



Dave Yost • Auditor of State



VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY

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# Dave Yost • Auditor of State

Van Wert County Agricultural Society  
Van Wert County  
1055 South Washington Street  
Van Wert, Ohio 45891

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

June 30, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Van Wert County Agricultural Society  
Van Wert County  
1055 South Washington Street  
Van Wert, Ohio 45891

To the Board of Directors:

We have audited the accompanying financial statements of the Van Wert County Agricultural Society, (the Society), as of and for the years ended November 30, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the fund the accompanying financial statement presents, GAAP require presenting entity wide statements. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Van Wert County Agricultural Society, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

**Dave Yost**  
Auditor of State

June 30, 2011



**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Operating Receipts:</b>		
Admissions	\$255,198	\$249,199
Privilege Fees	95,191	87,905
Rentals	149,456	134,886
Sustaining and Entry Fees	21,320	22,093
Parimutuel Wagering Commission	7,619	7,307
Other Operating Receipts	106,509	102,860
Total Operating Receipts	635,293	604,250
<b>Operating Disbursements:</b>		
Wages and Benefits	72,320	104,330
Utilities	90,318	66,702
Professional Services	68,279	92,573
Equipment and Grounds Maintenance	137,474	135,346
Race Purse	101,553	99,812
Senior Fair	38,661	43,717
Junior Fair	22,243	20,522
Capital Outlay	13,884	5,895
Other Operating Disbursements	96,753	80,283
Total Operating Disbursements	641,485	649,180
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(6,192)	(44,930)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	22,192	23,704
County Support	3,300	30,000
Debt Proceeds	48,500	68,122
Donations/Contributions	59,872	35,541
Investment Income	478	54
Sale of Assets	1,200	900
Debt Service	(125,563)	(127,733)
Net Non-Operating Receipts (Disbursements)	9,979	30,588
Excess (Deficiency) of Receipts Over (Under) Disbursements	3,787	(14,342)
Cash Balance, Beginning of Year	4,634	18,976
Cash Balance, End of Year	<b>\$8,421</b>	<b>\$4,634</b>

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

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**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2010 AND 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Agricultural Society, Van Wert County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1856 to operate an annual agricultural fair.

The Society sponsors the week-long Van Wert County Fair during August and September. During the fair, harness races are held. Van Wert County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Van Wert 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, track and stall rental, and community events including the Apple Festival, the Peony Festival, and the Old Fashion Farmers Day. The reporting entity does not include any other activities or entities of Van Wert County, Ohio.

Notes 7 and 8, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Society's cash deposits are valued at cost.

**D. Property, Plant, and Equipment**

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**F. Race Purse**

Northwestern Ohio Superstakes races are held during the Van Wert 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 Northwestern Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

**Ohio Fairs Fund**

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the 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 the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the 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. The Society's basis of accounting does not report these amounts as liabilities.

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2010 AND 2009  
(Continued)**

**2. DEPOSITS AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2010 and 2009 was as follows:

	<b>2010</b>	<b>2009</b>
Demand deposits	\$2,195	(\$1,136)
Certificates of deposit	6,226	5,770
Total deposits	\$8,421	\$4,634

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. HORSE RACING**

**State Support Portion of Purse**

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009 was \$16,040 and \$17,144, respectively, as part of State Support.

**Pari-mutuel Wagering**

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 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.

	<b>2010</b>	<b>2009</b>
Total Amount Bet (Handle)	\$71,183	\$68,376
Less: Payoff to Bettors	(56,716)	(54,513)
Parimutuel Wagering Commission	14,467	13,863
Tote Service Commission	(6,848)	(6,555)
State Tax	(1,998)	(1,894)
Society Portion	\$ 5,621	\$ 5,414

**4. DEBT**

Debt outstanding at November 30, 2010, was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Consolidation Loan	\$376,431	6.00%
Line of Credit	48,500	7.00%
Total	\$424,931	

The Consolidation Loan was issued to pay-off the consolidation loan of 2003, the line of credit, the short-term loan, and the operating cost/loss. The loan was entered into on March 7, 2007, and matures March 7, 2027, with an interest rate of 6.00 percent. The principal payment is due March 7<sup>th</sup> each year and interest is payable semi-annually on September 7<sup>th</sup> and March 7<sup>th</sup>.

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2010 AND 2009  
(Continued)**

**4. DEBT (Continued)**

Van Wert County loaned the Society \$36,000 on November 6, 2003, to cover operating costs. The loan from the County is to be paid back to the County at a rate of six thousand dollars (\$6,000) per year. The Society has made \$5,000 payments each year with the exception of fiscal year 2004, where no payment was made. In 2009 the Van Wert County Commissioners approved the forgiveness of this loan.

The Society obtained a loan for \$40,450 on July 15, 2005, to pay off the lease with Signs and Wonders for a billboard sign on the fairgrounds. The loan matured and was paid off in 2010.

