



**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2005-2004



**Auditor of State
Betty Montgomery**

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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**Auditor of State
Betty Montgomery**

Ashland County Agricultural Society
Ashland County
2042 Claremont Avenue
Ashland, Ohio 44805

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.

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Betty Montgomery
Auditor of State

September 18, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Ashland County Agricultural Society
Ashland County
2042 Claremont Avenue
Ashland, Ohio 44805

To the Board of Directors:

We have audited the accompanying financial statements of the Ashland County Agricultural Society, Ashland County, Ohio, (the Society) as of and for the years ended November 30, 2005 and 2004. 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 November 30, 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 the 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 years ended November 30, 2005 and 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, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Ashland County Agricultural Society, Ashland County, Ohio, as of November 30, 2005 and 2004, 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 years ended November 30, 2005 and 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 September 18, 2006, 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

September 18, 2006

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2005 AND 2004**

	2005	2004
Operating Receipts:		
Admissions	\$287,138	\$431,772
Privilege Fees	151,045	145,114
Rentals	153,256	147,795
Sustaining and Entry Fees	41,690	50,110
Parimutuel Wagering Commission	2,540	2,982
Other Operating Receipts	80,771	73,299
 Total Operating Receipts	 716,440	 851,072
Operating Disbursements:		
Wages and Benefits	212,222	201,625
Utilities	57,993	52,608
Professional Services	62,632	220,279
Equipment and Grounds Maintenance	117,599	115,195
Race Purse	67,549	77,615
Senior Fair	37,467	40,013
Junior Fair	28,242	26,500
Capital Outlay	38,075	94,653
Other Operating Disbursements	196,391	153,894
 Total Operating Disbursements	 818,170	 982,382
Deficiency of Operating Receipts Under Operating Disbursements	 (101,730)	 (131,310)
Non-Operating Receipts (Disbursements):		
State Support	32,044	33,982
County Support	23,300	23,300
Debt Proceeds	25,000	145,000
Donations/Contributions	31,406	33,453
Investment Income	581	454
Debt Service	(25,029)	(88,220)
 Net Non-Operating Receipts (Disbursements)	 87,302	 147,969
Excess (Deficiency) of Receipts Over (Under) Disbursements	(14,428)	16,659
Cash Balance, Beginning of Year	82,089	65,430
Cash Balance, End of Year	\$67,661	\$82,089

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

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**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Ashland County Agricultural Society, Ashland County, Ohio, (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 formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1851 to direct operation of an annual agricultural fair. The Society sponsors the week-long Ashland County Fair during the month of September. During the fair, harness races are held. Ashland 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 30 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Ashland 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, harness racing during fair week; Junior Fair Board activities; other year round activities at the fairgrounds including facility rental, track and stall rental, and community events such as horse shows. The reporting entity does not include any other activities or entities of Ashland County, Ohio.

The financial activity for the Junior Livestock Sale Committee is summarized in Note 8.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financial statements 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribe or permits.

C. Cash and Investments

The Society had no investments as of November 30, 2005 and 2004.

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.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(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

Stake races are held during the Ashland 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. In addition the Society contributes approximately \$500 to each Race Purse.

Sustaining and Entry Fees

Horse owners and the Home Talent 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 statements report these fees as Sustaining and Entry Fees, and ultimately paid out as part of the race purse.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to 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 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 3 for additional information.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

2. CASH

The carrying amount of cash at November 30, 2005 and 2004 follows:

	2005	2004
Demand deposits	\$67,491	\$81,919
Cash on Hand	170	170
Total deposits and cash on hand	\$67,661	\$82,089

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purses for the years ended November 30, 2005 and 2004 was \$20,304 and \$21,848 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 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.

	2005	2004
Total Amount Bet (Handle)	\$12,599	\$14,939
Less: Payoff to Bettors	(10,059)	(11,957)
Parimutuel Wagering Commission	2,540	2,982
Tote Service Set Up Fee	(900)	(900)
Tote Service Commission	(830)	(1,088)
State Tax	(323)	(377)
Society Portion	\$487	\$617

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

4. DEBT

Debt outstanding at November 30, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Huntington National Bank Note	\$17,000	5.75%
National City Bank Note	63,191	Prime
Farmers State Bank Note	77,898	1% Less than Prime
Line of Credit	<u>25,000</u>	75% of Prime
Total	<u><u>\$183,089</u></u>	

The Huntington Bank Note was originally for \$85,000 and bears an interest rate of 5.75%. The unsecured note was entered into on August 25, 1997 and matures October 1, 2007. Proceeds of the note were used to purchase a new horse barn.

