



**Auditor of State
Betty Montgomery**

MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Morrow County Agricultural Society
Morrow County
P.O. Box 168
Mt. Gilead, Ohio 43338

To the Board of Directors:

We have audited the accompanying financial statement of Morrow County Agricultural Society, Morrow County, Ohio, (the Society) as of and for the year ended November 30, 2002. 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.

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, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Morrow County Agricultural Society, Morrow County, Ohio, as of November 30, 2002, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2003, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 28, 2003

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2002**

	2002
Operating Receipts:	
Admissions	\$184,668
Privilege Fees	86,257
Rentals	62,046
Sustaining and Entry Fees	28,084
Parimutuel Wagering Commission	1,700
Other Operating Receipts	80,432
 Total Operating Receipts	 443,187
Operating Disbursements:	
Wages and Benefits	54,477
Utilities	27,391
Professional Services	82,755
Equipment and Grounds Maintenance	86,229
Senior Fair	64,363
Junior Fair	15,636
Capital Outlay	25,490
Other Operating Disbursements	145,123
 Total Operating Disbursements	 501,464
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (58,277)
Non-Operating Receipts (Disbursements):	
State Support	38,626
County Support	15,000
Debt Proceeds	25,000
Donations/Contributions	59,387
Investment Income	2,019
Debt Service	(25,252)
Sale of Assets	30
 Net Non-Operating Receipts (Disbursements)	 114,810
 Excess of Receipts Over Disbursements	 56,533
 Cash Balance, Beginning of Year	 149,057
 Cash Balance, End of Year	 \$205,590

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

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**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Morrow County Agricultural Society, Morrow 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 1850 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Morrow County Fair during August. During the fair, harness races are held, culminating in the running of the Morrow County Fair Harness Racing. Morrow 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 twenty-two directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Morrow 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 including facility rental, track and stall rental, and community events including the Morrow County Independence Day Celebration. The reporting entity does not include any other activities or entities of Morrow County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 6 and Note 7, respectively.

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.

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

C. Cash and Investments

Investments are included in cash balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

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.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(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

Stake races are conducted during the Morrow 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 pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See Note 3 for additional information.

H. Parimutuel Wagering

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

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

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

2. CASH

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

Demand deposits	\$135,590
Certificates of deposit	70,000
Total deposits	\$205,590

Deposits: \$100,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$25,488 and is included within State Support on the accompanying financial statement.

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 are also paid from Parimutuel Wagering Commission. The amount remaining is the Society's net portion.

	2002
Total Amount Bet (Handle)	\$ 26,634
Less: Payoff to Bettors	(21,326)
Parimutuel Wagering Commission	5,308
Tote Service Set Up Fee	(3,000)
State Tax	(608)
Society Portion	\$ 1,700

4. RETIREMENT SYSTEM

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

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2002
(Continued)**

5. RISK MANAGEMENT

The Morrow County Commissioners provide general insurance coverage for all the buildings on the Morrow County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by ACE American Insurance Company with limits of \$5,000,000 and \$5,000,000 aggregate. Chubb Group of Insurance Companies provides crime coverage for employee dishonesty with limits of liability of \$30,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 31, 2003.

6. 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 Morrow County Fair. The Society disbursed \$11,234 directly to the Junior Fair Board and \$4,402 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair disbursement. The Society was reimbursed \$500 by Morrow County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 1,836
Receipts	22,486
Disbursements	<u>(22,970)</u>
Ending Cash Balance	<u><u>\$ 1,352</u></u>

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 Morrow County's auction. Monies to cover the cost of the auction are generated through a 2% to 4% commission per head, assessed on the total sale value and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 9,539
Receipts	4,905
Disbursements	<u>(3,991)</u>
Ending Cash Balance	<u><u>\$ 10,453</u></u>



**Auditor of State
Betty Montgomery**

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

Morrow County Agricultural Society
Morrow County
P.O. Box 168
Mt. Gilead, Ohio 43338

To the Board of Directors:

We have audited the financial statement of Morrow County Agricultural Society, Morrow County, Ohio, (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated May 28, 2003. 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 statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated May 28, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Society in a separate letter dated May 28, 2003.

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Morrow County Agricultural Society
Morrow County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

May 28, 2003

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
I	A portion of the Society's recording methods deviated from the requirements of the Uniform System of Account Procedures.	Yes	
II	A cash journal was not generated for the audit period and monthly reconciliations were not performed.	Yes	



**Auditor of State
Betty Montgomery**

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MORROW COUNTY AGRICULTURAL SOCIETY

MORROW COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 9, 2003**