



Mary Taylor, CPA
Auditor of State

MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MIONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

Montgomery County Agricultural Society
Montgomery County
1043 South Main Street
Dayton, Ohio 45409

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 an 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 adverse 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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Mary Taylor, CPA
Auditor of State

September 26, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Montgomery County Agricultural Society
Montgomery County
1043 South Main Street
Dayton, Ohio 45409

To the Board of Directors:

We have audited the accompanying financial statements of Montgomery County Agricultural Society, Montgomery County, (the Society) as of and for the years ended November 30, 2007 and 2006. 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. 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, 2007 and 2006 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, 2007 and 2006, 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 Montgomery County Agricultural Society, Montgomery County, as of November 30, 2007 and 2006, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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 26, 2008, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2007 AND 2006**

| | 2007 | 2006 |
|---|-------------|-------------|
| Operating Receipts: | | |
| Admissions | \$158,759 | \$108,783 |
| Privilege Fees | 158,870 | 121,258 |
| Rentals | 323,063 | 321,296 |
| Sustaining and Entry Fees | 19,223 | 17,424 |
| Parimutuel Wagering Commission | 1,545 | 1,167 |
| Other Operating Receipts | 19,329 | 25,268 |
| Total Operating Receipts | 680,789 | 595,196 |
| Operating Disbursements: | | |
| Wages and Benefits | 225,141 | 223,153 |
| Utilities | 91,770 | 116,423 |
| Professional Services | 56,536 | 62,089 |
| Equipment and Grounds Maintenance | 139,389 | 119,805 |
| Race Purse | 54,174 | 49,780 |
| Senior Fair | 37,106 | 37,104 |
| Junior Fair | 15,895 | 20,822 |
| Capital Outlay | 52,079 | 66,372 |
| Other Operating Disbursements | 129,786 | 56,795 |
| Total Operating Disbursements | 801,876 | 752,343 |
| Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements | (121,087) | (157,147) |
| Non-Operating Receipts (Disbursements): | | |
| State Support | 29,044 | 29,154 |
| County Support | 53,300 | 103,300 |
| Donations/Contributions | 47,200 | 20,015 |
| Investment Income | 3,045 | 2,450 |
| Note Proceeds | 38,000 | |
| Debt Service | (40,609) | |
| Net Non-Operating Receipts (Disbursements) | 129,980 | 154,919 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | 8,893 | (2,228) |
| Cash Balance, Beginning of Year | 77,755 | 79,983 |
| Cash Balance, End of Year | \$86,648 | \$77,755 |

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

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**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

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 Montgomery County Agricultural Society, Montgomery 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 1853 to operate an annual agricultural fair. The Society sponsors the week-long Montgomery County Fair during Month of September. During the fair, harness races are held. Montgomery County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Montgomery 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 community events including trade shows, antique shows, wrestling and boxing events, horse shows, concerts and festivals. The reporting entity does not include any other activities or entities of Montgomery County.

Notes 11 and 12, respectively, summarize the Junior Livestock Sale Committee's and Junior Fair Board's financial activity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget at the December meeting and the Finance chairperson reviews the budget and reports back to the Board as needed. The Board approves the final actual account figures as the final budget at the November meeting.

2. PROPERTY, PLANT, AND EQUIPMENT

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

3. 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.

4. RACE PURSE

Stake races are held during the Montgomery 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.

A. 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.

B. Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse.

5. PARI-MUTUEL RACING

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, 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.

6. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

7. BUDGETARY ACTIVITY

For the fiscal year ended November 30, 2006, the Society had budgeted and actual receipts of \$750,115 resulting in no variance. Additionally, the Society had budgeted and actual disbursements of \$752,343, resulting in no variance.

For the fiscal year ended November 30, 2007, the Society had budgeted and actual receipts of \$851,378, resulting in no variance. Additionally, the Society had budgeted and actual disbursements of \$842,485, resulting in no variance.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

8. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2007 and 2006 follows:

| | 2007 | 2006 |
|-----------------|-------------|-------------|
| Demand deposits | \$86,648 | \$77,755 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation (FDIC).

9. HORSE RACING

A. State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money received to supplement purses for the years ended November 30, 2007 and 2006 as \$17,696 and \$17,704, respectively as State Support. Also, State Support was received for track maintenance and general operations for the years ended November 30, 2007 and 2006 as \$7,537 and \$7,605, respectively. See Note 12 for State Support for Junior Fair Activities.

B. 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.

| | 2007 | 2006 |
|--------------------------------|-------------|-------------|
| Total Amount Bet (Handle) | \$21,732 | \$16,296 |
| Less: Payoff to Bettors | (17,296) | (12,994) |
| Parimutuel Wagering Commission | 4,436 | 3,302 |
| Tote Service Set Up Fee | (300) | (200) |
| Tote Service Commission | (1,966) | (1,485) |
| State Tax | (625) | (450) |
| Society Portion | \$ 1,545 | \$ 1,167 |

10. RISK MANAGEMENT

The Society provides health coverage for full-time employees through an insurance company.

The Montgomery County Commissioners provide general insurance coverage for all the buildings on the Montgomery County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager, president and vice-president are bonded with coverage of \$25,000 each

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND 2006**

11. 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 Junior Fair Auction. A commission of 2 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, 2007 and 2006 follows:

| | 2007 | 2006 |
|------------------------|-------------|-------------|
| Beginning Cash Balance | \$14,560 | \$12,147 |
| Receipts | 165,564 | 175,696 |
| Disbursements | (158,941) | (173,283) |
| Ending Cash Balance | \$21,183 | \$14,560 |

12. 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 Montgomery County Fair. The Society received State Support for Junior Fair Activities for years ended November, 2007 and 2006 was \$3,811 and \$3,845, respectively. Montgomery County paid the Society \$500 each year to support Junior Club work. These receipts are reflected as a State and County support in the accompanying financial statement. The Society disbursed \$15,895 and \$20,822 directly to the Junior Fair Board and vendors to support Junior Fair activities for 2007 and 2006. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. 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, 2007 and 2006 follows:

| | 2007 | 2006 |
|------------------------|-------------|-------------|
| Beginning Cash Balance | \$1,863 | \$ 447 |
| Receipts | 1,770 | 2,591 |
| Disbursements | (1,436) | (1,175) |
| Ending Cash Balance | \$2,197 | \$1,863 |

13. DEBT

The Society entered into a loan for \$38,000, dated December 15, 2006 for \$38,000. The loan, including interest, was completely repaid on November 30, 2007.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Montgomery County Agricultural Society
Montgomery County
1043 South Main Street
Dayton, Ohio 45409

To the Board of Directors:

We have audited the financial statements of the Montgomery County Agricultural Society, Montgomery County, (the Society) as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated September 26, 2008, wherein we noted the Society followed 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Society's management in a separate letter dated September 26, 2008.

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 did note a certain noncompliance or other matter that we reported to the Society's management in a separate letter dated September 26, 2008.

We intend this report solely for the information and use of the audit committee, management, and Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2008



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

MONTGOMERY 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
NOVEMBER 6, 2008**