



**Auditor of State
Betty Montgomery**

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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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, 2003 and 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Society as of November 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

July 23, 2004

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2003 AND 2002**

	2003	2002
Operating Receipts:		
Admissions	\$413,621	\$403,199
Privilege Fees	134,909	130,235
Rentals	162,186	153,693
Sustaining and Entry Fees	50,115	46,295
Parimutuel Wagering Commission	3,480	3,583
Other Operating Receipts	76,624	62,383
 Total Operating Receipts	 840,935	 799,388
Operating Disbursements:		
Wages and Benefits	181,871	171,695
Utilities	52,098	57,832
Professional Services	190,666	225,241
Equipment and Grounds Maintenance	136,569	118,682
Race Purse	79,917	77,838
Senior Fair	39,227	39,715
Junior Fair	25,736	25,562
Capital Outlay	24,030	53,386
Other Operating Disbursements	113,689	126,635
 Total Operating Disbursements	 843,803	 896,586
(Deficiency) of Operating Receipts		
(Under) Operating Disbursements	(2,868)	(97,198)
Non-Operating Receipts (Disbursements):		
State Support	36,925	38,627
County Support	23,300	31,800
Unrestricted Donations/Contributions	37,029	38,217
Restricted Donations/Contributions	1,600	0
Investment Income	756	1,599
Debt Service	(89,920)	(31,442)
 Net Non-Operating Receipts (Disbursements)	 9,690	 78,801
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 6,822	 (18,397)
 Cash Balance, Beginning of Year	 58,608	 77,005
 Cash Balance, End of Year	 \$65,430	 \$58,608

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, 2003 AND 2002**

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 the 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 of the Junior Livestock Sale Committee is summarized in Note 8.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Society did not have any investments during the audit period.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

E. Restricted Support

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

F. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

G. Race Purse

Stake races are conducted 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. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statements as Sustaining and Entry Fees, and are 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 help supplement the race purse. See Note 3 for additional information.

H. Parimutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Parimutuel Wagering Commission. See Note 3 for additional information.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

2. CASH

The carrying amount of cash at November 30, 2003 and 2002 follows:

	2003	2002
Demand deposits	\$65,260	\$58,438
Cash on hand	170	170
Total deposits and cash on hand	\$65,430	\$58,608

Deposits: were covered by Federal Depository Insurance Corporation (FDIC).

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purses for the years ended November 30, 2003 and 2002 was \$24,384 and \$25,488 respectively and is included within State Support on the accompanying financial statements.

Parimutuel Wagering

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

	2003	2002
Total Amount Bet (Handle)	\$17,090	\$17,719
Less: Payoff to Bettors	(13,610)	(14,136)
Parimutuel Wagering Commission	3,480	3,583
Tote Service Set Up Fee	(819)	(900)
Tote Service Commission	(1,261)	(1,326)
State Tax	(485)	(439)
Society Portion	\$915	\$918

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

4. DEBT

Debt outstanding at November 30, 2003 was as follows:

	2003 Principal	Interest Rate
Huntington National Bank Note	\$34,000	5.75%
National City Bank Note	76,573	75% of prime
Line of Credit	0	75% of prime
Total	\$110,573	

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 originally for \$110,000 and bears an interest rate of 75% of the Prime Rate. The total annual payment is the same throughout the term of the unsecured note. The principal and interest payment varies depending on the variable interest rate. The note was entered into on October 15, 2001, and matures October 15, 2011. Proceeds of the note were used for building improvements.

The Society has a \$90,000 line of credit available which bears an interest rate of 75% of the Prime Rate. The Society had a balance of \$60,000 during the audit period which was paid back in three payments of \$20,000 during the audit period.

Amortization of the above debt is scheduled as follows:

	Huntington National Bank Note	National City Bank Note
Year ending November 30:		
2004	\$10,488	\$15,755
2005	9,987	15,755
2006	9,491	15,755
2007	8,996	15,755
2008	0	15,755
2009 - 2011	0	31,510
Total	\$38,962	\$110,285

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2003.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

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 claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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, 2003 and 2002:

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$25,288,098	\$20,174,977
Liabilities	<u>(12,872,985)</u>	<u>(8,550,749)</u>
Retained earnings	<u>\$12,415,113</u>	<u>\$11,624,228</u>
 <u>Property Coverage</u>	 <u>2003</u>	 <u>2002</u>
Assets	\$3,158,813	\$2,565,408
Liabilities	<u>(792,061)</u>	<u>(655,318)</u>
Retained earnings	<u>\$2,366,752</u>	<u>\$1,910,090</u>

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

6. RISK MANAGEMENT (Continued)

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, 2003.

During 2002 the Society switched its insurance company from Ohio Fair Participating Plan to the Public Entities Pool of Ohio.

7. RELATED PARTY TRANSACTIONS

The Board President is a loan officer for Huntington National Bank. The Society has a loan with Huntington National Bank with an outstanding principal amount of \$34,000.

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 2002, the Society rented tents and chairs in the amount of \$2,250. In 2003, they rented chairs at a cost of \$390.

8. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Sale Committee consists of six 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, and market steer. The auction is held during fair week. Children may sell their animals directly to market or through the Ashland County's auction. No commissions are charged to cover the cost of the auction. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$16,552	\$13,414
Receipts	414,170	281,517
Disbursements	(409,198)	(278,379)
Ending Cash Balance	\$21,524	\$16,552



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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, 2003 and 2002, and have issued our report thereon dated July 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we reported to management of the Society in a separate letter dated July 23, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 misstatement in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Society in a separate letter dated July 23, 2004.

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Ashland County Agricultural Society
Ashland County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of the audit committee, management and the Board of Directors, and is not intended to be and should not be used by 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

July 23, 2003



**Auditor of State
Betty Montgomery**

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ASHLAND COUNTY 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
SEPTEMBER 9, 2004**