursements	<u>(247,968)</u>	<u>(219,654)</u>
Ending Cash Balance	<u>\$ 12,878</u>	<u>\$ 16,342</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***

Putnam County Agricultural Society
1490 E. Second Street
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Directors:

We have audited the financial statements of the Putnam 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 10, 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 qualified our report due to our inability to obtain sufficient evidential matter supporting admissions and privilege fee revenues. Except as discussed in the preceding sentence, 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001 and 2004-002.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We believe the reportable conditions listed above to be material weaknesses. In a separate letter to the Society's management dated May 10, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance

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 audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*. In a separate letter to the Society's management dated May 10, 2005, we reported other matters related to noncompliance we deemed immaterial.

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.



Betty Montgomery
Auditor of State

May 10, 2005

PUTNAM 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

Material Weakness - Accountability over Admissions

Any event (gate admission, grandstand) charging an admission price or fee should use pre-numbered tickets for each participant. A ticket inventory should also be used indicating beginning and ending ticket numbers. This inventory should be used as part of a daily reconciliation that would include the number of tickets issued X price for total expected revenue, compared to actual revenue and noting any variances and the reason, if any, for the variance. This reconciliation should then be signed by the preparer and given to the Treasurer for adequate support. The remaining ticket stubs should also be turned into the Treasurer and stored to support the reconciliations. The Society does have a daily reconciliation used for general gate admissions, but it could not locate support for all of the 2004 and part of the 2003 grandstand admissions. Grandstand admissions account for 12 percent and 15 percent of the total 2004 and 2003 admissions revenue, respectively. This lack of controls could result in revenue being lost, misused, or unrecorded without detection. We recommend all events use pre-numbered tickets for all their activities, and an inventory of these tickets be maintained, daily reconciliations be performed, and the ticket stubs are kept and stored for adequate support.

FINDING NUMBER 2004-002

Material Weakness - Accountability over Privilege Fees

All privilege fees had contracts with the amount of the fee received written in on the agreement. However, there were no procedures in place supporting how much should be assessed and collected for concession privilege fees and the amounts charged to the various vendors was not consistent. Concession privilege fees account for 42 percent and 51 percent of the total 2004 and 2003 privilege fees, respectively. This lack of controls could result in revenue being lost, misused, or unrecorded without detection. We recommend procedures be implemented to ensure consistent assessment of all privilege fee revenues, all fees should be approved by the Society's Board and at the conclusion of each event the amounts due per the privilege fee contracts should be reconciled to the revenues received, noting any variances and the reason, if any, for the variance.



**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

PUTNAM AGRICULTURAL SOCIETY

PUTNAM 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 31, 2005**