



**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheets	
As of November 30, 2000 and 1999	3
Statements of Revenues, Expenses and Changes In Retained Earnings	
For The Years Ended November 30, 2000 and 1999	5
Statements of Cash Flows	
For The Years Ended November 30, 2000 and 1999	6
Notes To The Financial Statements	7
Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	13
Schedule of Findings	15

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Directors
Delaware County Agricultural Society
Delaware County
236 Pennsylvania Avenue
P.O. Box 1278
Delaware, Ohio 43015

We have audited the balance sheets of the Delaware County Agricultural Society, Delaware County, Ohio, (the Society) as of November 30, 2000 and November 30, 1999 and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. 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 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 that our audit provides a reasonable basis for our opinion.

The Society has not capitalized buildings and equipment acquired prior to 1985. In our opinion, generally accepted accounting principles requires recording an asset and accumulated depreciation when applicable, for these amounts. It is not practical to estimate the amounts of excluded assets.

In our opinion, except for the effects of not capitalizing buildings and equipment acquired prior to 1985, the financial statements referred to above present fairly, in all material respects, the financial position of the Society, as of November 30, 2000 and November 30, 1999, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2001 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.

JIM PETRO
Auditor of State

June 11, 2001

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DELAWARE COUNTY AGRICULTURAL SOCIETY

**BALANCE SHEETS
AS OF NOVEMBER 30, 2000 AND 1999**

	2000	1999
Current Assets:		
Cash, \$81,405 and \$35,852 in Interest Bearing Deposits, Respectively	\$258,702	\$138,783
Investments, At Fair Value	42,300	57,150
Accounts Receivable	172,859	265,282
Prepaid Expenses	4,493	4,730
Inventory, At Cost	34,989	31,232
Total Current Assets	513,343	497,177
Property and Equipment, At Cost:		
Land Improvements	541,513	525,113
Buildings	1,518,907	1,422,029
Machinery and Equipment	281,164	281,164
Computer and Office Equipment	102,567	98,807
Vehicles	110,272	110,272
Total Property and Equipment	2,554,423	2,437,385
Less: Accumulated Depreciation	(754,024)	(637,613)
Net Property and Equipment	1,800,399	1,799,772
Other Assets:		
Restricted Race Qualification Fees - Cash, in Interest Bearing Deposits	703,070	660,380
Restricted Cash For Harness Racing , in Interest Bearing Deposits	4,567	5,318
Industrial Insurance Deposit	1,000	1,000
Total Other Assets	708,637	666,698
Total Assets	\$3,022,379	\$2,963,647

The notes to the financial statements are an integral part of these financial statements.

(Continued)

DELAWARE COUNTY AGRICULTURAL SOCIETY

**BALANCE SHEETS
AS OF NOVEMBER 30, 2000 AND 1999
(Continued)**

	2000	1999
Current Liabilities:		
Current Installments of Long-Term Debt	\$85,200	\$84,700
Accounts Payable	287,561	379,982
Payroll and Payroll Taxes	23,761	20,168
Sales Tax	-	36
Interest Payable	-	12,693
Total Current Liabilities	396,522	497,579
Deferred Race Qualification Fees	689,438	651,007
Deferred Box Seat Fees	2,800	4,200
Deferred Sponsorship Fees	5,000	7,700
Long-Term Debt:		
Note Payable To Bank, Due in Annual Installments of \$60,000 With the Balance Due September 1, 2004	480,000	540,000
Non-Interest Bearing Note, Payable In Annual Installments of \$10,000	80,000	90,000
Note Payable To Bank, Due in 3 Annual Installments of \$7,800 Plus Interest	23,525	31,325
Note Payable To Bank, Due in 2 Annual Installments of \$8,665	15,454	22,335
Total Long-Term Debt	598,979	683,660
Less Current Installments	(85,200)	(84,700)
Net Long-Term Debt	513,779	598,960
Total Liabilities	1,607,539	1,759,446
Equity:		
Retained Earnings	1,414,840	1,204,201
Total Equity	1,414,840	1,204,201
Total Liabilities and Equity	\$3,022,379	\$2,963,647

The notes to the financial statements are an integral part of these financial statements.

