



Dave Yost • Auditor of State



**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Butler County Agricultural Society  
Butler County  
1715 Fairgrove Ave.  
Hamilton, Ohio 45011

To the Board of Directors:

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

We have audited the accompanying financial statements and related notes of the Butler County Agricultural Society, Butler 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.

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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 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 combined cash balances of the Butler County Agricultural Society, Butler County, Ohio as of November 30, 2013 and 2012, and its combined 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 June 24, 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

June 24, 2014

**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

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

	<b>2013</b>	<b>2012</b>
<b>Operating Receipts:</b>		
Admissions	\$357,005	\$316,649
Privilege Fees	119,110	95,882
Rentals	82,994	93,801
Entry Fees	31,873	24,606
Other Operating Receipts	9,028	4,778
Total Operating Receipts	600,010	535,716
<b>Operating Disbursements:</b>		
Wages and Benefits	102,938	106,637
Utilities	63,685	62,029
Professional Services	26,503	49,272
Equipment and Grounds Maintenance	235,065	224,027
Senior Fair	411,094	350,849
Junior Fair	17,395	19,003
Capital Outlay	29,529	1,132,302
Other Operating Disbursements	71,215	60,561
Total Operating Disbursements	957,424	2,004,680
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(357,414)	(1,468,964)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	5,542	5,402
Debt Proceeds		2,300,000
Donations/Contributions	400,485	388,409
Investment Income	107	73
Debt Service	(71,903)	(1,188,604)
Net Non-Operating Receipts (Disbursements)	334,231	1,505,280
Excess (Deficiency) of Receipts Over (Under) Disbursements	(23,183)	36,316
Cash Balance, Beginning of Year	72,070	35,754
<b>Cash Balance, End of Year</b>	<b>\$48,887</b>	<b>\$72,070</b>

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

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**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 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 the Butler County Agricultural Society, Butler 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 1851 to operate an annual agricultural fair. The Society sponsors the week-long Bounty County Fair during July. Bounty County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 10 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Butler County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, Junior Fair Board activities, and Junior Fair Livestock Sale Committee activities. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Butler County, Ohio.

The 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. Cash and Deposits**

The Society maintained all funds in interest-bearing checking accounts. Interest earned is recognized and recorded when received.

**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.

**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.

**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**F. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses. This is included in the Donations/Contributions line item in the accompanying financial statements.

**2. Cash and Deposits**

The carrying amount of deposits and investments at November 30, 2013 and 2012 was as follows:

	2013	2012
Demand deposits	\$48,887	\$72,070

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. Debt**

Debt outstanding at November 30, 2013 was as follows:

	Principal	Interest Rate
\$1,150,000 Loan	\$983,052	4.25%
\$150,000 Loan	147,458	4.25%
Total	\$1,130,510	

The \$1,150,000 and \$150,000 loans bear interest rates of 4.25 percent and are due to Somerville National Bank. The notes were entered into on September 25, 2012 and mature on September 25, 2032. Proceeds of the notes were used to build a new administrative, banquet, and show building.

Amortization of the above debt is scheduled as follows:

Year ending			
November 30:	\$1,000,000	\$150,000	Total
2014	60,038	9,006	\$69,044
2015	60,038	9,006	69,044
2016	60,038	9,006	69,044
2017	60,038	9,006	69,044
2018	60,038	9,006	69,044
2019-2023	840,532	126,084	966,616
Total	\$1,140,722	\$171,114	\$1,311,836

**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

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

**4. Risk Management**

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Butler County Commissioners provide general insurance coverage for all the buildings on the Butler County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager is bonded with coverage of \$25,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through May 2014.

**5. Contingent Liabilities**

The Society is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter will not adversely affect the Society's financial condition.

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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

Butler County Agricultural Society  
Butler County  
1715 Fairgrove Ave.  
Hamilton, Ohio 45011

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 Butler County Agricultural Society, Butler 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 June 24, 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 opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a 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. We consider finding 2013-001 described in the accompanying schedule of findings to be a material weakness.

***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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

***Entity's Response to Findings***

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

June 24, 2014

**BUTLER COUNTY AGRICULTURAL SOCIETY  
BUTLER COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2013 AND 2012**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2013-001**

**Noncompliance /Material Weakness**

**Ohio Rev. Code, § 1711.13(B)**, allows an agricultural society to 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 shall not exceed an amount equal to twenty-five per cent of its annual revenues. Contrary to this section, the Butler County Agricultural Society entered into loans exceeding twenty-five percent of its annual revenues.

For fiscal year end 2013 and 2012, the Society had loans totaling 112% and 35.6% respectively of annual revenues.

**Ohio Admin. Code § 117-2-02(A)** states that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Board of Directors failed to approve new loans totaling \$1,150,000, obtained in September 2012, and the Society did not record the payoff of the prior loans totaling \$1,150,000 in their accounting system. Failure of officials to approve loans could result in loan amounts in excess of limits set by Ohio law. Failure to accurately record financial transactions may result in incomplete and inaccurate financial reporting. Complete and accurate financial information is essential for management and financial statement users to make informed decisions.

The financial statements were adjusted to reflect these transactions.

We recommend all indebtedness be approved by the Board of Directors and all transactions be recorded in the accounting system of the Society.

**Officials' Response:**

We feel the findings do not reflect the true situation. The loan in question was not paid off but was changed from a construction loan to a permanent loan. There was no pay off and no new funds were acquired which is why no transactions were reported in the financial statement or minutes. This was merely the same loan which had already been approved by the board being given another name. No transactions of funds changed hands and no such documentation from Somerville Bank was reported to the fiscal officer of the Butler County Agricultural Society to indicate otherwise.

**Auditor of State Conclusion:**

According to documentation provided by the Society, in September 2012 the Society issued \$1,150,000 in loans to be amortized over 30 years. The proceeds of these 30 year loans retired \$1,150,000 in short term loans issued in May 2012 and maturing in September 2012. In the Auditor of State's opinion, the \$1,150,000 in short term debt was retired in September 2012, and the Society should have recorded the debt retirement. The \$1,150,000 in 30 year debt represented a new debt issuance and should have been approved by the board and recorded as debt proceeds.

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# Dave Yost • Auditor of State

**BUTLER COUNTY AGRICULTURAL SOCIETY**

**BUTLER COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 29, 2014**