



**Auditor of State
Betty Montgomery**

HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harrison County Agricultural Society
Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Directors:

We have audited the accompanying financial statement of Harrison County Agricultural Society, Harrison County, Ohio, (the Society) as of and for the year ended November 30, 2002. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial 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 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.

For the financial statements referred to above there is no documentation to support the revenue received for admissions, sales by the fair board, entry fees, and donations for the Harrison County Agricultural Society. We were unable to satisfy ourselves as to the accuracy and completeness of these financial activities through auditing procedures.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Harrison County Agricultural Society, Harrison 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 November 14, 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*. You should read it in conjunction with this report in assessing 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

November 14, 2003

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

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

Operating Receipts:	
Admissions	\$59,375
Privilege Fees	9,710
Rentals	3,393
Sustaining and Entry Fees	13,985
Other Operating Receipts	5,965
	92,428
Operating Disbursements:	
Wages and Benefits	2,670
Utilities	10,203
Professional Services	25,774
Equipment and Grounds Maintenance	9,261
Race Purse	53,631
Senior Fair	32,898
Junior Fair	5,888
Capital Outlay	1,623
Other Operating Disbursements	25,806
	167,754
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(75,326)
Non-Operating Receipts (Disbursements):	
State Support	38,793
County Support	7,800
Restricted Support Donations/Contributions	3,596
Unrestricted Support Donations/Contributions	26,484
	76,673
Net Non-Operating Receipts (Disbursements)	76,673
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,347
Cash Balance, Beginning of Year	145
Cash Balance, End of Year	\$1,492

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

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**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Harrison County Agricultural Society, Harrison County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the week-long Harrison County Fair during July. During the fair, harness races are held, culminating in the running of the Southern Valley Colt Stakes. Harrison County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Harrison County and pay an annual membership fee to the Society.

Reporting Entity

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

Notes 8 summarize the Junior Livestock Sale Committee's financial activity.

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 accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements 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. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form during the first six months of each fiscal year.

D. Property, Plant and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

G. Race Purse

Southern Valley Colt stake races are held during the Harrison 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 Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

H. Pari mutuel 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 the pari mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari mutuel wagering system.

Pari mutuel wagering commission (the commission) is the Society's share of total pari mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari mutuel Wagering Commission. See Note 4 for additional information.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2002, the Society had budgeted receipts of \$108,750; actual receipts were \$169,100, resulting in a variance of \$60,350. Additionally, the Society had budgeted disbursements of \$108,885, actual disbursements were \$167,753, resulting in a variance of \$58,868.

Contrary to the Society's budgetary policy, actual disbursements exceeded budgeted disbursements for the year ended November 30, 2002.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

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

3. CASH

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

	2002
Demand deposits	\$1,492

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

4. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$38,793 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, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements. The society had no net remaining since tote service received 100% of the commission less the taxes.

	2002
Total Amount Bet (Handle)	\$ 5,528
Less: Payoff to Bettors	(4,423)
Parimutuel Wagering Commission	1,105
Tote Service Commission	(976)
State Tax	(129)
Society Portion	\$ -

5. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
Operating Loan	\$10,000	5.00%

The Operating Loan bears an interest rate of 5.00% and is due to the Harrison County Community Improvement Corporation. The note was entered into on November 18, 2000 and matures November 1, 2005. The Society had agreed to pay \$2,309.80 per year for five years. However, the Society has not paid any portion of the outstanding debt and has not negotiated new terms for repayment.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

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

6. RISK MANAGEMENT

The Harrison County Commissioners provide general insurance coverage for all the buildings on the Harrison County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability coverage is provided by an Insurance Company with limits of \$1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000.

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, and FCCLA organizations representatives, is responsible for the Junior Fair Division activities of the Harrison County Agricultural Society. The Junior Fair Board activity is accounted for within the accounting records of the Society and is reflected in the accompanying financial statements. The Society subsidizes the Junior Fair Division to the extent necessary each year.

