



**Auditor of State  
Betty Montgomery**



FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Franklin County Agricultural Society, Franklin County, Ohio, (the Society) as of and for the years ended November 30, 2003 and November 30, 2002. The financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on the 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 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 statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Franklin County Agricultural Society, Franklin 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.

The Society is experiencing certain financial difficulties. Those difficulties and management's responses to those difficulties are discussed in Note 10.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2005, 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 Section 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**

February 7, 2005

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

	<b>2003</b>
<b>Operating Receipts:</b>	
Admissions	\$274,171
Privilege Fees	50,884
Rentals	127,380
Sustaining and Entry Fees	37,335
Parimutuel Wagering Commission	2,201
Other Operating Receipts	32,800
Total Operating Receipts	524,771
<b>Operating Disbursements:</b>	
Wages and Benefits	104,307
Utilities	53,005
Professional Services	163,072
Equipment and Grounds Maintenance	120,907
Race Purse	66,341
Senior Fair	19,953
Junior Fair	16,588
Other Operating Disbursements	67,260
Total Operating Disbursements	611,433
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(86,662)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	36,925
County Support	53,300
Donations/Contributions	17,650
Investment Income	56
Debt Service	(14,002)
Net Non-Operating Receipts (Disbursements)	93,929
Excess (Deficiency) of Receipts Over (Under) Disbursements	7,267
Cash Balance, Beginning of Year	25,187
<b>Cash Balance, End of Year</b>	<b>\$32,454</b>

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

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

	<b>2002</b>
<b>Operating Receipts:</b>	
Admissions	\$231,286
Privilege Fees	46,710
Rentals	166,239
Sustaining and Entry Fees	53,010
Parimutuel Wagering Commission	2,747
Other Operating Receipts	38,825
Total Operating Receipts	538,817
<b>Operating Disbursements:</b>	
Wages and Benefits	128,666
Utilities	49,456
Professional Services	134,116
Equipment and Grounds Maintenance	82,830
Race Purse	84,233
Senior Fair	23,062
Junior Fair	18,899
Capital Outlay	11,000
Other Operating Disbursements	49,439
Total Operating Disbursements	581,701
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(42,884)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	38,627
Debt Proceeds	15,000
Donations/Contributions	114,134
Investment Income	78
Debt Service	(131,083)
Net Non-Operating Receipts (Disbursements)	36,756
Excess (Deficiency) of Receipts Over (Under) Disbursements	(6,128)
Cash Balance, Beginning of Year	31,315
<b>Cash Balance, End of Year</b>	<b>\$25,187</b>

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

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

**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 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Franklin County Fair during July. During the fair, harness races are held. Franklin 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). The Board is made up of 21 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 including facility rental, track and stall rental, and community events including animal shows. The reporting entity does not include any other activities or entities of Franklin County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 7 and Note 8, respectively.

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

**B. Basis of Accounting**

These financial 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**

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 STATEMENTS  
NOVEMBER 30, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. 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.

**F. Race Purse**

Stake 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 Race Purse to winning horses.

*Sustaining and Entry Fees*

Horse owners and the 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 race purse. See Note 3 for additional information.

**G. 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 determined by the pari-mutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (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 3 for additional information.

**2. CASH**

The carrying amount of cash and investments at November 30, 2003 and November 30, 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$32,454</u>	<u>\$25,187</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation (FDIC).

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

**3. HORSE RACING**

*State Support Portion of Purse*

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

*Pari-mutuel Wagering*

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services. State taxes are also paid from Pari-mutuel Wagering Commission and the amount remaining is the Society's net portion.

	2003	2002
Total Amount of Bet (Handle)	\$29,028	\$34,790
Less: Payoff to Bettors	23,101	27,619
Parimutuel Wagering Commission	5,927	7,171
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(2,690)	(3,270)
State Tax	(836)	(954)
Society Portion	\$ 2,201	\$ 2,747

**4. DEBT**

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
Commercial Loan (Barn)	\$21,933	5.75%
Line of Credit	21,552	5.75%
Total	\$43,485	

The Commercial Loan was issued and proceeds were used for the construction of a barn on the Society's property. This loan bears a variable interest rate of 5.75% as of November 30, 2003 and is due to Bank One. This loan bears no specified amortization schedule. Business assets were used as collateral for this loan. This loan can be withdrawn by Bank One if there is default on interest payments. This loan matures on September 1, 2006.

The Line of Credit above bears a variable interest rate of 5.75% as of November 30, 2003 and is due to Bank One. Available credit at November 30, 2003 on this Line of Credit is \$8,448. 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. The line of credit can be withdrawn by Bank One if there is default on interest payments. Proceeds were used to finance the Society's operations.

