



**Auditor of State
Betty Montgomery**

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Fairfield County Agricultural Society
Fairfield County
P.O. Box 945
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the accompanying financial statements of the Fairfield County Agricultural Society, Fairfield County, Ohio, (the Society) as of and for the years ended November 30, 2003, and November 30, 2002. 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.

As discussed in Note 1, the Society prepares its financial statements 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 statements referred to above present fairly, in all material respects, the fund cash balances of the Fairfield County Agricultural Society, Fairfield County, Ohio, as of November 30, 2003, and November 30, 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004, 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.

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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

September 22, 2004

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003**

	<u>Operating</u>	<u>State and Local</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$3,616	\$0	\$3,616
Admissions	380,128	0	380,128
Privilege Fees	144,685	0	144,685
Sales	5,511	0	5,511
Racing Fees and Charges	37,900	0	37,900
Parimutuel Wagering Commission	16,111	0	16,111
Utilities	35,405	0	35,405
Fees	8,348	0	8,348
Rentals	143,801	0	143,801
State Support	0	36,925	36,925
Local Support	0	4,500	4,500
Restricted Support	44,883	0	44,883
Unrestricted Support	9,911	0	9,911
Investment Income	3,644	0	3,644
Other Receipts	537	0	537
Total Cash Receipts	<u>834,480</u>	<u>41,425</u>	<u>875,905</u>
Cash Disbursements:			
Salaries and Wages	174,226	0	174,226
Benefits	16,340	0	16,340
Administrative	9,733	0	9,733
Racing Supplies	4,552	1,000	5,552
Supplies	27,171	496	27,667
Utilities	50,674	3,396	54,070
Racing	64,358	28,384	92,742
Professional Services	68,791	0	68,791
Property Services	46,798	0	46,798
Advertising	32,077	0	32,077
Repairs	46,800	0	46,800
Insurance	22,027	0	22,027
Rent and Lease	14,674	0	14,674
Capital Outlay	31,364	2,640	34,004
Debt Service	25,088	0	25,088
Senior Fair	26,288	800	27,088
Contest Expenses	16,565	0	16,565
Junior Fair	33,797	4,709	38,506
Other Fair	1,291	0	1,291
Miscellaneous	5,514	0	5,514
Total Operating Disbursements	<u>718,128</u>	<u>41,425</u>	<u>759,553</u>
Total Receipts Over/(Under) Disbursements	116,352	0	116,352
Cash Balance, December 1, 2002	334,695	0	334,695
Cash Balance, November 30, 2003	<u>\$451,047</u>	<u>\$0</u>	<u>\$451,047</u>

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

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

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

	<u>Operating</u>	<u>State and Local</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Taxes	\$1,708	\$0	\$1,708
Admissions	358,163	0	358,163
Privilege Fees	135,994	0	135,994
Sales	1,671	0	1,671
Racing Fees and Charges	32,227	0	32,227
Parimutuel Wagering Commission	13,938	0	13,938
Utilities	32,554	0	32,554
Fees	9,759	0	9,759
Rentals	124,754	0	124,754
State Support	0	38,627	38,627
Local Support	0	4,500	4,500
Restricted Support	51,678	0	51,678
Unrestricted Support	10,990	0	10,990
Investment Income	9,133	0	9,133
Other Receipts	45,002	0	45,002
Total Cash Receipts	<u>827,571</u>	<u>43,127</u>	<u>870,698</u>
Cash Disbursements:			
Salaries and Wages	173,452	0	173,452
Benefits	16,919	0	16,919
Administrative	9,864	0	9,864
Racing Supplies	3,703	1,000	4,703
Supplies	22,978	2,498	25,476
Utilities	50,407	0	50,407
Racing	59,341	29,488	88,829
Professional Services	70,211	0	70,211
Property Services	56,704	3,000	59,704
Advertising	28,513	0	28,513
Repairs	28,716	0	28,716
Insurance	21,832	0	21,832
Rent and Lease	14,520	0	14,520
Capital Outlay	83,348	1,200	84,548
Debt Service	37,133	0	37,133
Senior Fair	26,212	800	27,012
Contest Expenses	15,606	0	15,606
Junior Fair	32,438	5,141	37,579
Other Fair	2,004	0	2,004
Miscellaneous	6,240	0	6,240
Total Operating Disbursements	<u>760,141</u>	<u>43,127</u>	<u>803,268</u>
Total Receipts Over/(Under) Disbursements	67,430	0	67,430
Cash Balance, December 1, 2001	267,265	0	267,265
Cash Balance, November 30, 2002	<u>\$334,695</u>	<u>\$0</u>	<u>\$334,695</u>

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

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Fairfield County Agricultural Society, Fairfield 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 Fairfield County Fair during October. Fairfield 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 sixteen 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. This includes the annual fair, and harness racing during fair week; other year round activities at the fairgrounds including facility and storage rental, and community events including trade shows, horse shows and classic car shows.

As discussed in Note 8, Junior Fair Board activity is reflected in the accompanying financial statements.

The reporting entity does not include any other activities or entities of Fairfield County, Ohio. The financial activity of the Junior Livestock Sale is summarized in Note 9.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financials statements follow 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. These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are included in fund 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.

D. Fund Accounting

The Society uses fund accounting to segregate cash and investments that are restricted as to use. The Society classifies its funds into the following types:

1. Operating Fund

The Operating Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (continued)

2. State and Local Grant Fund

This fund is used to account for proceeds from specific sources (other than from trusts), i.e. stake racing monies, that are restricted to expenditure for specific purposes.