DELAWARE COUNTY AGRICULTURAL SOCIETY

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999**

	2000	1999
Operating Revenues:		
Admissions	\$943,636	\$918,170
Privilege Fees	230,417	221,426
Sales, License and Other	173,669	101,057
Racing Fees and Charges	2,850,129	2,776,340
Other Racing Income	78,107	59,363
Fees	26,233	22,669
Rentals	237,181	206,606
Sponsorships	587,127	739,418
Total Operating Revenues	5,126,499	5,045,049
Operating Expenses:		
Salaries and Wages	717,761	700,058
Benefits	79,221	64,637
Administrative Expense	106,823	102,014
Race Supplies and Materials	114,851	124,491
Supplies and Materials	39,605	47,375
Utilities	136,589	99,416
Purse Payments and Miscellaneous Expenses	2,584,806	2,771,723
Professional Services	102,870	115,450
Property Services	175,078	191,838
Advertising and Communication	344,298	271,463
Repairs	39,049	50,631
Insurance	37,032	39,647
Rent and Lease	103,652	99,835
Election Expense	-	40,233
Interest Expense	57,460	59,483
Depreciation	116,411	112,004
Fair Expenses	319,922	341,975
Total Operating Expenses	5,075,428	5,232,273
Net Operating Income (Loss)	51,071	(187,224)
Non-Operating Revenues:		
State and Local Grants	94,527	14,588
Investment Income	79,891	60,062
Gain on Disposal of Equipment	-	12,685
Net Decrease in Fair Value of Investments	(14,850)	(5,400)
Total Non-Operating Revenues	159,568	81,935
Net Income (Loss)	210,639	(105,289)
Retained Earnings at Beginning of Year	1,204,201	1,309,490
Retained Earnings at End of Year	\$1,414,840	\$1,204,201

The notes to the financial statements are an integral part of these financial statements.

DELAWARE COUNTY AGRICULTURAL SOCIETY

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999**

	2000	1999
Cash Flows Used For Operating Activities:		
Operating Loss	\$51,071	(\$187,224)
Adjustments To Reconcile Operating Income To Net Cash Provided By (Used For) Operating Activities:		
Depreciation	116,411	112,004
Change In:		
Accounts Receivable	92,423	(180,557)
Prepaid Expenses	237	525
Souvenir Inventory	(3,757)	4,063
Accounts Payable	(92,421)	104,806
Accrued Expenses	(9,138)	10,435
Net Cash Provided By (Used For) Operating Activities	154,826	(135,948)
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Fixed Assets	(117,034)	(84,429)
Proceeds From Loans	0	250,000
Gain on Disposal of Assets	0	12,685
Payments on Notes Payable	(84,681)	(90,840)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(201,715)	87,416
Cash Flows From Non-Capital Financing Activities:		
State and Local Grants	94,527	14,588
Net Change In Unearned Revenues	34,329	40,703
Net Cash Provided By Non-Capital Financing Activities	128,856	55,291
Cash Flows From Investing Activities:		
Interest Income	79,891	60,062
Net Cash Provided By Investing Activities	79,891	60,062
Net Increase (Decrease) in Cash and Cash Equivalents	161,858	66,821
Beginning of Year Cash and Cash Equivalents	804,481	737,660
End of Year Cash and Cash Equivalents	\$966,339	\$804,481

The notes to the financial statements are an integral part of these financial statements.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2000 AND 1999**

1. DESCRIPTION OF ENTITY

The Delaware County Agricultural Society (the "Society") was founded in 1834 to direct the operation of an annual agricultural fair. Since 1939 the Society has sponsored the week-long Delaware County Fair during September. During the fair, harness races are held, culminating in the running of the Little Brown Jug Pacing Classic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. Delaware 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 eighteen directors serving staggered three-year terms, elected from the membership of the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week, simulcast relating to harness racing; other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including the All Horse Parade, Mayor's Breakfast and Texas Barbeque. This reporting entity does not include any other activities or entities of Delaware County, Ohio.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus/Basis of Accounting

The Society uses the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Society follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

B. Estimates

The accounting and reporting policies of the Society conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The Society's annual financial results are dependent upon the success of that year's fair and races. The financial results are uncertain and vary depending on uncertainties such as weather conditions.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

An operating budget is prepared annually by the Board of Directors, including estimated revenues and expenses. The Board approves the budget in its final form during the first six months of each fiscal year. The budget is reviewed throughout the year and compared with actual results by the Board of Directors. Management has discretion to allocate expenses among budgetary items.

D. Investments

In accordance with GASB Statement No. 31, *Accounting and financial reporting for certain investments and for external investment pools*, the Society records all investments at fair value as defined by the Statement.

E. Inventory

Inventories of clothing and souvenirs are valued at cost using the first in, first out method. The cost of inventory items are recognized as an expense when sold.

