



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



DEFIANCE COUNTY AGRICULTURAL SOCIETY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Defiance County Agricultural Society  
07507 Christy Road  
Defiance, Ohio 43512-6830

To the Board of Directors:

We have audited the accompanying financial statements of Defiance County Agricultural Society (the Society) as of and for the year ended November 30, 2001. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statements 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 present fairly, in all material respects, the cash balance of the Society as of November 30 2001, 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, 2002 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.

**Jim Petro**  
Auditor of State

April 9, 2002

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND**  
**CHANGE IN CASH BALANCE**  
**FOR THE YEAR ENDED NOVEMBER 30, 2001**

	<b>2001</b>
<b>Operating Receipts:</b>	
Admissions	\$104,659
Privilege Fees	39,179
Rentals	42,649
Sustaining and Entry Fees	28,900
Parimutuel Wagering Commission	3,574
Other Operating Receipts	7,231
Total Operating Receipts	226,192
<b>Operating Disbursements:</b>	
Wages and Benefits	5,012
Utilities	22,657
Professional Services	47,056
Equipment and Grounds Maintenance	47,365
Race Purse	69,052
Senior Fair	20,278
Junior Fair	13,760
Capital Outlay	258
Other Operating Disbursements	38,847
Total Operating Disbursements	264,285
Excess of Operating Disbursements Over Operating Receipts	(38,093)
<b>Non-Operating Receipts:</b>	
State Support	40,483
County Support	1,300
Donations/Contributions	10,880
Investment Income	1,208
Total Non-Operating Receipts	53,871
Excess of Receipts Over Disbursements	15,778
Cash Balance, Beginning of Year	26,060
<b>Cash Balance, End of Year</b>	<b>\$41,838</b>

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

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Defiance 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 1877 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Defiance County Fair during August. During the fair, harness races are held, culminating in the running of the Gene L. Vance Memorial Race and the Kermit Peter Trot Race. Defiance 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 29 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Defiance 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 and harness racing during fair week. 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 Defiance 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. Budgetary Process**

The Board of Directors did not adopt a budget in 2001.

**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.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2001  
(Continued)**

**E. Restricted Support**

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

**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**

*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.

**2. CASH**

The carrying amount of cash at November 30 follows:

	2001
Total demand deposits	<u>\$41,838</u>

All of the bank balance for 2001 was covered by the Federal Depository Insurance Corporation (FDIC).

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2001  
(Continued)**

**3. HORSE RACING**

*State Support Portion of Purse*

Ohio Fairs Fund money received to supplement purse for the year ended November 30, 2001 was \$26,800 and is included within State Support on the accompany financial statement.

*Parimutuel Wagering*

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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.

	<b>2001</b>
Total Amount Bet (Handle)	<u>\$17,889</u>
Payoff to Bettors	<u>14,315</u>
Parimutuel Wagering Commission	3,574
Tote Service Set Up Fee	820
Tote Service Commission	1,631
State Tax	<u>444</u>
Society Portion	<u><u>\$679</u></u>

**4. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2001, employee contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participants gross salaries through November 30, 2001.

**5. RISK MANAGEMENT**

The Defiance County Commissioners provide general insurance coverage for all the buildings on the Defiance County Fairgrounds pursuant to Ohio Revised Code Section 1711. 24. General liability and vehicle coverage is provided by V.S Beck Insurance Company with limits of \$1,000,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer and Secretary are each bonded with coverage of \$10,000.

Liability insurance covering the fairgrounds and its buildings is provided by First Insurance & Investments Company with the limit of \$1,000,000.

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

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2001  
(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 Defiance County Fair. The Society disbursed \$13,760 directly to the Junior Fair Board which consisted of \$800 funded by Defiance County and \$12,960 from Society funds and is reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. 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, 2001 is as follows:

	<u><b>2001</b></u>
Beginning Cash Balance	\$1,721
Receipts	2,631
Disbursements	<u>(2,758)</u>
Ending Cash Balance	<u><u>\$1,594</u></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 Defiance County's auction. Monies to cover the cost of the auction are generated through a 5% commission assessed on the net difference between the auction price and the market cost for those animals sold through the auction or a 5% commission assessed on the market price for those animals that are sold directly to market. All commission monies 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, 2001 is as follows:

	<u><b>2001</b></u>
Beginning Cash Balance	\$8,945
Receipts	142,279
Disbursements	<u>(140,909)</u>
Ending Cash Balance	<u><u>\$10,315</u></u>



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

Defiance County Agricultural Society  
07507 Christy Road  
Defiance, Ohio 43512-6830

To the Board of Directors:

We have audited the financial statement of Defiance County Agricultural Society (the Society) as of and for the year ended November 30, 2001, and have issued our report thereon dated April 9, 2002. 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 statements are 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 2001-60120-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated April 9, 2002.

**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. A reportable condition is described in the accompanying schedule of findings as item 2001-60120-002.

Defiance County Agricultural Society  
Defiance County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
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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 do not 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 April 9, 2002.

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.

**Jim Petro**  
Auditor of State

April 9, 2002

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2001**

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

**FINDING NUMBER 2001-60120-001**

**Finding for Recovery**

Ohio Revised Code § 9.39 provides that all public officials are liable for all public money received or collected by them or their subordinates under color of office. Money collected and deposited for pre-sale ride tickets was \$178.00 less than what should have been collected based on the number of tickets sold. Based on the forgoing fact, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for money collected but not accounted for, is hereby issued against Jill Little, Senior Fair Board Secretary, and the Ohio Fair Participating Plan Surety Company, holder of the Secretary's bond, jointly and severally, in the amount of one hundred and seventy eight dollars (\$178.00), and in favor of the Society's operating fund.

**FINDING NUMBER 2001-60120-002**

**Reportable Condition - Monitoring Controls**

- Monthly bank reconciliations of all accounts are not provided to the Board of Directors. In addition, the Board is not provided any monthly revenue or disbursement ledgers.
- The Board of Directors did not adopt a budget in 2001.

The small size of the Society's fiscal operations does not allow for an adequate segregation of duties. The Secretary and Treasurer of the Board of Directors must perform all accounting functions. It is therefore important that Board of Directors monitor financial activity closely. We recommend that the following monitoring controls be implemented:

- Monthly bank reconciliations and receipt and disbursement ledgers should be presented to the Board of Directors. The documents should be reviewed, initialed, and approved in the minutes. This information provides important data necessary to manage the Agricultural Society. This information can help answer questions such as the following:
  - Are current receipts sufficient to cover expenditures?
  - Are expenditures in line with prior year costs?
  - If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
  - Are anticipated receipts being timely received?
  - Is the Agricultural Society maximizing its return on invested cash balances?
- The Board of Directors should adopt annual budgets. Budgets will aid in monitoring actual receipts and disbursements to budgeted receipts and disbursements to maximize optimal financial position.







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**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**DEFIANCE 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 9, 2002**