



**Auditor of State
Betty Montgomery**

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Butler County Agricultural Society
Butler County
960 Four Mile Creek
Hamilton, Ohio 45013

To the Board of Directors:

We have audited the accompanying financial statement of Butler County Agricultural Society, Butler County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements 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, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004 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 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

November 19, 2004

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003 AND 2002**

	2003	2002
Operating Receipts:		
Admissions	\$401,618	\$359,180
Privilege Fees	119,315	109,610
Rentals	108,114	112,562
Other Operating Receipts	19,785	26,170
Total Operating Receipts	648,832	626,406
Operating Disbursements:		
Wages and Benefits	68,577	61,257
Utilities	55,457	64,047
Professional Services	175,192	138,272
Equipment and Grounds Maintenance	173,117	188,778
Senior Fair	36,601	35,268
Junior Fair	14,232	13,961
Capital Outlay	93,540	44,317
Other Operating Disbursements	66,657	94,671
Total Operating Disbursements	683,373	684,362
Deficiency of Operating Receipts Under Operating Disbursements	(34,541)	(57,956)
Non-Operating Receipts (Disbursements):		
State Support	7,541	38,627
County Support	15,000	15,000
Restricted Support	7,894	23,819
Unrestricted Support	16,567	13,003
Investment Income	1,563	1,707
Debt Service		
Principal and Interest	0	(37,709)
Other Financing Fees	(623)	(946)
Net Non-Operating Receipts (Disbursements)	47,942	53,501
Excess (Deficiency) of Receipts Over Disbursements	13,401	(4,455)
Cash Balance, Beginning of Year	154,935	159,390
Cash Balance, End of Year	\$168,336	\$154,935

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

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**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 and 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Butler County Agricultural Society, Butler 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 in 1851 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Butler County Fair during July. During the 2002 fair, harness races were held. Butler 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 10 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Butler 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 the 2002 fair week and the Junior Fair Board. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Butler County, Ohio.

The financial activity of the Junior Livestock Sale Committee is summarized in Note 7.

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 recored as disbursements, and sales of investments are not recorded as disbursements, and the 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.

E. Restricted Support

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

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 and 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.

G. Race Purse

Stake races were conducted during the 2002 Butler 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. Effective November 30, 2002, the Butler County Agricultural Society discontinued harness racing.

Sustaining and Entry Fees

Horse owners and the 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.

H. 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.

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 and 2002
(Continued)**

2. CASH DEPOSITS

The carrying amount of cash and investments at November 30, 2003 and 2002 follows:

	2003	2002
Demand deposits	\$131,810	\$118,737
Money Market Funds	<u>36,526</u>	<u>36,198</u>
Total deposits and investments	<u>\$168,336</u>	<u>\$154,935</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2002 was \$29,488 and is included within State Support on the accompanying financial statement. Effective November 30, 2002, the Butler County Agricultural Society discontinued harness racing.

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)	\$ 22,683
Less: Payoff to Bettors	<u>(18,190)</u>
Parimutuel Wagering Commission	4,493
Tote Service Set Up Fee	(150)
Tote Service Commission	(2,229)
State Tax	<u>(500)</u>
Society Portion	<u><u>\$ 1,614</u></u>

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 and 2002
(Continued)**

4. DEBT

During Fiscal Year 2002, the Society paid off a grandstand loan \$37,709. Of this amount, \$36,650 was principal and \$1,059 was interest.

5. RETIREMENT SYSTEM

All persons working for the Society are considered to be self-employed; however the Society does pay Social Security for the Bookkeeper and Secretary/Manager as per their contracts.

6. RISK MANAGEMENT

The Society provides health coverage for the Bookkeeper and the Secretary/Manager as per their contracts through a health care provider.

The Butler County Commissioners provide general insurance coverage for all the buildings on the Butler County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. The Society also carries its own insurance on the premises and picnic grounds. The Society carries various types of insurance with the following limits: computer equipment coverage with a limit of \$10,000; miscellaneous property coverage with a limit of \$11,550; contractor's equipment coverage with a limit of \$20,000; robbery and safe burglary coverage with a total limit of \$10,000; exhibition coverage with a limit of \$25,000; commercial general liability coverage with an aggregate limit for products of \$5,000,000, personal and advertising injury limit of \$1,000,000, each occurrence limit of \$1,000,000, fire damage limit of \$300,000 for any one fire, and medical expense limit of \$5,000 for any one person; and excess liability in the limit of \$1,000,000 each occurrence.

The Society provides also has a blanket bond to cover dishonest and theft. The amount covered is \$25,000.

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 Butler County's auction. Monies to cover the cost of the auction are generated through a 2% commission of total sales 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 years ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$ 4,950	\$ 6,220
Receipts	5,036	4,815
Disbursements	(4,391)	(6,085)
Ending Cash Balance	\$ 5,595	\$ 4,950



**Auditor of State
Betty Montgomery**

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

Butler County Agricultural Society
Butler County
960 Four Mile Creek
Hamilton, Ohio 45013

To the Board of Directors:

We have audited the financial statement of Butler County Agricultural Society, Butler County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated November 19, 2004. 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 instance of noncompliance that is 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 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. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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 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. We do not consider the reportable conditions described above to be material weaknesses.

We also noted other matters involving the internal control structure 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 November 19, 2004.

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.

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

Betty Montgomery
Auditor of State

November 19, 2004

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 and 2002**

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

FINDING NUMBER 2003-001

Reportable Condition

The Chief Fiscal officer is not always depositing receipts timely: 33% of the restricted and unrestricted support receipts tested, 20% of the privilege fees receipts tested, and 15% of the rental receipts tested were not timely deposited in the bank. Failure to properly deposit these monies increases the risk of theft. Amounts of approximately \$1,000 were sometimes held for approximately one week.

We recommend the Chief Fiscal Officer or someone designated by him deposit receipts within the next business day.

FINDING NUMBER 2003-002

Reportable Condition

The Society did not utilize purchase orders during the audit period. The Uniform System of Accounting for Agricultural Societies Handbook states that the Society should utilize purchase orders. The purchase orders should be numbered consecutively and should be made out in triplicate. The purchase order should provide the following information: purchase order number and the date; name of society and vendor; destination and method of shipping; quantity, unit, description, and cost; and when applicable, name or title of person(s) authorizing the purchase order. We recommend that the Society follow the handbook and utilize purchase orders.

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**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2003 and 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-60409-001	Failure to deposit money within 24 hours.	No	Not corrected. Repeated for 2003 and 2002 as finding 2003-001.
2001-60409-002	Failure to use purchase orders.	No	Not corrected. Repeated for 2003 and 2002 as finding 2003-002.



**Auditor of State
Betty Montgomery**

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BUTLER COUNTY AGRICULTURAL SOCIETY

BUTLER 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
DECEMBER 7, 2004**