F. Property and Equipment

Property and equipment purchased after 1985 are stated at historical cost and updated for the cost of additions and retirements during the year. The Society has not recorded in these financial statements property and equipment purchased prior to December 1, 1985 as cost information on these assets was not available. Since December 1, 1985, the Society capitalizes equipment purchases and major real estate improvements and records routine replacements as repairs and maintenance expenses. Depreciation is computed by the straight-line method based on various estimated useful lives ranging from 5 years to 40 years. No interest costs were capitalized during 2000 or 1999.

G. Restricted Assets

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by State statute to be set aside for specific uses.

H. 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).

I. Race Qualification Fees

Fees paid to the Society by horse owners to qualify their horses as eligible for entry into certain stake races conducted during the Delaware County Fair are segregated into interest-bearing cash accounts. The payments may be required in one, two or three years pending the running of the race. Failure to make all required payments for the horse will result in that horse being ineligible for the running of the stake race. Prior payments made on behalf of horses no longer eligible for the race are retained and included in the total purse for the event.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2000 AND 1999
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Race Qualification Fees (Continued)

Specific races for which the Society maintains qualification fees include the Little Brown Jug Pacing Classic, the Juggette, the Old Oaken Bucket and Bucketette, the Standardbred Series and the Ohio Breeders Championship Series. 100% of race qualification fees collected become part of the purse for the race involved in the year that race is run. The Society retains any investment income earned on these invested race qualification fees to assist in defraying costs of advertising for entrants to the races and record keeping for the qualification process.

J. Statement of Cash Flows

For the purpose of the statement of cash flows, the Society considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

3. CASH AND INVESTMENTS

Deposits: At November 30, 2000 and November 30, 1999 the carrying amount of the Society's deposits was \$966,339 and \$804,481, respectively, and the bank balance was \$1,002,431 and \$894,131. \$100,957 of the bank balance for each year was covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized.

At November 30, 2000 and November 30, 1999, \$662,887 and \$608,326, respectively, of the Society's cash balances were on deposit with the Fifth Third Government Money Market Fund. The Fund invests at least 95% of total assets in "first tier" securities which generally will be securities issued or guaranteed as to principal or interest by the U.S. Treasury or another U.S. government agency or instrumentality, that at the time of purchase are rated by such firms as Standard & Poor's and Moody's in their highest short-term major rating categories.

Investments: The Society's investments are required to be categorized to give an indication of the level of risk assumed by the Society at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Society or its agent in the Society's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Society's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Society's name.

November 30, 2000	Category			Fair
	1	2	3	Value
Common Stock	\$ 42,300			<u>\$ 42,300</u>
November 30, 1999	Category			Fair
	1	2	3	Value
Common Stock	\$ 57,150			<u>\$ 57,150</u>

The common stock held by the Society was donated to the Board. The Society invests other funds solely in money market accounts with local banking institutions.

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2000 AND 1999
(Continued)**

4. RECEIVABLES

Receivables at November 30, 2000 and November 30, 1999 consisted of trade, racing tax refund, simulcast, and employee loans. All receivables are considered current and collectable in full.

5. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended November 30, 2000 are as follows:

	Balance Dec 1, 1999	Additions	Deletions	Balance Nov 30, 2000
Note payable to bank-Grandstand	\$ 540,000	0	60,000	\$ 480,000
Non-interest bearing note-Log Cabin	90,000	0	10,000	80,000
Note payable to bank-Water Truck	31,325	0	7,800	23,525
Note payable to bank-Tractor	22,335	0	6,881	15,454
Total	\$ 683,660	0	84,681	\$ 598,979

The Grandstand Note is due to the National City Bank and the Delaware County Bank in equal shares. The note bears interest of 1% over prime (8-1/2% at November 30, 2000). The note was entered into on July 1, 1991 and matures September 1, 2004. Proceeds of the note were originally used for the track and grandstand renovations and subsequently for general cash flow. The note is secured by future revenues of the grandstand.

The non-interest bearing Log Cabin Note is due to the American Legion Raymond B. Austin Post 115. The note was entered into on June 25, 1993 and is a 15 year note. The racing administration building known as the log cabin was partially constructed with the proceeds of this note. Post 115 retains a right to lease this building for its events during the term of the loan for an annual rental of \$6,000.

The Water Truck Note, entered into on July 29, 1999 at an interest rate of 8%, is due to the Delaware County Bank and is secured by the truck purchased.

