



Dave Yost • Auditor of State



**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Agricultural Society  
Ottawa County  
7870 West State Route 163  
Oak Harbor, Ohio 43449-0028

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Agricultural Society, Ottawa County, Ohio, (the Society) as of and for the years ended November 30, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2013 and 2012, or changes in financial position and cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Agricultural Society, Ottawa County, Ohio as of November 30, 2013 and 2012, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 3, 2014

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN FUND BALANCE (CASH BASIS)  
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Receipts:</b>		
Taxes	\$ 81	\$ 53
Admissions	84,553	124,977
Privilege Fees	19,490	18,503
Sale By Fair Board	9,884	9,239
Racing	24,268	12,031
Rentals	91,448	94,682
Sustaining and Entry Fees	7,621	7,630
Other Operating Receipts	4,360	4,473
Total Operating Receipts	241,705	271,588
<b>Operating Disbursements:</b>		
Wages and Benefits	13,268	11,921
Administrative Expenses	2,545	4,713
Racing Expenses	37,164	29,537
Supplies for Resale	2,268	7,386
Utilities	58,679	28,286
Office Supplies	17,637	30,963
Professional Services	78,081	90,764
Equipment and Grounds Maintenance	24,880	36,657
Advertising	5,847	8,554
Repairs	2,213	16,024
Insurance	15,442	14,415
Rent/Lease Expenses	13,198	20,811
Senior Fair	3,105	2,228
Contest Expense	229	72
Junior Fair	27,664	18,688
Capital Outlay		12,545
Other Operating Disbursements	6,997	7,705
Total Operating Disbursements	309,217	341,269
Excess of Operating Disbursements Over Operating Receipts	(67,512)	(69,681)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	17,374	18,729
County Support	3,300	10,000
Debt Proceeds	15,500	68,833
Donations/Contributions	90,245	54,189
Investment Income	1	2
Sale of Assets	900	
Debt Service	(49,221)	(89,238)
Net Non-Operating Receipts (Disbursements)	78,099	62,515
Excess (Deficiency) of Receipts Over (Under) Disbursements	10,587	(7,166)
Cash Balance, Beginning of Year	8,662	15,828
<b>Cash Balance, End of Year</b>	<b>\$ 19,249</b>	<b>\$ 8,662</b>

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

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**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012**

**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 Agricultural Society, Ottawa 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 1964 to operate an annual agricultural fair. The Society sponsors the week-long Ottawa County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series. Ottawa County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 24 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Ottawa 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 and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including facility rental, track and stall rental, and community events including a flea market, reverse raffles and car shows. The reporting entity does not include any other activities or entities of Ottawa County, Ohio.

Notes 6 and 7, 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. 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.

**D. 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.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

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

**E. Race Purse**

Ohio State Race Series stake races are held during the Ottawa 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 Northwest 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.

**F. 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.

**2. DEPOSITS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2013 and 2012 was as follows:

	2013	2012
Demand deposits	\$17,641	\$7,128
Other time deposits (savings and NOW accounts)	1,188	1,209
Petty Cash	420	325
Total deposits	\$19,249	\$8,662

Deposits are insured by the Federal Depository Insurance Corporation.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**3. HORSE RACING**

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2013 and 2012 was \$13,133 and 14,486, respectively, as 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.

	2013	2012
Total Amount Bet (Handle)	\$ 3,649	\$ 5,005
Less: Payoff to Bettors	(2,917)	(3,983)
Parimutuel Wagering Commission	732	1,022
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(219)	(376)
State Tax	(95)	(144)
Society Portion	\$ 118	\$ 202

**4. DEBT**

Debt outstanding at November 30, 2013 was as follows:

	Principal	Interest Rate
County Loan	\$42,400	4%

Ottawa County loaned the Society \$100,000 on December 20, 2000 to build an office complex. The original terms required the Society to repay the loan at a rate of twenty thousand dollars (\$20,000) per year plus interest of 4 percent. The County Commissioners have forgiven the principal that was due in 2001 and 2002 in the amount of \$40,000. The Society has made no principal payments since prior to 2008.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**5. RISK MANAGEMENT**

The Ottawa County Commissioners provide general insurance coverage for all the buildings on the Ottawa County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

**Risk Pool Membership**

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 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 net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Society's share of these unpaid claims collectible in future years is approximately \$8,000.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

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.

<b><u>Contributions to PEP</u></b>	
<b><u>2012</u></b>	<b><u>2013</u></b>
\$7,277	\$11,042

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.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2015.

**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 Ottawa County Fair. The Junior Fair Board activity is accounted for in the accounting records of the Society and is reflected in the accompanying financial statement. The Society subsidizes the Junior Fair Division to the extent necessary each year.

**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 Ottawa County's auction. A commission of six 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 financial activity for the year ended November 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Beginning Cash Balance	\$ 20,587	\$ 12,802
Receipts	253,282	224,512
Disbursements	<u>(249,653)</u>	<u>(216,727)</u>
Ending Cash Balance	<u>\$ 24,216</u>	<u>\$ 20,587</u>

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# Dave Yost • Auditor of State

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

Agricultural Society  
Ottawa County  
7870 West State Route 163  
Oak Harbor, Ohio 43449-0028

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Agricultural Society, Ottawa County, Ohio, (the Society) as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2014 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

October 3, 2014





# Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY**

**OTTAWA 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  
NOVEMBER 13, 2014**