



**Auditor of State
Betty Montgomery**

SENECA COUNTY AGRICULTURAL SOCIETY

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**Auditor of State
Betty Montgomery**

Seneca County Agricultural Society
P.O. Box 756
Tiffin, Ohio 44883-0756

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

April 19, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Seneca County Agricultural Society
P.O. Box 756
Tiffin, Ohio 44883-0756

To the Board of Directors:

We have audited the accompanying financial statements of Seneca County Agricultural Society (the Society) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 admissions in the Society's fund for fiscal year 2003.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society

has elected not to reformat its statements. Since 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 December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of December 31, 2004, or their changes in financial position for the year then ended.

Also, in our opinion, 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 admissions in the Society's fund for fiscal year 2003, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Seneca County Agricultural Society, Seneca County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended December 31, 2004. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 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

April 19, 2005

SENECA COUNTY AGRICULTURAL SOCIETY

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	2004	2003
Operating Receipts:		
Admissions	\$ 188,149	\$ 138,986
Privilege Fees	65,511	59,583
Rentals	72,333	65,592
Sustaining and Entry Fees	23,350	20,610
Pari-mutuel Wagering Commission	3,223	3,692
Other Fees	39,228	36,167
Other Operating Receipts	25,090	20,754
Total Operating Receipts	416,884	345,384
Operating Disbursements:		
Wages and Benefits	53,427	47,867
Utilities	33,539	34,815
Professional Services	116,292	83,121
Equipment and Grounds Maintenance	64,908	62,893
Race Purse	55,303	56,058
Senior Fair	29,099	26,182
Junior Fair	17,981	12,904
Capital Outlay	100,651	15,310
Other Operating Disbursements	51,611	61,998
Total Operating Disbursements	522,811	401,148
Deficiency of Operating Receipts Under Operating Disbursements	(105,927)	(55,764)
Non-Operating Receipts (Disbursements):		
State Support	33,982	36,925
County Support	20,000	5,000
Donations/Contributions	98,884	45,458
Investment Income	42	78
Debt Service	(32,853)	(10,994)
Net Non-Operating Receipts	120,055	76,467
Excess of Receipts Over Disbursements	14,128	20,703
Cash Balances, Beginning of Year	39,304	18,601
Cash Balances, End of Year	\$ 53,432	\$ 39,304

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

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**SENECA COUNTY AGRICULTURAL SOCIETY
SENECA COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Seneca County Agricultural Society (the Society) as a body corporate and politic. The Society is a county or independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1842 to operate an annual agricultural fair. The Society sponsors the week-long Seneca County Fair during June. During the fair, harness races are held, culminating in the running of the Seneca County Speed Program. Seneca County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-five directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Seneca 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and camping. The reporting entity does not include any other activities or entities of Seneca County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Basis of Accounting

This 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. 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.

D. 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.

**SENECA COUNTY AGRICULTURAL SOCIETY
SENECA COUNTY**

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

E. Race Purse

Harness racing stake races are held during the Seneca 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 North Central Ohio Colt Circuit 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 3 for additional information.

F. 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.

2. CASH

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

	2004	2003
Demand deposits	<u>\$ 53,432</u>	<u>\$ 39,304</u>

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 Society receives Ohio Fairs Fund money to supplement the race purse. The Society received \$25,848 for the year ended November 30, 2004 and \$28,384 for the year ended November 30, 2003. This revenue is reported as State Support on the financial statements.

**SENECA COUNTY AGRICULTURAL SOCIETY
SENECA COUNTY**

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

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)	\$ 16,311	\$ 18,538
Less: Payoff to Bettors	(13,088)	(14,846)
Parimutuel Wagering Commission	3,223	3,692
Tote Service Set Up Fee	(900)	(900)
Tote Service Commission	(1,259)	(1,515)
State Tax	(386)	(461)
 Society Portion	 \$ 678	 \$ 816

4. DEBT

Debt outstanding at November 30, 2004 was as follows:

	Principal	Interest Rate
Mortgage	\$ 75,000	6.00%

The mortgage bears an interest rate of 6 percent and is due to the Republic Banking Company. The mortgage was entered into on October 26, 2000 and was originally scheduled to mature on October 15, 2020. The Society has made extra principal payments in an attempt to pay off the debt early. Proceeds of the note were used to consolidate the debt of the society, and are collateralized by real estate.

Amortization of the above debt is estimated as follows:

Year ending November 30:	Mortgage
2005	\$ 9,901
2006	9,901
2007	9,901
2008	9,901
2009	9,901
2010-2014	49,505
2015	3,629
Total	102,639
Less Interest	(27,639)
Balance	\$ 75,000

**SENECA COUNTY AGRICULTURAL SOCIETY
SENECA COUNTY**

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

5. RISK MANAGEMENT

The Seneca County Commissioners provide general insurance coverage for all the buildings on the Seneca County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides legal liability and wrongful acts coverage with limits of \$2,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000 during the year and \$25,000 during fair week. The Society's Treasurer is bonded with coverage of \$40,000.

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.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and youth organization representatives, is responsible for the Junior Fair Division activities of the Seneca County Fair. The Society disbursed \$17,981 in fiscal year 2004 and \$12,904 in fiscal year 2003 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Seneca County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 3,390	\$ 913
Receipts	29,778	23,337
Disbursements	(22,967)	(20,860)
Ending Cash Balance	\$ 10,201	\$ 3,390

7. 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 Seneca County's auction. A commission of two and one half percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 25,080	\$ 32,759
Receipts	344,102	296,697
Disbursements	(361,444)	(304,376)
Ending Cash Balance	\$ 7,738	\$ 25,080



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*

Seneca County Agricultural Society
P.O. Box 756
Tiffin, Ohio 44883-0756

To the Board of Directors:

We have audited the financial statements of the Seneca County Agricultural Society (the Society) as of and for the years ended November 30, 2004 and 2003, and have issued our report thereon dated April 19, 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 revenue in fiscal year 2003. Except as discussed in the preceding sentences, 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-001.

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 condition 2004-001 listed above to be a material weakness. In a separate letter to the Society's management dated April 19, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-002. In a separate letter to the Society's management dated April 19, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 19, 2005

**SENECA COUNTY AGRICULTURAL SOCIETY
SENECA COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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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 does not include all the controls specified above. The remaining ticket stubs for 2003 were not properly stored to support the daily reconciliations. This lack of controls could result in revenue being lost, misused, or unrecorded without detection. We recommend that all events use pre-numbered tickets for all their activities, and that an inventory of these tickets are maintained, daily reconciliations be performed, and the ticket stubs are kept and stored for adequate support.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code §149.351 provides in part that all records are the property of the public office concerned, and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole, or in part, except as provided by law or under the rules adopted by the records commissions provided for under §§149.38 to 149.42. The tickets from the 2003 general fair admission, the contracts for the 2003 horse stall rentals and two privilege fee contracts could not be located. As a result, the auditors were unable to properly test all revenues for 2003 which resulted in a qualified opinion. We recommend the Board implement policies and procedures to assure all the Society's records are retained and stored for audit purposes.



**Auditor of State
Betty Montgomery**

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SENECA COUNTY AGRICULTURAL SOCIETY

SENECA 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**