8. 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. All market animals must be sold at the Junior Fair through the Harrison County's auction. Monies to cover the cost of the auction are generated through a 2% commission per head, assessed on the auction price and are retained by the Junior Livestock Committee for animals that sell for more than \$301. If the animal sells for less than \$300 a \$6 commission is charged per animal. 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	\$ 1,088
Receipts	114,104
Disbursements	<u>(113,307)</u>
Ending Cash Balance	<u><u>\$ 1,885</u></u>



**Auditor of State
Betty Montgomery**

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

Harrison County Agricultural Society
Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Directors:

We have audited the financial statement of Harrison County Agricultural Society, Harrison County, Ohio, (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated November 14, 2003, in which we did not express an opinion on the revenue reported for gate admissions, sales by the fair board, entry fees and donations as certain information related to the revenue was not available to be audited. Except for the matter noted above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2002-002 and 2002-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 also considered material weaknesses. We consider reportable conditions 2002-002 and 2002-003 listed above to be material weaknesses. In a separate letter to the Society's management dated November 14, 2003, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for 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

November 14, 2003

**HARRISON AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002**

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

FINDING NUMBER 2002-001

Noncompliance Citation

The Board of Directors passed a budgetary resolution on December 3, 2001 for fiscal year 2002 operations of the Agricultural Society. Contrary to the Society's budgetary policy, actual expenditures exceeded budgeted expenditures.

For the year ended November 30, 2002, the Society had budgeted expenditures of \$108,885 and actual expenditures of \$167,753, resulting in a variance of \$58,868. Failure to adhere to the budget diminishes the ability of the Board to effectively manage the finances of the Society and increases the possibility that deficit balances could occur.

The Board should initiate procedures to monitor actual expenditures and to compare the amounts of actual expenditures to the budgeted amounts. To control spending and to avoid deficit balances, budgetary adjustments should be passed by the Board and posted to the ledgers.

FINDING NUMBER 2002-002

Material Weakness

Ohio Administrative Code Section 117-2-02(B)(1) requires the government's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious, and that all account balances and transactions are included in the financial records. This includes maintaining sufficient documentation for all transactions.

The Agricultural Society Treasurer had not maintained documentation to support revenues generated by gate admissions, fair board sales, entry fees and donations. The Board did not employ the use of pre-numbered tickets, tally sheet or any other method to account for admissions. Duplicate receipts were not issued for any payments made to the Board for sales, entry fees and donations.

Without supporting documentation for revenue received, the accuracy and completeness of the receipts for admissions, fair board sales, entry fees and donations reported by the Treasurer can not be verified or relied upon.

To adequately support the receipts recorded and reported for gate admissions, the Board should establish procedures to substantiate the amounts collected for gate admissions. The procedures should include, but not be limited to:

- a. The use of pre-numbered tickets, tally sheets or another method that would provide an accurate count of the number of paid admissions;
- b. Specific procedures by which each ticket seller would reconcile the number of tickets sold to the cash received;
- c. The issuance of duplicate receipts when each ticket seller deposits the gate receipts with the Treasurer: and
- d. Daily deposit of the gate receipts to the bank by the Treasurer.

**HARRISON AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002
(Continued)**

Also, the "Uniform System of Accounting for Agricultural Societies Handbook" requires the use of duplicate receipts for all money received by the Society. All revenue received for fair board sales, entry fees and donations should be supported with duplicate receipts, with one copy being given to the payer and one copy being maintained by the Treasurer of the Society.

FINDING NUMBER 2002-003

Material Weakness

The Agricultural Society Treasurer did not use a cash journal, receipts ledger, or expense ledger to account for the financial transactions of the Society. Also, purchase orders and voucher packets have not been used.

The Treasurer did not keep accurate records of all moneys received and expended by the Agricultural Society, as the financial records were limited to the check register in the bank check book and a notebook in which financial transactions were recorded. However, several transactions were not recorded on both records and the reconciliations of the bank balance to the book balance were not accurate. Throughout the audit period, the Board did not receive regular reports of the Society's financial condition.

The "Uniform System of Accounting for Agricultural Societies Handbook" requires the use of a cash journal, receipts ledger, expense ledger, purchase orders and voucher packets in order to ensure the completeness and reliability of the Society's financial presentation. The Agricultural Society Treasurer should keep accurate account of all moneys received and expended by the Society, including complete accurate monthly bank reconciliations, which would effectively disclose bookkeeping errors. The Treasurer should also prepare accurate financial reports for the Board, including amounts of receipts, disbursements and book balances .

HARRISON AGRICULTURAL SOCIETY
HARRISON 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>
1999-001	Gate Admissions Reconciliation Process	No	Not Corrected, Sighted as a material weakness in current report.



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

HARRISON 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
AUGUST 18, 2005**