The Tractor Note, entered into on August 16, 1999 at an interest rate of 7.99%, is due to the Kubota Credit Corporation and is secured by the tractor purchased.

Amortization of the above debt, including interest at the current rates, through 2008 is as follows:

	Principal	Interest	Total
2001	\$ 85,200	\$ 43,917	\$ 129,117
2002	85,200	37,643	122,843
2003	78,579	31,234	109,813
2004	310,000	25,500	335,500
2005	10,000	0	10,000
Subsequent	30,000	0	30,000
Total	\$ 598,979	\$ 138,294	\$ 737,273

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**NOTE TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2000 AND 1999
(Continued)**

6. RISK MANAGEMENT

The Society provides health coverage for full time, supervisory employees through Fortis Health Insurance.

The Delaware County Commissioners provide general insurance coverage for all the buildings on the Delaware County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24.

General liability and vehicle coverage is provided by Rinehart-Walters-Danner & Associates with limits of \$1,000,000, and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$100,000. The Society's general manager is bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2001.

7. RETIREMENT PLAN

In 1992 the Society established a 403(b) plan in which all qualified employees may participate. This plan is entirely funded by employee contributions.

8. LEASES

The facilities operated by the Society have been constructed on real estate approximately two-thirds of which is owned by Delaware County and the balance is owned by the Society. The real estate is made available by the County at no cost to the Society.

9. RELATED PARTY TRANSACTIONS

Certain board members are employees of and/or provide services to the Society for which they are compensated.

The Little Brown Jug Society owns rights to the Little Brown Jug and Jugette Pacing races. The Little Brown Jug Society is operated by a Board of Directors, many of whom are also members of the Delaware Agricultural Society Board of Directors. Each year since 1946 the Delaware Agricultural Society has purchased from the Little Brown Jug Society the right to hold these pacing races at its Delaware facilities during the Delaware County Fair. The cost of such rights, which amounted to \$45,000 for the Little Brown Jug and \$ 22,500 for the Jugette, in 2000 and 1999, are by agreement, added to the purse for each race.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED
BY GOVERNMENT AUDITING STANDARDS**

Board of Directors
Delaware County Agricultural Society
Delaware County
Pennsylvania Avenue
P.O. Box 1278
Delaware, Ohio 43015

We have audited the balance sheets of Delaware County Agricultural Society, Delaware County, Ohio (the Society) as of November 30, 2000 and November 30, 1999 and the related statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended, and have issued our report thereon dated June 11, 2001. Our report included a qualification because the Society has not capitalized buildings and equipment acquired prior to 1985 in their financial statements. 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*.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-60621-001 through 2000-60621-006.

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 misstatements 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. 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 to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also 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 June 11, 2001.

This report is intended for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

June 11, 2001

**DELAWARE COUNTY AGRICULTURAL SOCIETY
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2000 AND 1999**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2000-60621-001

Centralized Operations and Accounting Records

The Society is organized into a "fair operation" and a "racing operation" with the Fair Secretary maintaining fair records and the Speed Secretary maintaining racing records. Cash activity, receipts and expenditures, supporting documentation, and the accounting for this activity is not centralized. This manner of operation allows for a lack of control over the operations of the Society and could allow errors and irregularities to occur without timely detection by the Board.

We recommend the Society centralize it's accounting operations and all transactions should flow through the fair office. The Society should utilize one accounting system to record all activity. The accounting software package should be able to generate reports for presentation to the Board which allows timely monitoring of activity to occur.

FINDING NUMBER 2000-60621-002

Board Monitoring of Budget

The Board needs to ensure that the budget is monitored throughout the course of the year and it especially should take place right before and during fair week to ensure that decisions made during this time are based on sound financial data. When revenue and expense budgets are not attained the Board should inquire/research why and determine if operations occurred as intended. In addition, the Board does not always receive timely budget versus actual reports to help aid in monitoring. Lack of Board monitoring of the budget could allow for uninformed decisions and allow for errors and irregularities to occur without timely detection.

We recommend that the Board document the monitoring of the budget to actual activity throughout the year and especially at fair time to help ensure that informed decisions are made and that operating losses do not occur.