The Agricultural Society has a \$50,000 line of credit available with a local financial institution to cover operating expenses incurred during the fair. The interest rate on the line of credit is 7.00 percent. \$48,500 of the 2010 line of credit was outstanding as of November 30, 2010. The line of credit balance is rolled-over once a year into a new line of credit.

Amortization of the above debt is scheduled as follows:

<b>Year ending November 30:</b>	<b>Consolidation Loan - Principal</b>	<b>Consolidation Loan - Interest</b>	<b>Line of Credit</b>	<b>Total</b>
2011	\$ 22,500	\$22,586	\$48,500	\$93,586
2012	22,500	21,236		43,736
2013	22,500	19,886		42,386
2014	22,500	18,536		41,036
2015	22,500	17,186		39,686
2014-2018	112,500	65,679		178,179
2019-2023	112,500	31,929		144,429
2024-2027	38,931	3,322		42,253
Total	<u>\$376,431</u>	<u>\$200,360</u>	<u>\$48,500</u>	<u>\$625,291</u>

**5. RISK MANAGEMENT**

The Van Wert County Commissioners provide general insurance coverage for all the buildings on the Van Wert County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Agricultural Society's coverage through the Commissioners is approximately \$6,055,000.

General liability and vehicle coverage is provided by an Accord Insurance Company, Inc. at \$2,000,000 per occurrence

The Society's Secretary and Treasurer are bonded for performance with coverage of \$50,000 and \$25,000, respectively.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2011.

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2010 AND 2009  
(Continued)**

**6. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Buckeye Y organization representatives, is responsible for the Junior Fair Division activities of the Van Wert County Fair. The Society disbursed \$22,243 in fiscal year 2010 and \$20,522 in fiscal year 2009 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's unaudited financial activity for the years ended November 30, 2010 and 2009 follows:

	<b>2010</b>	<b>2009</b>
Beginning Cash Balance	\$1,447	\$2,847
Receipts	7,963	5,475
Disbursements	(8,843)	(6,875)
Ending Cash Balance	\$ 567	\$1,447

**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 Van Wert County's auction. A commission of 2.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's unaudited financial activity for the year ended November 30, 2010 and 2009 follows:

	<b>2010</b>	<b>2009</b>
Beginning Cash Balance	\$1,451	\$6,160
Receipts	5,278	
Disbursements	(5,354)	(4,709)
Ending Cash Balance	\$1,375	\$1,451

**8. NON COMPLIANCE**

As of November 30, 2010, Society debt amounted to \$424,931 which represents approximately fifty-six percent of annual revenues in excess of the 25% of annual revenue limit. Additionally, the Society did not maintain all records as required.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Van Wert County Agricultural Society  
Van Wert County  
1055 South Washington Street  
Van Wert, Ohio 45891

To the Board of Directors:

We have audited the financial statements of the Van Wert County Agricultural Society, (the Society), as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated June 30, 2011, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-001 and 2010-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated June 30, 2011.

We intend this report solely for the information and use of management, Board of Directors and others within the Society. We intend it for no one other than these specified parties.

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Dave Yost  
Auditor of State

June 30, 2011

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Noncompliance - Indebtedness**

**Ohio Revised Code Sections 1711.13(B)** states that County agricultural societies may enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the board of directors of the society. The total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

The Society had a total net indebtedness of \$424,931 for fiscal year 2010 and \$448,931 for fiscal year 2009. These amounts exceeded the twenty-five percent of annual revenues debt limitation by \$232,222 for fiscal year 2010 and \$258,288 for fiscal year 2009.

The failure to abide by required statutes could result in the Society becoming overextended and unable to meet the debt requirements.

The Society should review Ohio Revised Code Section 1711.13 for debt requirements before any new debt is issued.

**Officials Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2010-002**

**Noncompliance – Destruction of Records**

**Ohio Rev. Code Section 149.351(A)**, states that all records as defined in **Ohio Rev. Code Section 149.011**, are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under **Ohio Rev. Code Section 149.38 to 149.42**.

Unused tickets for the gate admissions for the 2009 Fair were not submitted for audit. The lack of the maintenance of unused tickets for receipts could result in errors or irregularities that could go undetected or uncorrected.

Policies should be developed and procedures implemented for the maintenance, retention, and destruction of public records of the Society. Prior to disposal of any records, approval should be obtained from the Society's record commission, the Auditor of State and the Ohio Historical Society.

**Officials Response:**

We did not receive a response from Officials to this finding.

**VAN WERT COUNTY AGRICULTURAL SOCIETY  
VAN WERT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	overpayment of severance pay	Yes, repaid	
2008-002	overpayment of horse race winnings	Yes, repaid	
2008-003	ORC 1711.13(B)–debt limitation exceeded	No	Repeated as Finding 2010-001



# Dave Yost • Auditor of State

VAN WERT COUNTY AGRICULTURAL SOCIETY

VAN WERT 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  
AUGUST 11, 2011