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

**5. SOCIAL SECURITY**

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.

**6. RISK MANAGEMENT**

The Franklin County Commissioners provide general insurance coverage for all the buildings on the Franklin 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 \$50,000 during fair week. The Society's treasurer and secretary are bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**7. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H and FFA representatives, is responsible for the Junior Fair Division activities of the Franklin County Fair. For the year ended November 30, 2003, the Society disbursed \$16,588 directly to vendors to support Junior Fair activities and \$18,899 for the year ended November 30, 2002. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statements do not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the years ended November 30, 2003 and November 2002 are as follows:

	2003	2002
Beginning Cash Balance	\$5,601	\$8,370
Receipts	20,186	17,371
Disbursements	(17,279)	(20,140)
Ending Cash Balance	\$ 8,508	\$ 5,601

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

**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. Children may sell their animals directly to market or through the Franklin County's auction. Monies to cover the cost of the auction are generated through a 3% commission and are retained by the Junior Livestock Committee. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2003 and November 30, 2002 are as follows:

	2003	2002
Beginning Cash Balance	\$4,694	\$4,088
Receipts	109,108	130,624
Disbursements	(112,456)	(130,018)
Ending Cash Balance	\$ 1,346	\$ 4,694

**9. SUBSEQUENT EVENT**

On December 12, 2002, a \$50,000 mortgage (land) payment was made by the Franklin County Commissioners on behalf of the Society. This money was offset by the Franklin County Contribution of \$53,300. The Society recorded a receipt of \$53,300 and this is reflected in the accompanying FYE 2003 financial statement as County Support. The \$50,000 expenditure incurred is recorded in the Equipment and Grounds line item in the FYE2003 financial statement.

On November 9, 2004, the Society's bank account was "levied" by the Internal Revenue Service for \$19,000. The Society believes all prior obligations incurred from the non- withholding and remittance of payroll tax withholdings have been paid in full. It is uncertain, at this time, as to the reason the withdrawal was made from the Society's bank account, or if there is any additional IRS liability. The accompanying financial statements do not reflect any liability

**10. MANAGEMENT PLANS**

The Society is experiencing financial difficulties. During fiscal year 2003, the Ohio Bureau of Workers Compensation (BWC) cited the Society for payments owed to the BWC. As of November 30, 2003, the balance on this liability was \$51,538. The Society is experiencing difficulty in paying bills on time. No principal payment was made on the line of credit in fiscal year 2003, only interest incurred for the year. The Society is seeking to improve its financial position through holding additional events as well as enhanced budgeting of financial matters.

**11. COMPLIANCE**

The Society did not always deposit receipts collected within twenty-four hours of receipt, as required by Ohio law.

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' 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 statements of the Franklin County Agricultural Society, Franklin 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 January 20, 2005, wherein we emphasized the Society is having financial difficulties. 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 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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as 2003-001. We also noted immaterial instances of noncompliance that we have reported to the Society's management in a separate letter dated February 7, 2005.

#### 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. 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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However, we noted 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 February 7, 2005.

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**

February 7, 2005

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

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

**FINDING NUMBER 2003-001**

**Timely Deposit**

Ohio Rev. Code Section 9.38, states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority, (Board of Directors), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Thirty-four out of sixty rental transactions tested were deposited with the Treasurer or designated depository two to five days after the day of receipt. In the prior audit the Society had a theft of receipts which demonstrates the significance of timely depositing receipts collected and to securing such receipts until deposited with the designated depository.

We recommend the Society make timely deposit of all funds pursuant to Ohio Rev. Code Section 9.38.

**FRANKLIN COUNTY AGRICULTURAL SOCIETY  
FRANKLIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain:</b></i>
2001-60625-001	Income tax withholdings were not properly withheld and remitted to the Internal Revenue Service.	<b>Yes</b>	
2001-60625-002	Accounting Records were not maintained as required by Ohio Admin. Code Section 117-2-02(A).	<b>Yes</b>	
2001-60625-003	Rental Contracts were not maintained.	<b>Partially Corrected</b>	Repeated in the management letter
2001-60625-004	The Board received inaccurate financial information and unreconciled bank balances.	<b>Yes</b>	
2001-60625-005	Timely Deposits	<b>No</b>	Repeated as finding 2004-001
2001-60625-006	Ticket Reconciliations	<b>Yes</b>	



**Auditor of State  
Betty Montgomery**

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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  
APRIL 12, 2005**