



**Auditor of State  
Betty Montgomery**



**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter.....	1
Independent Accountants' Report.....	3
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2004 .....	5
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Year Ended November 30, 2003 .....	6
Notes to the Financial Statement .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

Ross County Agricultural Society  
Ross County  
P.O. Box 614  
Chillicothe, Ohio 45601

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 Society 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

January 30, 2006

**THIS PAGE INTENTIONALLY LEFT BLANK**



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Ross County Agricultural Society  
Ross County  
P.O. Box 614  
Chillicothe, Ohio 45601

To the Board of Directors:

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

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Ross County Agricultural Society, Ross County, Ohio, as of November 30, 2004 and November 30, 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 January 30, 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

January 30, 2006



**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

	<b>2004</b>
<b>Operating Receipts:</b>	
Admissions	\$215,636
Privilege Fees	122,388
Rentals	494,294
Sustaining and Entry Fees	21,600
Parimutuel Wagering Commission	5,876
Other Operating Receipts	16,359
Total Operating Receipts	876,153
<b>Operating Disbursements:</b>	
Wages and Benefits	39,881
Utilities	94,132
Professional Services	201,812
Equipment and Grounds Maintenance	196,867
Race Purse	50,530
Senior Fair	17,779
Junior Fair	28,808
Advertising	39,539
Rent/Lease	25,441
Capital Outlay	108,261
Other Operating Disbursements	187,308
Total Operating Disbursements	990,358
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(114,205)
<b>Non-Operating Receipts :</b>	
State Support	33,982
County Support	53,300
Restricted Donations, Sponsorships & Promotions	1,413
Unrestricted Donation, Sponsorships & Promotions	36,715
Interest Income	1,122
Net Non-Operating Receipts	126,532
Excess of Receipts Over Disbursements	12,327
Cash Balance, Beginning of Year	83,399
<b>Cash Balance, End of Year</b>	<b>\$95,726</b>

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

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

	<b>2003</b>
<b>Operating Receipts:</b>	
Admissions	\$209,686
Privilege Fees	114,354
Rentals	422,378
Sustaining and Entry Fees	20,375
Parimutuel Wagering Commission	5,183
Other Operating Receipts	25,349
 Total Operating Receipts	 797,325
<b>Operating Disbursements:</b>	
Wages and Benefits	39,932
Utilities	95,456
Professional Services	198,404
Equipment and Grounds Maintenance	77,191
Race Purse	51,613
Senior Fair	19,084
Junior Fair	28,875
Advertising	37,849
Rent/Lease	25,794
Capital Outlay	176,349
Other Operating Disbursements	164,659
 Total Operating Disbursements	 915,206
Excess (Deficiency) of Operating Receipts (Under) Operating Disbursements	(117,881)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	36,925
County Support	53,300
Debt Service	(51,295)
Restricted Donations, Sponsorships & Promotions	19,895
Unrestricted Donation, Sponsorships & Promotions	17,337
Interest Income	1,540
 Net Non-Operating Receipts (Disbursements)	 77,702
Excess of Receipts (Under) Disbursements	(40,179)
Cash Balance, Beginning of Year	123,578
<b>Cash Balance, End of Year</b>	<b>\$83,399</b>

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

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2004 AND NOVEMBER 30, 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 Ross County Agricultural Society, Ross County, (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 1944 to operate an annual agricultural fair. The Society sponsors the week-long Ross County Fair during August. During the fair, harness races are held, culminating in the running of the Ross County Harness Racing Program. Ross County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Ross 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 the Easyrider Rodeo, Blue Grass Festival, Home Show and a visit from President George W. Bush. The reporting entity does not include any other activities or entities of Ross County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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 follow 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'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. 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.

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

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

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses. These include building fund, trophies, race blankets and entertainment donations.

**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**

Ross County Harness stake races are held during the Ross 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 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 statements 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 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 statements as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

**2. CASH AND INVESTMENTS**

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

	2004	2003
Demand deposits	\$100	\$100
Total deposits	100	100
Repurchase Agreement	95,626	83,299
Total investments	95,626	83,299
Total deposits and investments	\$95,726	\$83,399

**Deposits:** The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The Society's financial institution transfers securities to the Society's agent to collateralize repurchase agreements.

**3. HORSE RACING**

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended 2004 was \$29,384, as State Support.

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended 2003 was \$26,848, as State Support.

