



**Auditor of State
Betty Montgomery**

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Brown County Agricultural Society
Brown County
325 W. State Street
Suite 1
Georgetown, Ohio 45121

To the Board of Directors:

We have audited the accompanying financial statement of Brown County Agricultural Society, Brown County, Ohio (the Society), as of and for the year ended November 30, 2002. 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, 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 July 28, 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* 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 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

July 28, 2003

**BROWN CUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

	2002
Operating Receipts:	
Admissions	\$325,694
Privilege Fees	53,875
Rentals	85,282
Sustaining and Entry Fees	14,436
Other Operating Receipts	27,837
Total Operating Receipts	507,124
Operating Disbursements:	
Wages and Benefits	22,951
Utilities	48,249
Professional Services	102,565
Equipment and Grounds Maintenance	77,555
Senior Fair	37,353
Junior Fair	17,804
Capital Outlay	124,255
Other Operating Disbursements	82,845
Total Operating Disbursements	513,577
Deficiency of Operating Receipts under Operating Disbursements	(6,453)
Non-Operating Receipts (Disbursements):	
State Support	8,139
County Support	3,300
Debt Proceeds	50,000
Donations/Contributions	14,838
Investment Income	1,902
Debt Service	(13,588)
Net Non-Operating Receipts (Disbursements)	64,591
Excess of Receipts Over Disbursements	58,138
Cash Balance, Beginning of Year	137,730
Cash Balance, End of Year	\$195,868

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

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**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Brown County Agricultural Society, Brown 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 1851 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Brown County Fair during September. Brown 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 16 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Brown 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, horse shows, and tractor pulls. The reporting entity does not include any other activities or entities of Brown County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 11 and Note 12, respectively.

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 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 and Deposits

Interest earned is recognized and recorded when received.

D. 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. The Board reviews the budget throughout the year and compares it with actual results.

E. 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.

F. Restricted Support

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

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

2. BUDGETARY ACTIVITY

For the year ended November 30, 2002, the Society had budgeted receipts of \$610,650, actual receipts of \$585,302, resulting in a variance of \$(25,348). Additionally, the Society had budgeted disbursements of \$589,350, actual disbursements of \$527,165, resulting in a variance of \$62,185.

3. CASH

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

	<u>2002</u>
Demand deposits	\$195,367
Certificates of deposit	<u>500</u>
Total deposits	<u><u>195,867</u></u>

Deposits: \$100,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remainder was uninsured and uncollateralized.

4. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
Capital Improvement Note (barn)	\$14,222	5.20%
Capital Improvement Note (stalls)	<u>50,000</u>	4.75%
Total	<u><u>\$64,222</u></u>	

The first Capital Improvement Note bears an interest rate of 5.20% and is due to the Ripley National Bank. The note was entered into on August 28, 2001 for \$27,000 and matures November 15, 2005. Proceeds of the note were used to finish the Jr. Fair Horse Barn construction.

The \$50,000 Capital Improvement Note bears an interest rate of 4.75% and is due to the Fifth Third Bank. The note was entered into on August 23, 2002 and matures November 1, 2013. Proceeds of the note were used to place stalls in the new horse barn.

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

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

4. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Barn Note	Stalls Note	Interest	Total
2003	5,289	3,527	3,610	12,426
2004	5,564	4,142	2,709	12,415
2005	3,369	4,359	2,213	9,941
2006		4,569	1,828	6,397
2007		4,789	1,608	6,397
2008-2012		28,614	4,357	32,971
Total	<u>\$14,222</u>	<u>\$50,000</u>	<u>\$16,325</u>	<u>\$80,547</u>

5. RISK MANAGEMENT

The Brown County Commissioners provide general insurance coverage for all the buildings on the Brown County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by an Insurance Company with limits of \$ 1,000,000 and \$ 3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2002.

6. RELATED PARTY TRANSACTIONS

A Board member is part owner of a company from which the Society acquired a tractor and mower during the year. The Society paid \$16,000 for this acquisition. Also, the Society allowed free use of storage areas and rooms for board members and workers.

7. 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 Brown County Fair. The Society disbursed \$17,805 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 Brown County and \$4,641 by the State 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, 2002 follows:

Beginning Cash Balance	\$ 35,581
Receipts	26,665
Disbursements	<u>(23,398)</u>
Ending Cash Balance	<u>\$ 38,848</u>

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 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 Brown County's auction. Monies to cover the cost of the auction are generated through a \$6 per item cost 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, 2002 follows:

Beginning Cash Balance	\$ 7,610
Receipts	240,190
Disbursements	<u>(232,942)</u>
Ending Cash Balance	<u><u>\$ 14,858</u></u>



**Auditor of State
Betty Montgomery**

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

Brown County Agricultural Society
Brown County
325 W. State Street
Suite 1
Georgetown, Ohio 45121

To the Board of Directors:

We have audited the financial statement of Brown County Agricultural Society, Brown County, Ohio (the Society), as of and for the year ended November 30, 2002, and have issued our report thereon dated July 28, 2003. 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*.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be 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 judgement, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

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 statement 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 believe the reportable condition described above is not 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 management of the Society in a separate letter dated July 28, 2003.

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.

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

Betty Montgomery
Auditor of State

July 28, 2003

**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN 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

Reportable Condition (Receipts)

Proper supporting documentation should be maintained for all receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. We recommend the following:

1. Ticketed Events – We recommend pre-numbered tickets be used for all events. A signed ticket tally sheet with worker names should be maintained for all events. The beginning ticket number and ending ticket numbers sold should be documented for each event in the same manner as general admission tickets are documented. A complete ticket inventory recap before the events, and verification at the end of the event would provide better accountability. Daily ticket reconciliations should match deposits made.
2. Rates – All rates charged for rental space, buildings, etc. should agree to an authorized rate schedule. This rate schedule should be approved by the Board of Directors in the minutes.
3. Contracts – Contracts should be completed for all rental activities of the Society. These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. All contracts should be dated, completed prior to the event, and all required information on the contracts should be completed. Contracts should be marked "Paid in full" once complete payment has been received. It was noted that some of the building rental agreements were not signed and some of the storage agreements did not include the size of item stored, which is how pricing is based. Also, rental contracts were not used for stall rentals.
4. Duplicate Receipts – Duplicate receipts for barn rentals should include detailed description of the person from whom received, the types of receipts (type and number of stalls, type and size of stored unit), and amounts so that they can be traced to contracts and agreements for completion and accuracy of payment.

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**BROWN COUNTY AGRICULTURAL SOCIETY
BROWN 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>
1	Each expense should be preapproved at board meetings and included as part of an approved budget.	Yes	
2	The Society should maintain an investment ledger and update the ledgers as appropriate.	Yes	
3	The Society should have a ticket reconciliation process	Partially Corrected	Society has instituted a ticket reconciliation process for the fair, however recommendation made for other ticketed events.
4	Special meetings of the Board should have proper notification identifying these meetings.	Yes	



**Auditor of State
Betty Montgomery**

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P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

AGRICULTURAL SOCIETY

BROWN 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 21, 2003**