



**Auditor of State
Betty Montgomery**

WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Statement of Receipts, Disbursements, and Change in Cash Balance - For the Years Ended November 30, 2003 and 2002.....	3
Notes to the Financial Statement	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings	13
Schedule of Prior Audit Findings	17

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Warren County Agricultural Society
Warren County
P.O. Box 58
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the accompanying financial statements of Warren County Agricultural Society, Warren County, Ohio (the Society), as of and for the years then ended November 30, 2003 and November 30, 2002. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these 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 *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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2004 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 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

April 21, 2004

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2003 AND 2002**

	2003	2002
Operating Receipts:		
Admissions	\$156,188	\$141,607
Privilege Fees	48,197	42,960
Rentals	474,865	395,023
Sustaining and Entry Fees	12,440	11,551
Parimutuel Wagering Commission	2,111	3,611
Other Operating Receipts	68,318	53,663
Total Operating Receipts	762,119	648,415
Operating Disbursements:		
Wages and Benefits	171,339	135,837
Utilities	25,379	36,050
Professional Services	25,769	12,231
Equipment and Grounds Maintenance	90,569	129,209
Race Purse	59,666	59,862
Senior Fair	20,171	18,257
Junior Fair	33,832	40,356
Capital Outlay	3,427	-
Other Operating Disbursements	216,514	146,420
Total Operating Disbursements	646,666	578,222
Excess of Operating Receipts Over Operating Disbursements	115,453	70,193
Non-Operating Receipts (Disbursements):		
State Support	37,202	38,829
County Support	2,800	2,800
Investment Income	1,161	929
Debt Service	(85,286)	(92,124)
Net Non-Operating Receipts (Disbursements)	(44,123)	(49,566)
Excess of Receipts Over Disbursements	71,330	20,627
Cash Balance, Beginning of Year	22,201	1,574
Cash Balance, End of Year	\$93,531	\$22,201

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

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**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Warren County Agricultural Society, Warren 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 1853 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Warren County Fair during July. During the fair, harness races are held, culminating in the running of the harness racing. Warren 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 twelve directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Warren County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. 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, and community events. The reporting entity does not include any other activities or entities of Warren 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 these financial statements 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

Interest earned is recognized and recorded when received.

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.

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 Warren 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, Lebanon Trotting Club, Inc. and Miami Valley Trotting, Inc., 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 purse. See Note 3 for additional information.

G. 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, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Demand deposits	<u>\$93,531</u>	<u>\$22,201</u>

Deposits: \$100,000 of the bank balance was covered by Federal Depository Insurance Corporation (FDIC). The remainder was insured and collateralized by Lebanon Citizen's National Bank.

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2003 and 2002 was \$32,716, and \$33,986, respectively, 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 statements, 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.

	2003	2002
Total Amount Bet (Handle)	\$ 21,328	\$ 29,798
Less: Payoff to Bettors	(17,008)	(23,752)
Parimutuel Wagering Commission	4,320	6,046
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(1,909)	(2,740)
State Tax	(612)	(765)
Society Portion	<u>\$ 1,499</u>	<u>\$ 2,242</u>

4. DEBT

Debt outstanding at November 30, 2003 was as follows:

	Principal	Interest Rate
Capital Improvement Note	\$90,000	Variable
John Deere Credit Corporation	\$6,647	10.36%
JCB Finance	23,812	19.26%
Total	<u>\$120,459</u>	

The Capital Improvement Note bears a variable interest rate above the prime rate as published in the *Wall Street Journal*. It is currently at 4.00% and is due to Lebanon Citizens National Bank. Proceeds of the note were used for the construction of restroom facilities.

The John Deere Note bears an interest rate of 10.36% and is due to the John Deere Credit Corporation. The note was entered into on May 4, 2000 and matures May 4, 2005. Proceeds of the note were used to purchase a mower.

The JCB Finance bears an interest rate of 19.26% and is due to CIT Group/Equipment Financing, Inc. (dba JCB Finance). The note was entered into on January 14, 2001 and matures December 14, 2005. Proceeds of the note were used to purchase a loader.

