



**Auditor of State  
Betty Montgomery**



**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

Scioto County Agricultural Society  
Scioto County  
1718 Oakland Avenue  
Portsmouth, Ohio 45662

To the Board of Directors:

We have audited the accompanying financial statement of Scioto County Agricultural Society, Scioto 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 Scioto County Agricultural Society, Scioto County, 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 March 12, 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.

Scioto County Agricultural Society  
Scioto County  
Report of Independent Accountants  
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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 § 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

March 12, 2003

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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

	<b>2002</b>
<b>Operating Receipts:</b>	
Admissions	\$376,530
Privilege Fees	67,676
Rentals	73,080
Other Operating Receipts	48,231
Total Operating Receipts	565,517
<b>Operating Disbursements:</b>	
Wages and Benefits	63,487
Utilities	31,497
Professional Services	234,765
Equipment and Grounds Maintenance	64,388
Senior Fair	10,131
Junior Fair	16,793
Capital Outlay	28,019
Other Operating Disbursements	43,228
Total Operating Disbursements	492,308
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	73,209
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	8,139
County Support	3,300
Donations/Contributions	35,091
Investment Income	3,887
Debt Service	(69,003)
Net Non-Operating Receipts (Disbursements)	(18,586)
Excess (Deficiency) of Receipts Over (Under) Disbursements	54,623
Cash Balance, Beginning of Year	86,962
<b>Cash Balance, End of Year</b>	<b>\$141,585</b>

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**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Scioto County Agricultural Society, Scioto 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. In 1908, three fairs: Mt. Joy, Portsmouth and Lucasville merged under the name of Scioto County Agricultural Society to conduct the fair at Lucasville, Ohio. The Society sponsors the week-long Scioto County Fair during August. Scioto 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 24 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Scioto 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 include facility rental, ground rental, and community events including Swap Days and poultry shows. The reporting entity does not include any other activities or entities of Scioto County, Ohio.

The financial activity of the Junior Fair Board and the 4-H Market and Breeding Animal 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**

Certificates of Deposit are valued at cost.

**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. 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.

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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

**2. CASH**

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

	2002
Demand deposits	\$72,583
Certificates of deposit	30,000
Money Market	39,002
Total deposits	\$141,585

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

**3. DEBT**

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
County Fair Facility Bonds	\$785,000	4.35 - 5.7%
Total	\$785,000	

Scioto County issued \$835,000 general obligation bonds in 2000 as part of a various purpose bond issuance to provide funds for the construction of a Livestock Complex at the Scioto County Fairgrounds. The Society is responsible for payment to Scioto County for the bonds.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Fair Facility	Interest	Total
2003	\$25,000	\$42,840	\$67,840
2004	30,000	41,653	71,653
2005	30,000	40,212	70,212
2006	30,000	38,758	68,758
2007	35,000	37,272	72,272
2008 - 2012	195,000	158,905	353,905
2013 - 2017	250,000	98,610	348,610
2017 - 2020	190,000	21,945	211,945
Total	\$785,000	\$480,195	\$1,265,195

**4. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 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, 2002.

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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

**5. RISK MANAGEMENT**

The Society pays for health insurance coverage for the caretaker through the caretaker's spouse's employer.

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

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.

**A. Casualty Coverage**

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.

**B. 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.

**C. 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):

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$19,358,458	\$17,112,129
Liabilities	<u>8,827,588</u>	<u>7,715,035</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$1,890,323	\$1,575,614
Liabilities	<u>469,100</u>	<u>281,561</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

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

**6. JUNIOR FAIR BOARD**

The Junior Fair consists of 4-H, FFA, VICA, Boy and Girl Scouts and local school participants. Its activities are overseen by a four member 4-H advisory committee. The Fair Board's mission is to promote the interest of Scioto County youth through their exhibits and activities at the County Fair. The Jr. Fairboard helps to facilitate events prior to and during the annual fair. The Junior Fair Board does not receive, disburse or hold cash and they do not have a bank account.

**7. 4-H MARKET AND BREEDING ANIMAL COMMITTEE**

The 4-H Market and Breeding Animal 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 Scioto County's auction. Monies to cover the cost of the large livestock auction are generated through a \$10 fee per sale of animal and are retained by the Committee. Monies to cover the cost of the poultry auction are generated through a 5% commission paid to the auctioneer. The accompanying financial statement does not include the activities of the 4-H market and Breeding Animal Committee. The 4-H Market and Breeding Animal Committee's financial activity for the year ended November 30, 2002 follows:

Beginning Cash Balance	\$ 7,231
Receipts	20,133
Disbursements	<u>17,955</u>
Ending Cash Balance	<u><u>\$ 9,409</u></u>



## **Auditor of State Betty Montgomery**

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

Scioto County Agricultural Society  
Scioto County  
1718 Oakland Avenue  
Portsmouth, Ohio 45662

To the Board of Directors:

We have audited the financial statement of Scioto County Agricultural Society, Scioto County, Ohio (the Society), as of and for the year ended November 30, 2002, and have issued our report thereon dated March 12, 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 2002-60773-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated March 12, 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 statements 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. The reportable conditions are described in the accompanying Schedule of Findings as item 2002-60773-002 through 2002-60773-003.

