



Dave Yost • Auditor of State

PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Preble County Agricultural Society
Preble County
722 South Franklin Street
Eaton, Ohio 45320

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Preble County Agricultural Society, Preble County, (the Society) as of and for the years ended November 30, 2015 and 2014.

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 opinions.

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

As described in Note 1B 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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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 Preble County Agricultural Society, Preble County, as of November 30, 2015 and 2014, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2016, 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

August 11, 2016

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014**

	2015	2014
Operating Receipts:		
Admissions	\$239,740	\$252,093
Privilege Fees	113,296	104,420
Rentals	142,802	120,266
Sustaining and Entry Fees	72,804	43,811
Pari-mutuel Wagering Commission	512	496
Other Operating Receipts	63,865	72,523
Total Operating Receipts	633,019	593,609
 Operating Disbursements:		
Wages and Benefits	163,587	145,226
Utilities	78,202	86,436
Professional Services	103,295	131,064
Equipment and Grounds Maintenance	92,006	91,012
Race Purse	82,070	57,779
Senior Fair	102,348	63,705
Junior Fair	16,944	10,270
Capital Outlay	4,100	5,940
Other Operating Disbursements	219,923	80,125
Total Operating Disbursements	862,475	671,557
 Excess (Deficiency) of Operating Receipts	 (229,456)	 (77,948)
 Non-Operating Receipts (Disbursements):		
State Support	14,495	15,567
County Support	4,800	
Donations/Contributions	238,986	115,029
Investment Income	4	32
Debt Service	(14,277)	(13,960)
Net Non-Operating Receipts (Disbursements)	244,008	116,668
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 14,552	 38,720
 Cash Balance, Beginning of Year	 70,364	 31,644
 Cash Balance, End of Year	 \$84,916	 \$70,364

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

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**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014**

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 Preble County Agricultural Society, Preble 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 April 1850 to operate an annual agricultural fair. The Society sponsors the week-long Famous Preble County Fair during July and August. During the fair, harness races are held, culminating in the running of the Speed Program. Preble County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 13 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Preble 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 a monthly flea market and cattle and sheep. The reporting entity does not include any other activities or entities of Preble 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Society maintained all funds in interest bearing checking and savings 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.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(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

Speed Program stake races are held during the Preble 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.

1. Sustaining and Entry Fees

Horse owners and 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.

2. 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.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(Continued)**

2. DEPOSITS

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2015 and 2014 was as follows:

	2015	2014
Demand deposits	\$84,916	\$70,364
Total deposits	\$84,916	\$70,364

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2015 and 2014 was \$4,184 and \$5,144, respectively, as State Support.

B. Pari-mutuel Wagering

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

	2015	2014
Total Amount Bet (Handle)	\$9,321	\$8,242
Less: Payoff to Bettors	(7,356)	(6,503)
Parimutuel Wagering Commission	1,965	1,739
Tote Service Set Up Fee	(350)	(200)
Tote Service Commission	(848)	(827)
State Tax	(255)	(216)
Society Portion	\$512	\$496

4. DEBT

Debt outstanding at November 30, 2015 was as follows:

	Principal	Interest Rate
Fairgrounds General Obligation Bonds	\$15,000	3% to 3.75%
County Loan	52,300	0%
Total	\$67,300	

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(Continued)**

4. DEBT (Continued)

The Preble County Agricultural Society issued County Fairground General Obligation Bonds in the amount of \$200,000 dated July 1, 1996, for the purpose of refinancing the debt which was incurred to provide funds to the County Agricultural Society to acquire and construct improvements at the County Fairgrounds. The outstanding principal balance at November 30, 2003, was \$155,000. In June 2005 these bonds were refinanced. V@ refunded portion was \$125,000; the un-funded portion was \$20,000. The bonds mature through December 1, 2016.

Preble County loaned the Society \$34,163 and \$18,137 on December 21, 2001 and February 2002 respectively to pay an overdue electric bill with Dayton, Power & Light. There are no set terms or a time schedule for repayment. No payments were made to Preble County for this loan during 2014 and 2015.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	General Obligation Bond	Interest	Total
2016	\$15,000	\$540	\$15,540
Total	\$15,000	\$540	\$15,540

5. RISK MANAGEMENT

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

The Preble County Commissioners provide general insurance coverage for all the buildings on the Preble County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General Liability and vehicle coverage is provided by Public Entities Pool of Ohio with limits of \$3,000,000 and no annual aggregation. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Treasurer and Vice President are bonded with coverage of \$20,000 each person.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2016.

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 Preble County Fair. The Society disbursed \$8,150 and \$13,536 in 2014 and 2015, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Preble County paid the Society \$100 for 2014 and \$100 for 2015 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2015 and 2014 follow:

	2015	2014
Beginning Cash Balance	\$1,841	\$ 4,391
Receipts	21,396	16,517
Disbursements	(17,118)	(19,067)
Ending Cash Balance	\$6,119	\$1,841

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(Continued)**

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 Preble County's auction. Monies to cover the cost of the auction are generated through a per head, per group of animals (pen) commission, and are retained by the Junior Livestock Committee. 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, 2015 and 2014 follow:

	<u>2015</u>	<u>2014</u>
Beginning Cash Balance	\$22,473	\$17,434
Receipts	464,457	502,149
Disbursements	(466,761)	(497,110)
Ending Cash Balance	<u>\$20,169</u>	<u>\$22,473</u>

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

Preble County Agricultural Society
Preble County
722 South Franklin Street
Eaton, Ohio 45320

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 cash balances, receipts and disbursements of the Preble County Agricultural Society, Preble County, (the Society) as of and for the years ended November 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2016, 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

August 11, 2016

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness

The Agricultural Society should maintain accounting records sufficient to enable management to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Ohio Administrative Code.

The Society lacks management oversight over accounting and reconciliation processes, and the related financial reporting. This lack of oversight is illustrated by the following:

- At November 30, 2014 the bank balance was \$1,550 higher than the book balance. At November 30, 2015 the bank balance was \$12,317 higher than the book balance. The Society incorrectly accounted for \$12,317 of voids and reconciling items at November 30, 2015. Beginning in September 2014 bank reconciliations were not reviewed by the Board.

Failure to complete accurate monthly bank reconciliations could lead to errors going undetected, decisions being made on inaccurate or incomplete information, and an unauditable declaration in future audits. Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Society officials rely on accurate reconciliations to make sound financial decisions. Lack of oversight over the Society's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed.

The Society should complete accurate monthly reconciliations. Reconciling items should be documented and adequately explained. Adjustments should be documented and any unexplained differences should be investigated and resolved immediately. All transactions should be accurately posted to the accounting system. Total receipts and expenditures per the accounting system reports should match the activity posted on the bank statements and reported on the annual financial reports. The Board should review and sign the reconciliations indicating their approval. The Board should also document their approval in the minutes.

Official's Response:

In October, 2015, the Sr Fair Board voted to move all existing bank accounts from LCNB and US Bank to another bank due to the high cost of service fees from US Bank. We had several checks outstanding from several years back. We sent letters and called all the payees on the checks and gave them ample time to either cash the check or come to the fair office for a reissue. In November, 2015, the Office Manager, voided all the checks that were outstanding in Quickbooks. This is the leading factor to the book balance and the bank balance not to match.

PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015 AND 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Administrative Code Section 117-2-03 – Maintaining Accounting Records – Bank Reconciliations, and Financial Reporting	No	Not Corrected – Reissued as Finding 2015-001



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PREBLE COUNTY AGRICULTURE SOCIETY

PREBLE 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
SEPTEMBER 27, 2016**