



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Franklin County Agricultural Society
Franklin County
P.O. Box 6
Hilliard, Ohio 43026

To the Board of Directors:

We have audited the accompanying financial statement of the Franklin County Agricultural Society, Franklin County, Ohio (the Society) as of and for the year ended November 30, 2001. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement 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.

The accompanying financial statement presents receipts and disbursements by total only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

We were unable to obtain sufficient evidence to support the total amount recorded for receipts.

As discussed in Note 1, the Society prepares its financial statement 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, except for such adjustments, if any, as may have been necessary had we been able to examine evidence supporting receipts, and except for the omission of receipt and disbursement classifications, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

The Society is experiencing certain financial difficulties. Those difficulties and management's responses to those difficulties are discussed in Note 8.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002 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 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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

December 2, 2002

FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2001

	<u>2001</u>
Total Receipts	<u>1,445,389</u>
Total Disbursements	<u>1,435,577</u>
Excess of Receipts Over Disbursements	<u>9,812</u>
Cash Balance, Beginning of Year	<u>21,503</u>
Cash Balance, End of Year	<u><u>\$31,315</u></u>

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

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**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Franklin County Agricultural Society, Franklin 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 corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1902 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Franklin County Fair during July. During the fair numerous nightly events are held, including harness racing. Franklin County is not financially accountable for the Society. The financial activity of the Junior Fair Board and Junior Livestock Committee are run through and incorporated with 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 twenty-one directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Franklin County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Franklin County, Ohio.

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 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.

The Society did not classify its receipts and disbursements in the accompanying financial statement. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02 (A) and Ohio Administrative Code Section 117-10-01(B). These Ohio Administrative Code Sections require classifying receipts and disbursements.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Society maintains interest bearing checking and savings accounts.

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.

**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Harness races are conducted during the Franklin County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as a Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and U.S. Trotting 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.

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. See Note 3 for additional information.

2. CASH

The Society's carrying amount of cash at November 30, 2001 was \$31,315. The entire bank balance amount was covered by Federal Depository Insurance Corporation (FDIC).

**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The Ohio Fairs Fund money received to supplement the race purse for the year ended November 30, 2001 was \$4,000.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, 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. State taxes, which are also paid from Parimutuel Wagering Commission, are considered Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2001
Total Amount Bet (Handle)	\$ 29,915
Less: Payoff to Bettors	(23,891)
Parimutuel Wagering Commission	6,024
Tote Service Set Up Fee	(200)
Tote Service Commission	(2,725)
State Tax	(778)
Society Portion	\$ 2,321

4. DEBT

Debt outstanding at November 30, 2001 was as follows:

	Principal	Interest Rate
Line of Credit	\$39,827	7.25%
Line of Credit	25,449	7.25%
90 Day Bank Loan	96,725	3%
Total	\$162,001	

The \$39,827 Line of Credit bears a variable interest rate which was 7.25% as of November 30, 2001 and is due to Bank One. Available credit at November 30, 2001 is \$ 3,173. The line of credit bears no specified amortization schedule and is payable on demand. Business assets were used as collateral for the line of credit. Monthly interest payments are being made by the Society. The Line of Credit can be withdrawn by Bank One if the Society does not make monthly interest payments. The Line of Credit matures on September 1, 2006. Proceeds were used to finance the Society's operations.

The \$25,449 Line of Credit bears a variable interest rate which was 7.25% as of November 30, 2001 and is due to Bank One. Available credit at November 30, 2001 is \$ 5,000. The line of credit bears no specified amortization schedule and matures on May 5, 2005. Business assets were used as collateral for the Line of Credit. The Line of Credit can be withdrawn by Bank One if there is default on interest payments. Since September of 1999, the Society has only made monthly interest payments. Proceeds were used to finance the Society's operations.

**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

4. DEBT (Continued)

The \$96,725 90 Day Bank Loan bears an interest rate of 3% and is due to Bank One. The note was entered into on November 5, 2001. Proceeds were used to finance the Society's operations.

5. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2001 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, 2001. All contributions have been made through November 30, 2001

6. RISK MANAGEMENT

General insurance coverage for all the buildings on the Franklin County Fairgrounds was obtained by the Society through the Franklin County Commissioners. General liability and vehicle coverage is provided by Rinehart, Walters, Danner Insurance Company with limits of \$3,000,000 and \$1,000,000 respectively. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2002.

7. SUBSEQUENT EVENT

On July 21, 2002 a theft of \$41,400 occurred from monies maintained in the Agricultural Society Building during the last weekend of the 2002 Franklin County Fair. The monies have been indemnified in full through the Society's insurance company. Insurance proceeds were received on October 9th, 2002.