**Internal Control Over Financial Reporting (Continued)**

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 none of the reportable conditions described above are material weaknesses. 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 March 12, 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.



**Betty Montgomery**  
Auditor of State

March 12, 2003

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-60773-001**

**Noncompliance Citation**

Provisions of the Ohio Revised Code address circumstances in which a public official or employee is prohibited from using the authority or influence of his office or employment to secure anything of value that substantially and improperly influences the official or employee in the exercise of his duties, and from having an interest in a public contract.

Ohio Rev. Code Section 102.03 (D) provides that no public official or employee shall use or authorize the use of the authority or influence of his office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the public official or employee with respect to that person's duties.

Ohio Rev. Code Section 2921.42 (A)(1) states that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, a member of his family, or any of his business associates has an interest.

Ohio Rev. Code Section 2921.42 (A)(4) states that no public official knowingly have an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

The Agricultural Society purchased various materials and services from businesses owned by members of the Board of Directors, family of the Board members and / or members of the Agricultural Society. The Agricultural Society paid a total of \$4,716 to Gahm's Car and Truck Parts during the audit period for motor vehicle parts and repairs. Gahm's Car and Truck Parts is owned by a member of the Agricultural Society Board of Directors. The Agricultural Society paid a total of \$202 to Gampp's John Deere Sales and Services for tractor and mower supplies. Gampp's John Deere Sales and Services is owned by a member of the Agricultural Society Board of Directors. Also, the Agricultural Society paid a total of \$12,136 to Gahm's Super Value during the audit period for cleaning supplies, vending machine inventory items and refreshments. Gahm's Super Value is owned by the brother of a member of the Agricultural Society Board of Directors. Additionally, the Agricultural Society paid a total of \$14,943 to Boone Coleman Construction for road and horsetrack work during the audit period. Boone Coleman is a member of the Agricultural Society.

This could result in questions regarding the appropriate approval of purchases of the Society as well as whether Board members are asserting their influence and authority for personal gain. These items will be referred to the Ohio Ethics Commission.

We recommend the Agricultural Society develop a formal policy regarding related party transactions to govern transactions in which members of the Board of Directors or the Society may have a personal interest. This policy may include Board of Director members abstaining from voting on related party items, advertising contracts for bid, etc. We further recommend that members of the Agricultural Society Board of Directors refrain from voting on anything that is family related.

**SCIOTO COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2002  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2002-60773-002**

**Reportable Condition**

The Agricultural Society utilizes vending machines for the sale of candy and pop. The total amount collected during the year amounted to \$24,694. These items are purchased by the Agricultural Society and vending machines are stocked and utilized during special events such as the annual fair, Swap Days, etc. Records are not maintained by the Agricultural Society to document amount collected, quantity purchased, beginning inventory, ending inventory, quantity sold and profit from sales.

The lack of accountability over these funds could result in an inability to account for items purchased for resale and an inability to verify the amounts collected and recorded to the Agricultural Society's Receipt Ledger.

We recommend that records be maintained to support amounts received from vending machine sales. These records should include the following: beginning inventories, purchases, ending inventories, cost of sales, profit from sales, machine collection summaries and summaries of amounts paid into the Assistant Secretary – Treasurer's Office.

**FINDING NUMBER 2002-60773-003**

**Reportable Condition**

The Agricultural Society did not issue tickets for parking admissions for entrance to the "Swap Days" event. The total amount collected during the year amounted to \$17,690. No records were maintained to document the amount collected per individual parking cars, number of cars admitted, etc. The use of pre-numbered admission tickets for entrance would allow for numerical control through the use of ticket accountability forms. The lack of accountability over these funds could result in an inability to verify the amount collected and possible theft of funds.

We recommend that tickets and ticket accountability forms be utilized for parking admissions. The ticket accountability forms should document the first ticket number sold, the last ticket number sold, total tickets sold and amount collected. This information should be recorded separately for each individual selling the tickets. Additionally, a separate person should verify the information recorded on the ticket accountability form. The number of tickets sold should be compared with the money collected to help assure the completeness of the receipts. The individual performing the verification and review of the ticket accountability forms should sign and date the forms indicating any variances noted.



**SCIOTO LAWRENCE COUNTY AGRICULTURAL SOCIETY  
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN  
NOVEMBER 30, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-60773-001	The Agricultural Society will review the compliance and strive to handle all issues in accordance with the compliance requirements.	November 30, 2003	Dorothy Oakes, Asst. Secretary - Treasurer
2002-60773-002	The Agricultural Society will strive to maintain records for vending machine sales.	November 30, 2003	Dorothy Oakes, Asst. Secretary - Treasurer
2002-60773-003	The Agricultural Society will strive to utilize tickets for parking receipts.	November 30, 2003	Dorothy Oakes, Asst. Secretary – Treasurer





**Auditor of State  
Betty Montgomery**

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**SCIOTO COUNTY AGRICULTURAL SOCIETY**

**SCIOTO 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 8, 2003**