



**Auditor of State  
Betty Montgomery**



LUCAS COUNTY AGRICULTURAL SOCIETY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Lucas County Agricultural Society  
1406 Key Street  
Maumee, Ohio 43537-2416

To the Board of Directors:

We have audited the accompanying financial statement of Lucas 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 August 27, 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 § 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

August 27, 2003

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

	<b>2002</b>
<b>Operating Receipts:</b>	
Admissions	\$ 190,423
Privilege Fees	50,095
Rentals	67,779
Sustaining and Entry Fees	16,950
Parimutuel Wagering Commission	7,753
Other Operating Receipts	44,279
Total Operating Receipts	377,279
<b>Operating Disbursements:</b>	
Wages and Benefits	55,096
Utilities	25,812
Professional Services	145,524
Equipment and Grounds Maintenance	84,597
Race Purse	67,438
Senior Fair	29,800
Junior Fair	16,137
Capital Outlay	315
Other Operating Disbursements	32,380
Total Operating Disbursements	457,099
Excess of Operating Disbursements Over Operating Receipts	(79,820)
<b>Non-Operating Receipts:</b>	
State Support	38,627
County Support	35,700
Donations/Contributions	5,260
Investment Income	238
Net Non-Operating Receipts	79,825
Excess of Receipts Over Disbursements	5
Cash Balance, Beginning of Year	38,380
<b>Cash Balance, End of Year</b>	<b>\$ 38,385</b>

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

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## LUCAS COUNTY AGRICULTURAL SOCIETY

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

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Description of the Entity

The Lucas 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 1858 to direct the operation of an annual agricultural fair. The Society sponsors the week-long County Fair during July. During the fair, harness races are held. Lucas 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 13 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Lucas 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 which takes place at Raceway Park. Other year round activities at the fairgrounds including facility rental and track and stall rental. The reporting entity does not include any other activities or entities of Lucas County, Ohio.

The financial activity of the Junior Livestock Sale Committee is summarized in Note 6.

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 Lucas County Fair. The Society subsidizes the Junior Fair to the extent necessary. The accompanying financial statement includes the activities of the Junior Fair Board.

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.

Certificates of deposit are valued at cost.

## LUCAS COUNTY AGRICULTURAL SOCIETY

### NOTES TO THE FINANCIAL STATEMENT

NOVEMBER 30, 2002

(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.

#### **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**

Super stake races are conducted at Raceway Park during the Lucas County Fair (Lucas County Fair Day at Raceway Park). 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 Northwestern 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. Pari-mutuel 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 pari-mutuel wagering system. The Society contracts with Raceway Park to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (commission) is the Society's share of total pari-mutuel 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 Pari-mutuel Wagering Commission. See Note 3 for additional information.

#### **H. 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.

**LUCAS COUNTY AGRICULTURAL SOCIETY**

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

**2. CASH**

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

	2002
Demand deposits	\$ 28,211
Certificates of deposit	10,174
Total deposits	\$ 38,385

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

**3. HORSE RACING**

*State Support Portion of Purse*

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$33,986 and is included within State Support on the accompanying financial statement.

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called tote services, and these expenses are included in Professional Service Disbursements. State and local taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2002
Total Amount Bet (Handle)	\$ 35,778
Less: Payoff to Bettors	(28,025)
Parimutuel Wagering Commission	7,753
Tote Service Fees	(587)
Tote Service Commission	(2,800)
Local Tax	(250)
State Tax	(1,233)
Society Portion	\$ 2,883

**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 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2002.

**LUCAS COUNTY AGRICULTURAL SOCIETY**

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

**5. RISK MANAGEMENT**

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Lucas County Commissioners provide general insurance coverage for all the buildings on the Lucas County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and vehicle coverage is provided by an insurance company with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's office manager is bonded with coverage of \$50,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2003.

**6. 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 Lucas County's auction. Monies to cover the cost of the auction are generated through a 4 percent commission per head, assessed on the net difference between the auction price and the market cost, assessed on the market price for those animals that are sold directly to market, 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	\$	8,788
Receipts		88,454
Disbursements		<u>(92,165)</u>
Ending Cash Balance	\$	<u>5,077</u>



**Auditor of State  
Betty Montgomery**

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

Lucas County Agricultural Society  
1406 Key Street  
Maumee, Ohio 43537-2416

To the Board of Directors:

We have audited the financial statement of Lucas County Agricultural Society (the Society) as of and for the year ended November 30, 2002, and have issued our report thereon dated August 27, 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 statements 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 statements. 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 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 August 27, 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

August 27, 2003

**LUCAS COUNTY AGRICULTURAL SOCIETY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2002**

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

**FINDING NUMBER 2002-001**

**Material Weakness:**

The Society could not accurately reconcile cash at November 30, 2002.

The Society posted amounts to the accounting system that should not have been posted and neglected to post other amounts to the accounting system that should have been posted.

This resulted in the cash reconciliation at November 30, 2002 not balancing due to understatement/overstatement of revenues/expenditures for the audit period. This also resulted in additional time spent by the Auditor of State staff and the Society's staff to search for where the misstatements occurred.

We recommend the Society exercise due care in the postings of revenues and expenditures and the Board monitor the monthly financial statements more closely and assure that monthly cash reconciliations balance to the depository.







**Auditor of State  
Betty Montgomery**

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**LUCAS COUNTY AGRICULTURAL SOCIETY**

**LUCAS 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 14, 2003**