E. Budgetary Process

An operating budget is prepared annually by the Fair Manager and Board of Directors, including estimated revenues and expenses. The budget is approved by the Board during the first two months of each fiscal year. The Fair Manager and Treasurer review the budget throughout the year and compared with actual results. Significant variances with the budget are discussed with the Board, if considered necessary by the Fair Manager and Treasurer.

F. 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 statements.

G. Restricted Support

Restricted support includes amounts that are required by the donor 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). Management is not aware of any actions or events that would jeopardize the Society's tax status.

I. Race Purse

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

Sustaining and Entry Fees

Horse owners and Ohio Colt Racing 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. 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 4 for additional information.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 4 for additional information.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2003, the Society had budgeted receipts of \$765,900, actual receipts of \$875,905, resulting in a variance of \$110,005. Additionally, the Society had budgeted disbursements of \$810,386, actual disbursements of \$759,553, resulting in a variance of \$50,833.

For the year ended November 30, 2002, the Society had budgeted receipts of \$739,375, actual receipts of \$870,698, resulting in a variance of \$131,323. Additionally, the Society had budgeted disbursements of \$750,441, actual disbursements of \$803,268, resulting in a variance of (\$52,827).

3. CASH

The Society maintains a cash pool used by all funds. The carrying amount of cash at November 30, 2003 and 2002 follows:

	2003	2002
Demand deposits	\$82,972	\$140,221
Certificates of deposit	368,075	194,474
Total deposits	\$451,047	\$334,695

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement the purse for the years ended November 30, 2003 and 2002 was \$24,384 and \$25,488 respectively, and are included within State Support in the State and Local Fund on the accompanying financial statements.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

4. HORSE RACING (Continued)

Parimutuel Wagering

The Society has four days of horse racing during the Fair. The Society contracts with ACE Totalizer to handle all parimutuel wagering and pay outs. The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements, 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, and these expenses are included in Racing Disbursements. State taxes on, which are also paid from Parimutuel Wagering Commission, are also reflected in Racing Disbursements, and the amount remaining is the Society's net portion.

	2003	2002
Total Amount Bet (Handle)	\$ 79,550	\$ 68,943
Less: Payoff to Bettors	(63,439)	(55,005)
Parimutuel Wagering Commission	16,111	13,938
Tote Service Set Up Fee	(800)	(800)
Tote Service Commission	(6,831)	(6,077)
State Tax	(2,189)	(1,707)
Society Portion	\$ 6,291	\$ 5,354

5. DEBT

The \$150,000 Construction Note used to construct the #10 AAA building was fully repaid by the Society on January 13, 2003.

6. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 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, 2003.

7. RISK MANAGEMENT

The Fairfield County Commissioners provide general insurance coverage for all the buildings on the Fairfield County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by County Risk Sharing Authority with limits of \$1,000,000 and no annual aggregate. This Society has a policy with Clark Insurance Company which includes crime coverage for employee dishonesty with limits of liability of \$30,000. The Society's Fair Manager is bonded with coverage of \$30,000.

The Society provides workers compensation coverage on all employees through the Compensation Consultants Incorporated. Coverage is currently in effect through June 30, 2004.

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2003 AND 2002
(Continued)**

8. JUNIOR FAIR BOARD

A member of the Board of Directors also serves as a member of the Junior Fair Board. The Junior Fair Board discusses activities and makes recommendations to the Society's Board of Directors. All decisions about Junior Fair activities must be approved by the Society. The financial activities of the Junior Fair are blended with the Society in these financial statements

9. JUNIOR LIVESTOCK SALE

The Junior Livestock Sale, an auction held during fair week, is managed by Ohio Fair Services, Inc. Children may sell their animals directly to market or through auction. Monies to cover the cost of the auction are generated through a 3.5% commission assessed on the auction price and are retained by the Ohio Fair Services, Inc. Total receipts from the livestock sale during the fair were, \$397,304 for fiscal year 2003 and \$344,765 for fiscal year 2002. The accompanying financial statements do not include the activities of Ohio Fair Services, Inc.

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**Auditor of State
Betty Montgomery**

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

Fairfield County Agricultural Society
Fairfield County
P.O. Box 945
Lancaster, Ohio 43130

To the Board of Directors:

We have audited the financial statements of the Fairfield County Agricultural Society, Fairfield County, Ohio (the Society), as of and for the years ended November 30, 2003, and November 30, 2002, and have issued our report thereon dated September 22, 2004. 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 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 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 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 September 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting to determine our auditing procedures 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

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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 do not believe the reportable condition 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 the Society's management in a separate letter dated September 22, 2004.

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.

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

Betty Montgomery
Auditor of State

September 22, 2004

**FAIRFIELD COUNTY AGRICULTURAL SOCIETY
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002**

**FINDING RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Actual Expenditures Exceed Budgeted Expenditures

The Board establishes annual operating budgets to assist in managing financial activities of the Society. However, our review of 2003 and 2002 financial activity indicated expenditures exceeded budgeted amounts in several accounts, in amounts significant to the original budget. Failure to establish realistic budget estimates or reasonably adhere to the approved budget inhibits the Board's ability to effectively manage financial activities and could contribute to unanticipated operating losses.

We recommend the Board closely monitor expenditures to ensure they are within the approved budget. Further, the Board should carefully consider whether budgets are based on amounts it reasonably expects to incur. If the Board determines that expenditures are required beyond amounts originally budgeted, it should amend the budget accordingly.



**Auditor of State
Betty Montgomery**

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FAIRFIELD COUNTY AGRICULTURAL SOCIETY

FAIRFIELD 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 16, 2004**