



Dave Yost • Auditor of State



**AGRICULTURAL SOCIETY  
VINTON COUNTY**

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# Dave Yost • Auditor of State

Agricultural Society  
Vinton County  
P.O. Box 241  
McArthur, Ohio 45651

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

February 21, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society  
Vinton County  
P.O. Box 241  
McArthur, Ohio 45651

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Vinton County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010. 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 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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 agricultural 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 statement referred to above for the years ended November 30, 2011 and 2010 does 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, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Agricultural Society, Vinton County, Ohio, as of November 30, 2011 and 2010 and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013, 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 "D" and "Y".

**Dave Yost**  
Auditor of State

February 21, 2013



**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Receipts:</b>		
Admissions	\$52,456	\$54,824
Privilege Fees	6,825	7,508
Rentals	20,873	23,874
Sustaining and Entry Fees	6,260	7,169
Other Operating Receipts	7,054	9,974
Total Operating Receipts	93,468	103,349
<b>Operating Disbursements:</b>		
Wages and Benefits	1,298	1,293
Utilities	16,377	13,264
Professional Services	38,673	25,836
Equipment and Grounds Maintenance	8,018	5,076
Administrative Expenses	12,273	16,991
JR Fair Expenses	2,855	5,009
Supplies-Advertising	13,122	18,173
Contest Expenses	11,418	17,140
Capital Outlay	6,741	10,468
Other Operating Disbursements	9,496	3,900
Total Operating Disbursements	120,271	117,150
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(26,803)	(13,801)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	3,503	6,152
County Support	5,373	2,500
Donations/Contributions	25,792	13,050
Debt Service - Principal	(4,381)	(5,385)
Debt Service - Interest	(767)	(1,092)
Net Non-Operating Receipts (Disbursements)	29,520	15,225
Excess (Deficiency) of Receipts Over (Under) Disbursements	2,717	1,424
Cash Balance, Beginning of Year	5,441	4,017
<b>Cash Balance, End of Year</b>	<b>\$8,158</b>	<b>\$5,441</b>

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

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**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010**

**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, Vinton County, Ohio (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 1971 to operate an annual agricultural fair. The Society sponsors the week-long Vinton County Junior Fair during July. Vinton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Vinton 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 other year round activities at the fairgrounds including facility rental, community events, demolition derbies and go-cart races. The reporting entity does not include any other activities or entities of Vinton County, Ohio.

The Vinton County Junior Fair does not have a separate Junior Fair Board with separate financial activity to summarize. Note 5 summarizes the 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**

This financial statement follows 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.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash**

All cash assets of the Society are maintained in a non-interest bearing checking account.

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

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

**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(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.

**2. DEPOSITS**

The carrying amount of deposits at November 30, 2011 and 2010 was as follows:

	2011	2010
Demand deposits	\$8,158	\$5,441

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

**3. DEBT**

Debt outstanding at November 30, 2011 was as follows:

	Principal	Interest Rate
Note Payable for Skid Steer	\$11,383	5.00%

The \$18,097 Skid Steer Note bears an interest rate of 5.00 percent and is due to the Vinton County National Bank. The note was entered into on October 17, 2009 and matures October 17, 2014. Proceeds of the note were used to purchase a skid steer and are collateralized by the skid steer.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Skid Steer Note	Interest	Total
2012	\$3,611	\$569	\$4,180
2013	3,791	389	4,180
2014	3,981	199	4,180
Total	\$11,383	\$1,157	\$12,540

**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

**4. RISK MANAGEMENT**

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 coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does 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 statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$34,952,010	\$36,374,898
Liabilities	<u>(14,320,812)</u>	<u>(15,256,862)</u>
Net Assets	<u>\$20,631,198</u>	<u>\$21,118,036</u>

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Society's share of these unpaid claims collectible in future years is approximately \$1193.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

<u>Contributions to PEP</u>	
<u>2011</u>	<u>2010</u>
1282	507

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**5. 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. The livestock Committee is made up of individuals from the Board of Directors, local businesses, and individuals involved with 4-H. The Livestock Committee makes decisions concerning the livestock auction, but has no real fiscal power. The Livestock Committee checking account is controlled by the Society and checks are signed by the Society's Treasurer. Receipts from buyers and checks to sellers are accounted for in the junior livestock sale committee bank account. Monies to cover the cost of the auction are generated through an \$8 commission per animal sold. The commission is retained in the junior livestock sale committee bank account and is periodically remitted to the Society. During 2011, \$4180 was remitted to the Society's bank account and zero in 2010.

The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 2011 and 2010 follows:

	2011	2010
Beginning Cash Balance	\$ 6,019	\$ 1,618
Receipts	125,073	116,654
Disbursements	(126,847)	(112,253)
Ending Cash Balance	\$ 4,245	\$ 6,019



# 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*

Agricultural Society  
Vinton County  
P.O. Box 241  
McArthur, Ohio 45651

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Vinton County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010, and have issued our report thereon dated February 21, 2013. 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 deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements 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 would not necessarily identify all deficiencies in internal control 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings that we consider a significant deficiency in internal control over financial reporting. We consider Finding 2011-02 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Society's financial statement is 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated February 21, 2013.

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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



**Dave Yost**  
Auditor of State

February 21, 2013



**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Finding For Recovery/Noncompliance Citation**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)**, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During the audit period, multiple reimbursements were noted to Peggy Cardwell, Society Secretary, for questionable purchases. During the audit period, Cardwell was reimbursed for an alcoholic beverage costing \$2 and one disbursement in the amount of \$149 which had no support available. Board members did not have to authorize anything prior to these transactions being completed due to Cardwell's personal credit card being used.

In accordance with the foregoing facts, and pursuant to the AOS Bulletin 2003-005, a Finding for Recovery for improper expenditures is issued in the name of Peggy Cardwell, Agricultural Society Secretary, in the amount of \$151, and in favor of the Vinton County Agricultural Society’s General Fund.

**Officials’ Response:** We did not receive a response from Officials to this finding.

**AGRICULTURAL SOCIETY  
VINTON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2011 AND 2010  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-02**

**Significant Deficiency**

In 2011 and 2010, the Society held demolition derby and go kart events. Event collections included gate receipts, concession sales, and driver entry fees. In 2010, cash payments were made to the derby winners, the announcer, and the flaggers from un-deposited cash receipts.

Deposits were recalculated as follows:

- Gate receipts and concession receipts were taken from the event reports and duplicate receipts prepared by the Society's Treasurer.
- Entry fees were recalculated by counting the number of completed Official Entry Blanks for the event date, multiplying that by the entry fees.
- The Society's Treasurer provided change and prize money, documented as "start up cash", for each event. These amounts agreed to cash withdrawals from the Society's bank account.
- Cash payouts were documented by the Society's Treasurer on the Event Report.

During testing of 2011 gate receipts, \$2,645 in collected receipts was paid out prior to deposit of monies. During 2010, \$6,084 was collected and expended instead of being deposited. This resulted in expenditures and receipts being understated and resulted in audit adjustments. This could result in theft due to multiple cash transactions occurring without proper documentation.

We recommend the Ag Society require all monies to be deposited prior to disbursement. To ensure expenditures and revenues are recorded in the ledgers, we recommend checks be issued for prize payouts and all receipts be deposited.

**Officials' Response:** The Society no longer makes cash payments.



# Dave Yost • Auditor of State

VINTON AGRICULTURAL SOCIETY

VINTON 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  
MARCH 12, 2013