FINDING NUMBER 2000-60621-003

Board Monitoring of Monthly Expenses

Monthly expense reports are provided to the Board of Directors at the category level (i.e. Fair Secretary Expense, Other Racing Expenses, Promotion Manager Expense) instead of at a detailed expenditure level (i.e. meal expense, hotel expense, airfare). The Board is not provided a detailed listing of bills paid and/or to be paid. In addition, monthly expense reports to the Board are not always provided in a timely manner. Lack of Board monitoring of expenses at the appropriate level and in a timely manner could allow improper payments to be made on behalf of the Society without timely detection. In our test selections no improper payments were identified.

The Board of Directors, or the Board Finance Committee, or a representative thereof should review a detailed listing of bills to ensure expenses are for proper Society purposes and reports should be presented timely for review.

FINDING NUMBER 2000-60621-004

Hospitality Tent Activity

The Marketing Director collects, receipts, and deposits revenue derived from the hospitality tent. This lack of segregation of duties could lead to errors or irregularities occurring and going undetected by management. Also, the level of detail and accuracy of the accountability for the tickets issued for the hospitality tent which is maintained by the Marketing Director needs to be improved. The record maintained of tickets issued should contain detail of the type of ticket issued (1 day or 2 day), the amount charged and/or received, and the date of the transaction. A listing of gratis tickets should be provided to the Board for their approval prior to the fair. In both years the actual revenue received was less than the budgeted amount; fiscal 2000 budget \$30,000, actual \$19,065; fiscal 1999 budget \$53,785, actual \$27,520. However, our audit did not disclose that there were any revenues which were not accounted for.

The Board of Directors should segregate the duties over the hospitality tent activity to strengthen controls over this revenue. The Board of Directors should segregate the duties between ticket sales and ticket receipt at the tent entrance. The Board should also designate another individual to reconcile ticket sales to ticket revenue.

FINDING NUMBER 2000-60621-005

Travel and Reimbursement Expense Policy

The Society does not have a Board approved travel and reimbursement policy in place for employees and Board Members. The Board does not pre-approve travel in all cases. The Board does not always review employee reimbursement requests and original receipts are not required for employee reimbursement. We noted that in some instances, the Marketing Director and Speed Secretary remitted their credit card statements with the requested reimbursements highlighted instead of submitting detailed receipts. The Speed Secretary reimburses himself for expenses and there is no independent review or approval of these reimbursements. Lack of policies, procedures and proper approvals for employee reimbursements could allow improper reimbursements to occur without timely detection.

The Board has not set limits on meal expenses, hotel accommodations, entertainment, rental cars, tips, or airfare. In fiscal 2000 and 1999, the Marketing Director had the majority of the travel and was reimbursed \$18,847 and \$11,727 respectively for his travel, meals and entertainment costs. Some of the instances of reimbursements we noted in our review of the Marketing Director, Speed Secretary and the Racing Secretary reimbursements were for alcohol, gratuities, meals for groups of people, conference registration, hotel accommodations, spouse travel expenses and a desk.

The Board should develop a travel policy that requires pre-approval to travel. The purpose for the travel, individuals traveling, and estimated expenses should all be included on the request for approval. The Board should also develop a reimbursement policy. In terms of meal reimbursements, a daily or per meal limit could be implemented, as well as a limit on the gratuity percentage and a policy on alcohol purchases with meals. A record should be maintained of the business purpose of the meal and those in attendance. For entertainment, the Board should decide whether these expenditures will be reimbursed, under what circumstances, and what the limit will be. As for lodging, the policy should indicate if there is a limit on daily hotel rates, phone reimbursements and room service. For travel in general, the Board should determine whether there is a limit on airfare and rental car reimbursement. The Board should also determine whether the travel expenses for spouses are to be reimbursed. The Board should direct pay for expenses such as conference registration and purchase of equipment. All reimbursements should be made only on the strength of original detailed receipts after Board approval has been obtained.

FINDING NUMBER 2000-60621-006

Service Organization Report on Controls

The Society contracts with Am Tote to process parimutuel wagering transactions. During fiscal 2000 and 1999 the Society received approximately \$765,000 and \$753,000 respectively from these transactions. The Society does not require or receive a report from Am Tote on their controls in place and their effectiveness. Lack of obtaining this report allows for control weaknesses to occur and not be identified by management.

The Society should request from Am Tote a Level II SAS-70 Service Auditor's Report to be provided annually, prior to their participation at the fair. If this report is not received the Society should take alternative steps to insure adequate controls are in place and operating effectively at Am Tote. The Auditor of State will also address this issue with the Ohio Racing Commission since such a report would benefit all racing operations in Ohio.



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DELAWARE COUNTY AGRICULTURAL SOCIETY

DELAWARE 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 5, 2001**