



**Auditor of State
Betty Montgomery**

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the accompanying financial statement of the Adams County Agricultural Society, Adams 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 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

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

Operating Receipts:	
Admissions	\$168,661
Privilege Fees	25,621
Rentals	7,455
Other Operating Receipts	<u>22,921</u>
Total Operating Receipts	<u>224,658</u>
Operating Disbursements:	
Wages and Benefits	9,979
Utilities	14,191
Professional Services	81,747
Equipment and Grounds Maintenance	29,648
Senior Fair	31,165
Junior Fair	13,806
Capital Outlay	28,225
Other Operating Disbursements	<u>36,662</u>
Total Operating Disbursements	<u>245,423</u>
(Deficiency) of Operating Receipts (Under) Operating Disbursements	<u>(20,765)</u>
Non-Operating Receipts (Disbursements):	
State Support	7,438
County Support	2,800
Debt Proceeds	50,000
Restricted Donations/Contributions	10,710
Unrestricted Donations/Contributions	6,537
Debt Service	<u>(59,421)</u>
Net Non-Operating Receipts (Disbursements)	<u>18,064</u>
(Deficiency) of Receipts (Under) Disbursements	(2,701)
Cash Balance, Beginning of Year	<u>6,128</u>
Cash Balance, End of Year	<u><u>\$3,427</u></u>

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

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**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Adams County Agricultural Society, Adams 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 Adams County Fair during July. Adams 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 nineteen directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Adams 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 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 Adams County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale is summarized in Note 6 and Note 7, 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 Deposits

The Bureau maintains its cash balances in a demand deposit account at a local commercial bank. Demand deposits are collateralized by the Federal Depository Insurance Corporation. There were no investments in 2002.

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.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

2. CASH DEPOSITS

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

	2002
Demand deposits	\$3,427

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

3. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
USDA Mortgage Loan	\$146,816	5.75%
House Installment Loan	9,261	6.00%
Total	\$156,077	

The United States Department of Agriculture (USDA) Mortgage Loan bears an interest rate of 5.75% and is due to USDA Rural Development. The note was entered into on June 22, 1988 and matures on June 22, 2018. Proceeds of the note were used to construct a cattle barn and USDA Rural Development has a mortgage against the cattle barn.

The House Installment Loan is a variable rate unsecured loan and is due to a local financial institution. The loan was taken out for \$10,130 on February 15, 2002 and matures on February 15, 2007. Proceeds of the loan were used to purchase a house and lot adjacent to the fairgrounds. The interest rate on the loan at November 30, 2002 is 6.00%.

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

3. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending November 30:	USDA Mortgage Loan	House Installment Loan	Total
2003	\$14,334	\$2,360	\$16,694
2004	14,334	2,360	16,694
2005	14,334	2,360	16,694
2006	14,334	2,360	16,694
2007	14,334	1,180	15,514
2008-2012	71,670		71,670
2013-2017	71,670		71,670
2018	14,334		14,334
Total	<u>\$229,344</u>	<u>\$10,620</u>	<u>\$239,964</u>

4. RISK MANAGEMENT

The Adams County Commissioners provide general insurance coverage for all the buildings on the Adams County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by the County Risk Sharing Authority (CORSA) with limits of \$6,000,000 per occurrence and \$6,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

6. 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 Adams County Fair. The Society disbursed \$6,684 directly to the Junior Fair Board and \$7,122 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 \$3,940 by the Ohio Department of Agriculture 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	\$ 6,486
Receipts	19,743
Disbursements	<u>(18,420)</u>
Ending Cash Balance	<u>\$ 7,809</u>

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS COUNTY**

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

7. JUNIOR LIVESTOCK SALE

The Junior Livestock Sale is handled by the Society and is accounted for in a separate bank account. This auction is held during fair week. Children may sell their animals directly to market or through Adams County's auction. Monies to cover the cost of the auction are generated through a percentage commission assessed on the auction price. The accompanying financial statement does not include the activities of the Junior Livestock Sale. The Junior Livestock Sale's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 6,585
Receipts	177,686
Disbursements	<u>(179,414)</u>
Ending Cash Balance	<u><u>\$ 4,857</u></u>

8. COMPLIANCE

The Society did not deposit receipts in accordance with Ohio Revised Code, Section 9.38.



**Auditor of State
Betty Montgomery**

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

Adams County Agricultural Society
Adams County
P.O. Box 548
West Union, Ohio 45693

To the Board of Directors:

We have audited the financial statement of the Adams County Agricultural Society, Adams 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2002-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated July 28, 2003.

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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 statement. The 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 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 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 and in the Schedule of Findings as item 2002-001 is 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 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

**ADAMS COUNTY AGRICULTURAL SOCIETY
ADAMS 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

Noncompliance Citation/Material Weakness

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 of the receipt, if the total amount of such moneys received exceeds \$1,000. If the total amount does not exceed \$1,000, the public official has the option of either depositing the money on the next business day following the day of receipt or adopting a policy permitting a different time period. The alternative time period, however, shall not exceed three business days following the day of receipt. Further, the policy must include procedures to safeguard the money until the time of deposit.

\$93,247 of the Society's receipts for fiscal year 2002 were not deposited in compliance with Ohio Rev. Code, Section 9.38. These receipts, which represent 36% of the Society's total receipts for fiscal year 2002, were not deposited to the Society's bank account and were used to make cash payments to vendors, fair contest winners, and creditors. Failure to deposit funds in accordance with Ohio Rev. Code, Section 9.38, could result in misappropriation of funds, since payments made directly from receipts were not subject to the normal payment approval or documentation requirements.

The Uniform System of Accounting for Agricultural Societies Manual further provides that all cash receipts shall be deposited into the checking account and all cash disbursements shall be made by a check redeemable against the checking account. Agricultural societies shall not make payments out of un-deposited receipts. We recommend the society implement procedures and/or a policy to ensure that all public moneys are deposited with a properly designated depository on the business day following the day of receipt and that all cash disbursements are made by a check redeemable against the checking account.



**Auditor of State
Betty Montgomery**

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ADAMS COUNTY AGRICULTURAL SOCIETY

ADAMS 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
SEPTEMBER 9, 2003**