



**Auditor of State
Betty Montgomery**

MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Mercer County Agricultural Society
Mercer County
PO Box 301
Celina, OH 45822

To the Board of Directors:

We have audited the accompanying financial statement of the Mercer County Agricultural Society (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 April 9, 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.

Mercer County Agricultural Society
Mercer County
Independent Accountants' Report
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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 9, 2003

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

	2002
Operating Receipts:	
Admissions	\$163,124
Privilege Fees	38,276
Rentals	34,175
Sustaining and Entry Fees	38,699
Parimutuel Wagering Commission	7,038
Other Operating Receipts	27,798
Total Operating Receipts	309,110
Operating Disbursements:	
Wages and Benefits	28,692
Utilities	26,872
Professional Services	84,313
Equipment and Grounds Maintenance	39,354
Race Purse	72,638
Senior Fair	59,004
Junior Fair	13,660
Capital Outlay	14,461
Other Operating Disbursements	48,320
Total Operating Disbursements	387,314
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(78,204)
Non-Operating Receipts (Disbursements):	
State Support	38,927
County Support	14,000
Donations/Contributions	50,857
Investment Income	2,420
Debt Service	(10,092)
Net Non-Operating Receipts (Disbursements)	96,112
Excess of Receipts Over Disbursements	17,908
Cash Balance, Beginning of Year	91,256
Cash Balance, End of Year	\$109,164

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

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**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Mercer County Agricultural Society (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 1852 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Mercer County Fair during August. During the fair, harness races are held. Mercer 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 (18) directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Mercer 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, 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. The reporting entity does not include any other activities or entities of Mercer County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee 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 and Investments

Investments are included in 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. 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.

MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 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 Mercer 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. The Society also contributes money to the Race Purse.

Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing 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. 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 AND INVESTMENTS

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

	2002
Demand deposits	\$58,037
Certificates of deposit	51,127
Total deposits	<u>109,164</u>

Deposits: The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$25,488 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 statement, 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.

	2002
Total Amount Bet (Handle)	\$ 34,870
Less: Payoff to Bettors	(27,832)
Parimutuel Wagering Commission	7,038
Tote Service Set Up Fee	(450)
Tote Service Commission	(3,209)
State Tax	(599)
Society Portion	\$ 2,780

4. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
County Loan	\$69,400	2.7%
Total	\$69,400	

The Mercer County Commissioners loaned the Society \$173,300 on August 10, 2000 for repairs to the restrooms. The County then issued a general obligation note to finance the construction. The loan from the County shall be paid back as follows: interest at a rate based upon the annual interest rate charged to the County on the outstanding note balance plus fees to renew the note plus an amount to cover some of the principal. The interest rate applicable at November 30, 2002 is 2.7%. There is no required repayment schedule.

5. RISK MANAGEMENT

The Mercer County Commissioners provide general insurance coverage for all the buildings on the Mercer County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability and vehicle coverage is provided by Hylant Administrative Services with limits of \$3,000,000 and \$28,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer is bonded with coverage of \$12,000.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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

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 Mercer County Fair. The Society disbursed \$0 directly to the Junior Fair Board and \$13,660 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 \$0 by Mercer 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, 2002 follows:

Beginning Cash Balance	\$ 378
Receipts	8,082
Disbursements	<u>(6,708)</u>
Ending Cash Balance	<u>\$ 1,752</u>

7. 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 Mercer County's auction. Monies to cover the cost of the auction are generated through a percent commission by species per group of animals (pen) assessed on the auction price 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	\$ 5,834
Receipts	102,522
Disbursements	<u>(106,812)</u>
Ending Cash Balance	<u>\$ 1,544</u>



Auditor of State Betty Montgomery

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

Mercer County Agricultural Society
Mercer County
PO Box 301
Celina, OH 45822

To the Board of Directors:

We have audited the financial statement of Mercer County Agricultural Society (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated April 9, 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 judgment, could adversely effect 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 2002-60254-001 to 2002-60254-003.

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 misstatement 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 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, of the reportable conditions described above, we consider items 2002-60254-001 and 2002-60254-002 to be 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 April 9, 2003.

This report is intended solely for the information and use of the management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

April 9, 2003

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2002**

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

FINDING NUMBER 2002-60254-001

GATE ADMISSIONS

The Society sells tickets and armbands for admission to the fair, however documentation was not maintained as to the number of tickets or armbands sold. In addition, an adjustment was made to the financial statement of the Society to record an additional \$21,425 in admission revenues, and cash collected at the gate was used to pay a vendor rather than deposited and a check remitted for payment. The lack of documentation regarding admissions could result in revenue being lost, or misused, and did result in revenues being unrecorded.

The Society should maintain a record of tickets and/or armbands sold each day by documenting the number of ticket sold (beginning number minus ending number). The documentation should be recorded and reconciled on a daily basis to assure the ticket/armbands sold for the day agree to the money being deposited. The ticket/armband numbers documented should also agree to the first number of actual tickets/armbands returned to the office. This will help determine completeness of the gate admissions and that the amount deposited is reasonable to the number of tickets/armbands sold.

FINDING NUMBER 2002-60254-002

CASH DEPOSITS AND DISBURSEMENTS

The Society has a contract with an amusement company to provide rides for the fair, with the payment for this service based upon the percentage of gate admissions. The expenditures recorded on the records and financial statement of the Society for these services was \$37,732. Our review noted that two cash payments were made to the amusement company totaling \$30,000 which were never recorded on the books of the Society. On the days these payments were made, cash from various sources of revenues was used to make the payment and these revenues were never recorded on the Society's books. In addition, cash expenditures for contest expenses were made from the start up cash provided for the fair. A portion of these expenditures were also not recorded.

These transactions resulted in the financial statements of the Society being understated by \$31,000 in revenues and expenditures. The accompanying financial statements have been adjusted to reflect these transactions.

All cash receipts should be deposited into the checking account and all cash disbursements should be made by a check redeemable against the checking account. Agricultural societies should not make payments out of un-deposited receipts. Rather, the receipts should be deposited and disbursements should be made by check against the bank account. There should be no transactions that occur without being accounted for in the Society accounts. The Society may consider establishing a petty cash account to distribute premium money to exhibitors. Receipts, in the form of premium vouchers, should be maintained to support disbursements made and these disbursements posted to the books of the Society when the fund is replenished.

FINDING NUMBER 2002-60254-003

FINANCIAL STATEMENTS

The financial statements prepared by the Society contained several errors and did not reflect all the transaction of the Society as follows:

- The financial statements were prepared using a general ledger which was run off the computer system on the accrual basis rather than the cash basis;
- Cash expenditures in excess of \$31,000 for payments to the ride vendor and for various contest expenses were not recorded;
- Admissions, Pari-mutual wagering commissions, contributions, various entry fees and race program ad revenues in excess of \$31,000 were not recorded;
- The beginning balance did not agree to the prior year's financials statements and included only the general checking account information. Certificates of Deposits and savings accounts were not reflected;
- The statements were not mathematically correct; and
- Intra-account transfers reported did not balance.

This resulted in the presentation of inaccurate financial statements and numerous adjustments have been made to the accompanying financial statements for the noted items. The Society should establish controls over the completeness of recording all transactions, maintain the records on the cash basis of accounting and prepare all accounting reports and complete the financial statements on this basis. The financial statements should be reviewed for mathematical accuracy and beginning balances should agree to previous presented financial statements and/or should be reconciled to previous balances.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

MERCER COUNTY AGRICULTURAL SOCIETY

MERCER 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
MAY 22, 2003**