The National City Bank Note was for \$63,191 and bears an interest rate equal to the Prime Rate. This note was entered into on October 21, 2005 and matures October 21, 2011. Proceeds of this note were used to pay off the remainder of a \$110,000 note that was due on October 31, 2005. The note was originally for building improvements.

The Farmer's State Bank Note was originally for \$85,140 and bears an interest rate of 1% less than the Prime Rate. The note was entered into on September 14, 2004 and matures September 14, 2014. Proceeds of the note were used to pay for grand stand improvements.

The Society has a \$90,000 line of credit available which bears an interest rate of 75% of the Prime Rate. The Society borrowed \$85,000 during the audit period which was partially paid back by two payments of \$40,000 and \$20,000. At fiscal year end the Society had a balance of \$25,000.

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

Year ending November 30:	Huntington National Bank Note	National City Bank Note	Farmers State Bank Note	Total
2006	\$9,491	\$15,416	\$10,263	\$35,170
2007	8,996	15,416	10,263	34,675
2008	0	15,416	10,263	25,679
2009	0	15,416	10,263	25,679
2010	0	15,416	10,263	25,679
2011 - 2014	0	0	41,052	41,052
Total	<u><u>\$18,487</u></u>	<u><u>\$77,080</u></u>	<u><u>\$92,367</u></u>	<u><u>\$187,934</u></u>

The Line of Credit does not follow an amortized payment schedule. Interest is due quarterly with the principal payments due when the Society is able to repay the balance. The Society made three principal payments of \$5,000 each subsequent to year end.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants' gross salaries through November 30, 2005.

6. RISK MANAGEMENT

The Ashland County Commissioners provide general insurance coverage for all the buildings on the Ashland County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's Secretary/Manager and Treasurer are bonded with coverage of \$60,000 each. 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 occurrence, including claim 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 \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

6. RISK MANAGEMENT (Continued)

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004:

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$29,719,675	\$27,437,169
Liabilities	<u>(15,994,168)</u>	<u>(13,880,038)</u>
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$4,443,332	\$3,648,272
Liabilities	<u>(1,068,245)</u>	<u>(540,073)</u>
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The share of these unpaid claims on behalf of the Society is approximately \$41,084.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 31, 2005.

7. RELATED PARTY TRANSACTIONS

The Board President is a loan officer with Huntington National Bank. The Society has a loan with Huntington National Bank with an outstanding principal amount of \$17,000.

The Board rented tents and chairs from Rafeld Stover Variety Parties. Mark Rafeld is a Board member and a partner in the Rafeld Stover business. In 2005, the Society rented tents and chairs in the amount of \$2,918. In 2004, they rented tents and chairs in the amount of \$1,339.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND 2004
(Continued)**

8. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Sale Committee consists of seven separate subcommittees charged with running the Junior Livestock Auction. These subcommittees organize auctions for sheep and swine, dairy cattle, baby beef, rabbit and poultry, goat, market steer, and market steer born and raised. This auction is held during fair week. Children may sell their animals directly to market or through the Ashland County's auction. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
Beginning Cash Balance	\$18,511	\$23,459
Receipts	443,080	432,285
Disbursements	<u>(431,330)</u>	<u>(437,233)</u>
Ending Cash Balance	<u><u>\$30,261</u></u>	<u><u>\$18,511</u></u>

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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

Ashland County Agricultural Society
Ashland County
2042 Claremont Avenue
Ashland, Ohio 44805

To the Board of Directors:

We have audited the financial statements of the Ashland County Agricultural Society, Ashland County, Ohio, (the Society) as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated September 18, 2006, 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 September 18, 2006, 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 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*.

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

September 18, 2006



**Auditor of State
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

AGRICULTURAL SOCIETY

ASHLAND 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
OCTOBER 19, 2006**