Pari-mutuel Wagering

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

	2004	2003
Total Amount Bet (Handle)	\$ 29,607	\$ 26,208
Less: Payoff to Bettors	(23,731)	(21,025)
Parimutuel Wagering Commission	5,876	5,183
Tote Service Set Up Fee	200	2,400
Tote Service Commission	2,725	0
State Tax	721	624
Society Portion	\$ 2,230	\$ 2,159

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

**4. DEBT**

The Society's \$350,000 building note was retired during 2003 with the final payment of \$50,000 which was outstanding principal at November 30, 2002. This note bore an initial interest rate of 5.50% and was due to the Kingston National Bank. The interest rate was variable based on an independent index which was the lowest wall street prime rate as published in the midwest edition of the Wall Street Journal. The Note was entered into on December 14, 1999 and was to mature on November 01, 2009, but the Society made a final payment of \$51,295, including interest, in October, 2003. Proceeds of the Note were used to build a multi purpose building on the fair grounds.

The Society entered into a \$350,000 line of credit which bears an initial interest rate 2.50% and is due to Kingston National Bank. The interest rate is variable based on an independent index which is the lowest Wall Street prime rate as published in the Midwest edition of the Wall Street Journal. The line of credit was entered into on January 14, 2004. Principal payments of \$35,000 are due annually on November 1 plus interest annually due on November 1 of each year. The Society has not borrowed against this line of credit during the years ended November 30, 2004 and November 30, 2003.

**5. RISK MANAGEMENT**

The Society does not provide any employee benefits to its employees, other than Workers Compensation through the State of Ohio workers compensation fund.

The Ross County Commissioners provide general insurance coverage for all the buildings on the Ross County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

The Society belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<b>2004</b>	<b>2003</b>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	\$4,457,714	\$3,531,044

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY**

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

**6. SUBSEQUENT EVENTS**

On February 7, 2005 the Society agreed to purchase 21.33 acres of land for \$85,000 from Virginia Whittington.

On June 6, 2005 the Society agreed to purchase 34 acres of land from Les Imboden for \$5,000 per acre at a total cost of \$170,000, plus an additional \$3,000 for the crops already planted.

On August 1, 2005, the Society approved to use \$80,000 of its line of credit for the purchase of the land.

On August 31, 2005, the Society used \$150,000 of its line of credit.

**7. 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 Ross County Fair. The Society disbursed \$28,808 in 2004 and \$28,874 in 2003 directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. 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 November 30, 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 21,670	\$ 16,846
Receipts	18,359	20,125
Disbursements	<u>(18,172)</u>	<u>(15,301)</u>
Ending Cash Balance	<u>\$ 21,857</u>	<u>\$ 21,670</u>

**8. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Ross County's auction. A commission is charged to cover auction expenses. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 32,254	\$ 21,380
Receipts	618,296	560,319
Disbursements	<u>(593,063)</u>	<u>(549,445)</u>
Ending Cash Balance	<u>\$ 57,487</u>	<u>\$ 32,254</u>

**THIS PAGE INTENTIONALLY LEFT BLANK**





## 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*

Ross County Agricultural Society  
Ross County  
P.O. Box 614  
Chillicothe, Ohio 45601

To the Members of the Society:

We have audited the financial statements of the Ross County Agricultural Society (the Society) as of and for the years ended November 30, 2004, and November 30, 2003 and have issued our report thereon dated January 30, 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 January 30, 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 an instance of noncompliance or other matter 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 Society's management dated January 30, 2006, we reported other matters related to noncompliance we deemed immaterial.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Ross County Agricultural Society  
Ross 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

January 30, 2006

ROSS COUNTY AGRICULTURAL SOCIETY  
ROSS COUNTY

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

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

Finding Number	2004-001
----------------	----------

**Material Non- Compliance**

**Issuance of Internal Revenue Service Form 1099**

26 CFR 1.6041-1 states in part that compensation for services rendered by independent contractors aggregating \$600 or more is to be reported on Form 1099.

The Agricultural Society did not issue a form 1099 for one independent contractor for fiscal year 2003 and for fiscal year 2004. The Agricultural Society paid Robert Flannery \$63,974 in fiscal year 2003 and \$59,862 in fiscal year 2004.

We recommend the Agricultural Society issue form 1099's to any independent contractor paid \$600 or more during the year. This matter will be referred to the Internal Revenue Service.





**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**

**ROSS 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  
MARCH 14, 2006**