8. EMPHASIS OF A MATTER

The Society is experiencing financial difficulties. To meet cash flow needs, the Society entered into two lines of credit and a short term bank loan to enable them to pay operating expenditures at fiscal year end. As of November 30, 2001, the Society has a cash balance of \$31,315. The Society is experiencing difficulty in paying operating bills on time. No principal payment has been made on the \$25,449 line of credit since September of 1999. The Society is only making monthly interest payments. The short term bank loan was subsequently paid off on December 14, 2001. The Society is seeking to improve it's financial position through holding additional events as well as enhanced budgeting of financial matters.



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

Franklin County Agricultural Society
Franklin County
P.O. Box 6
Hilliard, Ohio 43026

To the Board of Directors:

We have audited the financial statement of the Franklin County Agricultural Society, Franklin County, Ohio (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated December 2, 2002, which was qualified due to the Society not classifying receipts and disbursements in its financial statement and wherein we noted the scope of our audit was restricted due to a lack of evidence supporting receipts. Except as described in the preceding sentence, 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-60625-001 and 2001-60625-002.

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 statement 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 2001-60625-002 through 2001-60625-006.

Internal Control Over Financial Reporting (Continued)

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, of the reportable conditions described above, we consider items 2001-60625-002 and 2001-60625-003 to be material weaknesses.

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 December 2, 2002.

This report is intended solely for the information and use of the 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

December 2, 2002

**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2001**

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

FINDING NUMBER 2001-60625-001

During the year ended November 30, 2001, the Society's bank account was subject to a forced withdrawal by the Internal Revenue Service in the amount of \$89,810 for lack of remitting prior years federal income taxes withheld from wages earned by employees to the Internal Revenue Service. 26 USC 3402 (a) states that in general, except as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

We recommend the Board ensure that income tax withholdings are properly withheld and timely and accurately remitted to the Internal Revenue Service to avoid future penalties and interest. As of November 30, 2001, the Society is current on all employee income tax withholding payments.

FINDING NUMBER 2001-60625-002

Accounting Records

Ohio Admin. Code Section 117-2-02(A) requires the Society to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Society did not maintain adequate accounting records during the period. A cash journal and disbursement ledger was not maintained and a receipts ledger was maintained but it was incomplete and inaccurate.

FINDING NUMBER 2001-60625-003

Rental Contracts

The Society did not enter into written contracts with individuals or vendors that rented fairground space.

Lack of written contracts between the Society and individuals doing business with the Society could allow for misunderstandings of expectations and responsibilities and also to improper charges of fees and the potential for errors and irregularities to occur and go undetected by management.

We recommend the Board enter into written contracts with all vendors/individuals that rent fairground space. These contracts should document the cost of space rental, guidelines, and duration of the agreement.

**FRANKLIN COUNTY AGRICULTURAL SOCIETY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2001-60625-004

Board Reports

During the period, the Board received monthly check registers and bank reconciliations; however reported amounts did not reflect actual expenditure amounts or bank balances.

Inaccurate monthly reports provided to the Board have led to unpaid commitments and unreconciled bank balances occurring and remaining undetected by management. In addition, inaccurate reporting has contributed to financial difficulties for the Society.

We recommend the Board ensure they receive accurate budgetary reports, check registers, and bank reconciliations to ensure management decisions are based on sound financial data.

FINDING NUMBER 2001-60625-005

Timely Deposits

During the year, intergovernmental, privilege fee, rental, admission, and sponsorship receipts collected by the Board Secretary were not deposited daily with the Treasurer of the Board or a financial institution. The Secretary placed the receipts through an office window into the Treasurer's locked office. The Treasurer periodically collected deposits from his office and placed them in the safe or in the Society depository.

These procedures increase the risk that cash could be stolen or lost. On July 21, 2002 a theft of approximately \$41,400 occurred from monies stored in the Agricultural Society Building. This cash accumulated over a period of two days. We recommend the Board ensure receipts are deposited daily, especially during the fair, to ensure accountability of all Society funds. In addition, we recommend that all undeposited receipts be placed in a locked safe until deposit to ensure the safeguarding of Society cash.

FINDING NUMBER 2001-60625-006

Ticket Reconciliations

The Society did not reconcile the daily admission ticket sales to the daily collections received and deposited. In addition, the Society did not require advanced ticket sales vendors to return any unused pre-numbered admission tickets.

The lack of ticket reconciliation forms and accounting of unused admission tickets could lead to incomplete deposits and/or receipts, improperly posted receipts, and the potential for theft without the timely detection of management.

We recommend the Society maintain all unused tickets and ensure daily admission tickets sales are reconciled to daily collections and deposits to help ensure accountability of Society funds.



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FRANKLIN COUNTY AGRICULTURAL SOCIETY

FRANKLIN 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
DECEMBER 26, 2002**