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

4. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Capital Improvement	John Deere	JCB Finance	Interest	Total
2004	\$60,000	\$4,321	\$11,518	\$6,383	\$82,222
2005	30,000	2,326	12,294	2,804	47,424
Total	<u>\$90,000</u>	<u>\$6,647</u>	<u>\$23,812</u>	<u>\$9,187</u>	<u>\$129,646</u>

5. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For both 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 Warren County Commissioners provide general insurance coverage for all the buildings on the Warren County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by a Cincinnati Insurance Company with limits of \$ 1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$15,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2004.

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 Warren County Fair. The Society disbursed \$200 directly to the Junior Fair Board for 2003 and 2002 and \$33,832 and \$40,356 for 2003 and 2002, respectively directly to vendors to support Junior Fair activities. These expenses are reflected as disbursements in the accompanying financial statement as Junior Fair Disbursements. The Society was reimbursed \$500 during 2003 and 2002 by Warren 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, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Beginning Cash Balance	\$ 852	\$ 605
Receipts	7,294	5,903
Disbursements	<u>(7,075)</u>	<u>(5,657)</u>
Ending Cash Balance	<u>\$ 1,071</u>	<u>\$ 852</u>

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 Warren County's auction. Monies to cover the cost of the auction are generated through a 2 1/2% commission 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 years ended November 30, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Beginning Cash Balance	\$ 5,390	\$ 5,765
Receipts	307,417	291,150
Disbursements	<u>(308,393)</u>	<u>(291,525)</u>
Ending Cash Balance	<u>\$ 4,414</u>	<u>\$ 5,390</u>

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**Auditor of State
Betty Montgomery**

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

Warren County Agricultural Society
Warren County
P.O. Box 58
Lebanon, Ohio 45036

To the Board of Directors:

We have audited the financial statements of Warren County Agricultural Society, Warren County, Ohio (the Society), as of and for the years then ended November 30, 2003 and 2002, and have issued our report thereon dated April 21, 2004. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* in finding 2003-002. In addition, we also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated April 21, 2004.

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 judgment, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-005.

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 amount 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. Our consideration of 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. We do not consider any of the reportable conditions described above to be material weaknesses.

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

April 21, 2004

**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN COUNTY**

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

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

FINDING NUMBER 2003-001

Reportable Condition – Fair Admissions Receipts

The Society did not properly account for all Fair Admission Receipts during 2003. We noted the following conditions relating to receipts:

- The Society did not have separate receipts for daily cash collected for admissions and were combined with other daily fair collections;
- The Society did not track cash collected for admissions by deposit slip;
- The deposit slips did not indicate receipt number to support amounts deposited.

In order to strengthen internal controls over the receipting process, we recommend the Society implement the following procedures;

- Maintain separate daily cash receipts for fair admissions collected each day;
- Write or maintain corresponding receipt number for each admissions receipt on the deposit slip to properly document cash collected for fair admissions.

FINDING NUMBER 2003-002

Material Noncompliance– Privilege Receipts and Miscellaneous Receipts

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. 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. Only the legislative authority may adopt this policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a less amount cannot be safeguarded, the public official must then deposit the money on the next business day. The District has not adopted a policy for the deposit of public funds which follows the Ohio Revised Code. During receipts testing, we noted the following:

- 68% of Privilege receipts tested were not deposited timely during the audit period;
- 47% of Miscellaneous receipts tested were not deposited timely during the audit period;
- 52% of Rental receipts tested were not deposited timely during the audit period.

Not depositing timely increases the risk of theft of cash receipts and risk of improperly reporting cash collections. We recommend the Society deposit all receipts by the first business day of the week following the date of collection as required.

