



**AGRICULTURAL SOCIETY
ALLEN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED NOVEMBER 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Agricultural Society
Allen County
2750 Harding Highway
Lima, Ohio 45804

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Allen County, (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 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 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 combined fund cash balances of the Society as of November 30 2001, and its combined 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 March 8, 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 the audit committee, 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.

Jim Petro
Auditor of State

March 8, 2002

**AGRICULTURAL SOCIETY
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2001**

	<u>Operating</u>	<u>State and Local</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Admissions	\$398,280		\$398,280
Privilege Fees	219,431		219,431
Sales	6,522		6,522
Racing Fees and Charges	128,134		128,134
Utilities	24,509		24,509
Fees	35,563		35,563
Rentals	164,020		164,020
State Support		\$40,483	40,483
Local Support		53,300	53,300
Restricted Support	60,519		60,519
Unrestricted Support	369,475		369,475
Investment Income	1,396		1,396
Other Receipts	47		47
Total Cash Receipts	<u>1,407,896</u>	<u>93,783</u>	<u>1,501,679</u>
Cash Disbursements:			
Salaries and Wages	224,965		224,965
Benefits	24,138		24,138
Administrative	11,670		11,670
Racing Supplies	2,037		2,037
Supplies	34,304		34,304
Utilities	80,527		80,527
Racing	126,461	26,800	153,261
Professional Services	259,954		259,954
Property Services	84,698		84,698
Advertising	69,352		69,352
Repairs	24,827		24,827
Insurance	19,325		19,325
Rent and Lease	742	29,603	30,345
Capital Outlay	71,525	31,040	102,565
Debt Service	88,234		88,234
Senior Fair	41,961	800	42,761
Contest	209		209
Junior Fair	45,680	5,540	51,220
Other Fair	363,366		363,366
Miscellaneous	993		993
Total Disbursements	<u>1,574,968</u>	<u>93,783</u>	<u>1,668,751</u>
Total Receipts Over/(Under) Disbursements	<u>(167,072)</u>		<u>(167,072)</u>
Other Financing Receipts:			
Sale of Bonds or Notes	<u>149,600</u>		<u>149,600</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(17,472)		(17,472)
Fund Cash Balances, December 1	<u>30,062</u>		<u>30,062</u>
Fund Cash Balances, November 30	<u>\$12,590</u>	<u>\$0</u>	<u>\$12,590</u>

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

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**ALLEN AGRICULTURAL SOCIETY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Agricultural Society, Allen County, (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 1851 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Allen County Fair during the month of August. During the fair, harness races are held, culminating in the running of the Allen County Super Trot, Signature Series race.

Allen 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 eighteen directors serving staggered three-year terms, elected from the membership of the Society.

1. Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week, other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, flea markets, swap meets, and auctions. This reporting entity does not include any other activities or entities of Allen County, Ohio.

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 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:

**ALLEN AGRICULTURAL SOCIETY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. State and Local Grant Funds

These funds are used to account for proceeds from specific sources that are restricted to expenditure for specific purposes. They are used to account for money received from the State and County for racing and maintenance.

E. Budgetary Process

An operating budget is prepared annually by the Board of Directors, including estimated revenues and expenses. The Board approves the budget in its final form during the first six months of each fiscal year. The budget is reviewed throughout the year and compared with actual results by the Board of Directors. Management has discretion to allocate expenses among budgetary items.

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 Qualification Fees

Fees paid to the Society by horse owners to qualify their horses as eligible for entry into certain stake races conducted during the Allen County Fair are segregated into interest-bearing cash accounts. The payments may be required in one, two or three years prior to the race. Failure to make all required payments for the horse disqualify the horse from the stake race. Prior payments made on behalf of horses no longer eligible for the race are retained and included in the total purse for the event.

**ALLEN AGRICULTURAL SOCIETY
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Specific races for which the Society maintains qualification fees include the Western Ohio Colt Racing Association Superstakes races, Allen County Super Trot, and the Dunlap-Renner Memorial Pace. 100% of race qualification fees collected become part of the purse for the race involved in the year that race is run. The Society retains any investment income earned on these invested race qualification fees to assist in defraying costs of advertising for entrants to the races and record keeping for the qualification process.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Society uses.

2. BUDGETARY ACTIVITY

Budgetary activity for the year(s) ended November 30 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
Operating	\$1,565,500	\$1,557,496	(\$8,004)
State and Local	94,800	93,783	(1,017)
Total	\$1,660,300	\$1,651,279	(\$9,021)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
Operating/ State and Local	\$1,582,460	\$1,668,751	(\$86,291)

The Society does not separately identify appropriations between the operating fund and state and local fund.

3. CASH AND INVESTMENTS

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

	2001
Demand deposits	\$11,059
Certificates of deposit	1,531
Total deposits and investments	\$12,590

**ALLEN AGRICULTURAL SOCIETY
ALLEN COUNTY**

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

3. CASH AND INVESTMENTS (Continued)

Deposits: The bank balance for the year was covered by Federal Depository Insurance Corporation (FDIC) up to \$100,000. Amounts exceeding the \$100,000 throughout the year were uninsured and uncollateralized.

4. DEBT

The Society has a line of credit with the Union Bank Company. The line of credit is available from September 7, 2000 through December 10, 2001. The amount of the credit is \$200,100. Principal payments during the year were \$80,000. Interest payments in 2001 totaled \$4,259. The advances are used to cover the expenses of the Fair and any other operating deficits. During 2001, the Society drew advances of \$149,600, which is the outstanding liability at November 30, 2001.

5. RETIREMENT SYSTEM

A. Social Security System

All employees of the Society belong to Social Security. The Board's liability is 6.2 percent of wages paid.

6. RISK MANAGEMENT

The Allen County Commissioners provide general insurance coverage for all the buildings on the Allen County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24.

A. Risk Pool Membership

The Society belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP).

Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

B. Casualty Insurance

PEP retains casualty risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**ALLEN AGRICULTURAL SOCIETY
ALLEN COUNTY**

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

6. RISK MANAGEMENT (Continued)

C. Property Insurance

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

D. Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: (Latest information available.)

Casualty Coverage	<u>2000</u>	<u>1999</u>
Assets	\$17,112,129	\$15,295,389
Liabilities	<u>7,715,035</u>	<u>6,636,543</u>
Retained earnings	<u>\$9,397,094</u>	<u>\$8,658,846</u>
Property Coverage	<u>2000</u>	<u>1999</u>
Assets	\$1,575,614	\$1,118,222
Liabilities	<u>281,561</u>	<u>279,871</u>
Retained earnings	<u>\$1,294,053</u>	<u>\$838,351</u>

The Society provides health coverage for full time, supervisory employees through Group Services, Inc. Insurance Company.

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

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

Agricultural Society
Allen County
2750 Harding Highway
Lima, Ohio 45804

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Allen County, (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated March 8, 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 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 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 March 8, 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 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. 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 March 8, 2002.

Agricultural Society
Allen County
Report of Independent Accountants 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 the audit committee, management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 8, 2002



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AGRICULTURAL SOCIETY

ALLEN 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 4, 2002**