



**Auditor of State
Betty Montgomery**

PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Pickaway County Agricultural Society
Pickaway County
415 Lancaster Pike
Circleville, Ohio 43113

To the Board of Directors:

We have audited the accompanying financial statement of Pickaway County Agricultural Society, Pickaway 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 accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Pickaway County Agricultural Society, Pickaway County, Ohio 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 May 31, 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.

Pickaway County Agricultural Society
Pickaway County
Independent Accountants' Report
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This report is intended solely for the information and use of the audit committee, management, the Board of Directors, and other officials authorized to receive this report under § 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

May 31, 2003

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

	2002
Operating Receipts:	
Admissions	\$104,623
Privilege Fees	23,111
Rentals	90,285
Sustaining and Entry Fees	42,850
Parimutuel Wagering Commission	3,672
Other Operating Receipts	14,076
Total Operating Receipts	278,617
Operating Disbursements:	
Wages and Benefits	22,534
Utilities	38,934
Professional Services	46,233
Equipment and Grounds Maintenance	45,342
Race Purse	72,979
Senior Fair	20,064
Junior Fair	5,968
Capital Outlay	57,510
Other Operating Disbursements	43,009
Total Operating Disbursements	352,573
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(73,956)
Non-Operating Receipts (Disbursements):	
State Support	37,087
County Support	7,930
Donations/Contributions	8,533
Investment Income	984
Debt Service	(10,140)
Net Non-Operating Receipts (Disbursements)	44,394
Excess (Deficiency) of Receipts Over (Under) Disbursements	(29,562)
Cash Balance, Beginning of Year	118,044
Cash Balance, End of Year	\$88,482

Notes to the financial statement are an integral part of this statement.

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**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Pickaway County Agricultural Society, Pickaway 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. The Society was founded in 1945 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Pickaway County Fair during June. During the fair, harness races are held. Pickaway 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 seventeen directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Pickaway County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including flea markets. The reporting entity does not include any other activities or entities of Pickaway County, Ohio.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 7 and Note 8, 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.

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. Restricted Support

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

G. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

H. Race Purse

Pickaway County stake races are conducted during the Pickaway 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 and 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.

I. 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.

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Society uses.

2. CASH AND INVESTMENTS

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

	<u>2002</u>
Demand deposits	\$24,576
Certificates of deposit	<u>46,520</u>
Total deposits	71,096
Money Market	<u>17,386</u>
Total investments	<u>17,386</u>
Total deposits and investments	<u><u>\$88,482</u></u>

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

Investments: The Society invests other funds solely in money market accounts with local banking institutions.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement the purse for the year ended November 30, 2002 was \$29,488 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 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.

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

3. HORSE RACING (Continued)

	2002
Total Amount Bet (Handle)	\$ 17,887
Less: Payoff to Bettors	(14,215)
Parimutuel Wagering Commission	3,672
Tote Service Set Up Fee	(200)
Tote Service Commission	(1,645)
State Tax	(480)
Society Portion	\$ 1,347

4. DEBT

Debt outstanding at November 30, 2002 was as follows:

	Principal	Interest Rate
Trailer	\$4,711	6.10%
Total	\$4,711	

The Pickaway County Commissioners issued a \$40,000 Note, bearing an annual interest rate of 6.10 percent, on-behalf of the Society to purchase a house trailer for use on the county fair grounds. The Note was issued on April 2, 1998 and matures on April 1, 2003. The interest and principal payments on the Note is the obligation of the County Commissioners, but the Society has made and intends to continue until maturity to make the semi-annual interest and principle payments of \$4,711 to the bank. The payments are recorded in the accompanying financial statement as a debt service non-operating expenditure with other related financing charges.

In the event of default, the County would make any unpaid interest and principle payments until maturity and any other incurred penalties, as a result of such default. No funds of the Society are pledged for the repayment of the debt.

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

Year ending November 30:	House Trailer	Total
2003	4,711	4,711
Total	\$4,711	\$4,711

5. 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, 2001.

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

6. RISK MANAGEMENT

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

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. 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.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

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.

Financial Position

PEP's financial statement (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY COUNTY**

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

6. RISK MANAGEMENT (Continued)

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2001.

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 Pickaway County Fair. The Society disbursed \$70 directly to the Junior Fair Board and \$5,898 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair expenditures. All Junior Fair Board activities are 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	\$ 11,844
Receipts	38,754
Disbursements	<u>(33,109)</u>
Ending Cash Balance	<u>\$ 17,489</u>

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 Pickaway County's auction. Monies to cover the cost of the auction are generated through the greatest of 3% or \$4.00 commission per head 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	\$ 6,555
Receipts	228,287
Disbursements	<u>(231,396)</u>
Ending Cash Balance	<u>\$ 3,446</u>



**Auditor of State
Betty Montgomery**

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

Pickaway County Agricultural Society
Pickaway County
415 Lancaster Pike
Circleville, Ohio 43113

To the Board of Directors:

We have audited the financial statement of Pickaway County Agricultural Society, Pickaway County, Ohio (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated May 31, 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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Society in a separate letter dated May 31, 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 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 Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying schedule of findings as item 2002-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components do 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Society in a separate letter dated May 31, 2003.

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

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

Betty Montgomery
Auditor of State

May 31, 2003

**PICKAWAY COUNTY AGRICULTURAL SOCIETY
PICKAWAY 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
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Camp Site Rental Receipts

The Society rents camp sites on the Pickaway County fairgrounds to mobile home residents and annual event campers. The Board has established rental rates for fair week and non-fair week. Rental agreements are signed by the campers who use the camp site during fair week, but not mobile home residents and non-fair campers. The issued rental agreements are not pre-numbered and duplicate receipts are not issued to fair week camp site renters for monies collected by the groundskeeper. These weaknesses could prevent management from detecting errors and irregularities of rental receipts in a timely manner.

Either through the execution of a rental agreement or a registry camp site rentals should document the space rented, the number of rental days, and the expected cost of such rental, based on established rates, and the signature of the renter. Periodically, the sequence of rental agreements should be accounted for and reconciled to the amount collected and recorded in the financial records. The registry document and the rental agreement should be retained as the transaction source document, and a duplicate receipt issued for each collection.



**Auditor of State
Betty Montgomery**

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PICKAWAY COUNTY AGRICULTURAL SOCIETY

PICKAWAY 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
OCTOBER 16, 2003**