FINDING NUMBER 2003-003

Reportable Condition – Reconciliations

The Society did not prepare complete or accurate reconciliations between the bank balance and the Society's fund balances during the audit period. We noted the following conditions relating to the reconciliations:

- The Society did not properly reconcile bank charges that were assessed due to return check fees, overdraft charges, and check order fees for 2003 and 2002 in the amount of \$1,413 and \$794 respectively. The Society did not record all bank charges to the ledgers that were assessed due to returned check fees, overdraft charges, and check order fees which resulted cash audit adjustments;
- The Horseman's Account Reconciliation contained deposits in transit that consisted of two seventy-five (\$75) dollar returned checks and twenty-two (\$22) dollars in bank fees for a total of \$172 in audit adjustments;
- The November 30, 2002 year end reconciliation was not accurately performed in regards to inaccurately including the horseman's account as the reconciled amount.
- The November 30, 2003 reconciliation's deposits in transit included a warrant that was returned by the Company in the amount of \$336 (the Company returned original check);
- The November 30, 2003 cash reconciliation did not agree with ledger fund balance. The cash fund balance was \$270 less than the reconciled bank amount. This also resulted in a cash audit adjustment.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as, ensure that all recoded transactions have been deposited with the financial institution. Inaccurate reconciliations can cause fund balances to be overstated or understated. We recommend the Society properly reconcile the bank account. The reconciled checking account balance (bank balance less outstanding checks plus deposits in transit) should equal the amount of the total fund balance. Any variances should be immediately investigated and justified. We also recommend that a Board member review and sign off on the reconciliations indicating approval and ensuring the timeliness of reconciliations.

FINDING NUMBER 2003-004

Reportable Condition- Payroll

The Society has not established effective procedures to ensure the accuracy of payroll disbursements. The Society does not review payroll data submitted from the service organization. The Society had the following deficiencies in their payroll system:

- There is no pay scale written to ensure that each employee is paid the correct rate;
- There is no resolution approving the payment of a gasoline per diem allowance to Fairground Guards;
- There is no policy describing how employees are to be paid throughout the year regarding seasonal increases and decreases in pay;
- There is no policy describing how Christmas bonuses to certain employees are to be paid, i.e. weekly or lump sum.

The lack of formal payroll policies can result in the misstatement of payroll expenditures and inaccuracy payroll records. We recommend the Society adopt the above policies to ensure accuracy in payroll processing.

FINDING NUMBER 2003-005

Reportable Condition – Employee Files

The Society did not maintain proper employee file documentation. We found that 47% (8 out of 17) of employees did not have a W-4 form on file and 100% of employees did not have a State Tax form on file. The lack of maintain proper employee documentation can result in inaccurate employee tax payments. We recommend the Society maintain proper employee documentation for each employee.

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**WARREN COUNTY AGRICULTURAL SOCIETY
WARREN 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; Explain:
2001-60483-001	Reconciliations: The Society did not prepare complete or accurate reconciliations between the bank balance and the societies fund balances.	NO	Partially corrected. Reconciliations were performed, however, they were incomplete due to lack of recording bank fees. Reissued as finding number 2003-003.
2001-60483-002	Reportable Condition: The Society should maintain books of the Society and exhibit accurate statements of all moneys received and expended.	NO	Partially corrected. This issue is addressed in the 2003 and 2002 management letter.
2001-60483-003	Reportable Condition: The Society did not properly account for all receipts.	NO	Partially corrected. This issue is addressed as part of finding 2003-003.
2001-60483-004	Reportable Condition: The Society did not have adequate control procedures over payroll processing.	NO	Partially corrected. This issue is addressed in finding 2003-004.
2001-60483-005	Reportable Condition: Society did not have proper internal control procedures in place for the sale of season tickets at the gate.	YES	
2001-60483-006	Reportable Condition: The Society does not have measures in place to ensure completeness of Stall Rental revenue activities.	YES	

Warren County Agricultural Society
Warren County
Schedule of Prior Audit Findings
Page 2

2001-60483-007	Reportable Condition: Segregation of Duties.	YES	
2001-60483-008	Reportable Condition: Checks were signed by board members before that are written.	YES	



**Auditor of State
Betty Montgomery**

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WARREN COUNTY AGRICULTURAL SOCIETY

WARREN 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 8, 2004**