



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AGRICULTURAL SOCIETY
HENRY COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Henry County Agricultural Society
P.O. Box 387
Napoleon, Ohio 43545-0387

To the Board of Directors:

We have audited the accompanying financial statement of Henry County Agricultural Society (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.

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 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 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 and 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.

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Jim Petro
Auditor of State

May 13, 2002

**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

	2001
Operating Receipts:	
Admissions	\$143,064
Privilege Fees	45,918
Rentals	38,109
Sustaining and Entry Fees	25,440
Parimutuel Wagering Commission	4,572
Other Operating Receipts	23,335
Total Operating Receipts	280,438
Operating Disbursements:	
Wages and Benefits	15,916
Utilities	24,493
Professional Services	50,563
Equipment and Grounds Maintenance	44,221
Race Purse	60,215
Senior Fair	14,407
Junior Fair	15,651
Capital Outlay	45,736
Other Operating Disbursements	61,359
Total Operating Disbursements	332,561
Excess of Operating Disbursements Over Operating Receipts	(52,123)
Non-Operating Receipts (Disbursements):	
State Support	40,483
County Support	23,702
Donations/Contributions	4,920
Investment Income	1,193
Debt Service	(18,149)
Net Non-Operating Receipts (Disbursements)	52,149
Excess of Receipts Over Disbursements	26
Cash Balance, Beginning of Year	16,089
Cash Balance, End of Year	\$16,115

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

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**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Henry County Agricultural Society (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 1852 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Henry County Fair during August. During the fair, harness races are held. Henry 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 fifteen directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Henry 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 the fair week. Other year round activities at the fairgrounds include facility, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Henry County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 8 and Note 9, respectively.

The Society's management believes this financial statement present 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

Cash balance consists of a checking account.

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.

E. Restricted Support

Restricted support includes amounts that are required by the donor to be set aside for specific uses.

**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

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 Henry 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 Northwest 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 purses. 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.

2. CASH

The carrying amount of cash at November 30, 2001 follows:

Demand deposits	<u>\$16,115</u>
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The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purses for the year ended November 30, 2001 was \$30,800 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 accompanying 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, and the amount remaining is the Society's net portion.

	2001
Total Amount Bet (Handle)	\$22,848
Payoff to Bettors	(18,276)
Parimutuel Wagering Commission	4,572
Tote Service Set Up Fee	440
Tote Service Commission	2,519
State Tax	573
Society Portion	\$1,040

4. DEBT

Debt outstanding at November 30, 2001 was as follows:

	Principal	Interest Rate
Land Purchase	\$18,175	4.70%
House & Duplex	60,213	5.50%
Restroom	52,742	5.45%
Total	\$131,130	

The \$18,175 Land loan bears an interest rate of 4.70% and is due to Henry County Bank. The loan was entered into January 11, 1993 and matures on January 11, 2003. Proceeds of the loan were used to purchase land and are collateralized by the land.

**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

The \$60,213 House loan bears an interest rate of 5.50% and is due to Henry County Bank. The loan was entered into April 8, 1997 and matures on April 8, 2012. Proceeds of the loan were used to purchase a house and duplex and are collateralized by the house and duplex.

The \$52,742 Restroom loan bears an interest rate of 5.45% and is due to Henry County Bank. The loan was entered into January 11, 1993 and matures on January 11, 2003. Proceeds of the loan were used to construct a restroom on the fairgrounds.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Land	House and Duplex	Restroom	Interest	Total
2002	\$9,103	\$4,407	\$7,668	\$7,057	\$28,235
2003	9,072	4,655	8,085	5,835	27,647
2004		4,918	8,526	4,705	18,149
2005		5,195	8,991	3,963	18,149
2006		5,488	9,481	3,180	18,149
2007 – 2011		35,550	9,991	6,173	51,714
Total	<u>\$18,175</u>	<u>\$60,213</u>	<u>\$52,742</u>	<u>\$30,913</u>	<u>\$162,043</u>

5. RETIREMENT SYSTEM

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 participants' gross salaries through November 30, 2001.

6. RISK MANAGEMENT

The Henry County Commissioners provide general insurance coverage for all the buildings on the Henry County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24. General liability coverage is provided by an Insurance Company with limits of \$ 1,000,000 and \$ 3,000,000 aggregate and vehicle coverage is provided with limits of \$ 1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$ 10,000. The Society's Secretary and Treasurer are bonded with coverage of \$ 36,000 and \$ 10,000, respectively.

Henry County provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 2001.

7. SUBSEQUENT EVENTS

The Society borrowed \$100,000 for ten years at an interest rate of 4.77%. The proceeds of the loan are to be used to build a new horse barn.

**HENRY AGRICULTURAL SOCIETY
HENRY COUNTY**

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

8. 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 Henry County Fair. The Society disbursed \$ 15,651 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 Henry 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, 2001 follows:

Beginning Cash Balance	\$234
Receipts	4,061
Disbursements	<u>(3,739)</u>
Ending Cash Balance	<u><u>\$556</u></u>

9. 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 Henry County's auction. Monies to cover the cost of the auction are generated through a \$7.00 per head fee 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, 2001 follows:

Beginning Cash Balance	\$522
Receipts	117,966
Disbursements	<u>(114,834)</u>
Ending Cash Balance	<u><u>\$3,654</u></u>

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

Henry County Agricultural Society
P.O. Box 387
Napoleon, Ohio 43545-0387

To the Board of Directors:

We have audited the financial statement of Henry County Agricultural Society (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated May 13, 2002. 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 13, 2002.

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 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 May 13, 2002.

Henry County Agricultural Society
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

May 13, 2002



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OFFICE OF THE AUDITOR

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HENRY AGRICULTURAL SOCIETY

HENRY 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
JUNE 11, 2002**