



Dave Yost • Auditor of State



**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

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# Dave Yost • Auditor of State

Pike County Agricultural Society  
Pike County  
311 Mill Street  
Piketon, Ohio 45661

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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

June 28, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Pike County Agricultural Society  
Pike County  
311 Mill Street  
Piketon, Ohio 45661

To the Board of Directors:

We have audited the accompanying financial statements of Pike County Agricultural Society, Pike County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2011 and 2010 or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above presents fairly, in all material respects, the cash balance of the Pike County Agricultural Society, Pike County, 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 June 28, 2012, 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

June 28, 2012

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2011**

<b>Operating Receipts:</b>	
Admissions	\$117,320
Privilege Fees	25,771
Rentals	35,119
Sustaining and Entry Fees	15,965
Other Operating Receipts	8,210
Total Operating Receipts	202,385
<b>Operating Disbursements:</b>	
Utilities	27,371
Professional Services	74,099
Equipment and Grounds Maintenance	46,778
Race Purse	28,631
Senior Fair	30,787
Junior Fair	41,608
Other Operating Disbursements	3,305
Total Operating Disbursements	252,577
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(50,192)
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	19,524
County Support	3,300
Donations/Contributions	70,580
Investment Income	144
Debt Service	(18,727)
Net Non-Operating Receipts (Disbursements)	74,821
Excess (Deficiency) of Receipts Over (Under) Disbursements	24,630
Cash Balance, Beginning of Year	91,614
<b>Cash Balance, End of Year</b>	<b>\$116,244</b>

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

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2010**

<b>Operating Receipts:</b>	
Admissions	\$126,185
Privilege Fees	24,864
Rentals	31,806
Sustaining and Entry Fees	21,837
Other Operating Receipts	11,650
	<hr/>
Total Operating Receipts	216,342
	<hr/>
<b>Operating Disbursements:</b>	
Utilities	28,576
Professional Services	109,914
Equipment and Grounds Maintenance	23,652
Race Purse	36,340
Senior Fair	15,825
Junior Fair	21,871
Capital Outlay	32,916
Other Operating Disbursements	6,991
	<hr/>
Total Operating Disbursements	276,084
	<hr/>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(59,742)
	<hr/>
<b>Non-Operating Receipts (Disbursements):</b>	
State Support	21,583
County Support	12,800
Debt Proceeds	18,011
Donations/Contributions	60,329
Investment Income	177
Debt Service	(14,193)
	<hr/>
Net Non-Operating Receipts (Disbursements)	98,707
	<hr/>
Excess (Deficiency) of Receipts Over (Under) Disbursements	38,965
	<hr/>
Cash Balance, Beginning of Year	52,649
	<hr/>
<b>Cash Balance, End of Year</b>	<b><u><u>\$91,614</u></u></b>

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

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE 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 Pike County Agricultural Society, Pike 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 1905 to operate an annual agricultural fair. The Society sponsors the week-long Pike County Fair during July and/or August. Harness Races are held on the days immediately prior to the Fair. Pike County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Pike 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 include facility rental and stall rental. In addition, the Society included the activity of the Junior Fair Board in the reporting entity of the Society for the years ended November 30, 2011 and 2010. The reporting entity does not include any other activities or entities of Pike 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 these financial statements present 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).

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

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

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

**D. Income Tax Status (Continued)**

Management is unaware of any actions or events that would jeopardize the Society's tax status.

**E. Race Purse**

The Pike County Harness Races are held during the Pike 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 the Southern Valley Colt Circuit 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 statements 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. See Note 3 for additional information.

**2. DEPOSITS**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$116,244	\$91,614

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

**3. HORSE RACING**

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

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

**3. HORSE RACING (Continued)**

ended November 30, 2011 and 2010 was \$8,776 and \$11,040, respectively. These are included as State Support.

Pari-mutuel Wagering

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

	2011	2010
Total Amount Bet (Handle)	\$ 2,037	\$ 4,763
Less: Payoff to Bettors	(1,639)	(3,825)
Parimutuel Wagering Commission	398	938
Tote Service Set Up Fee	0	0
Tote Service Commission	(353)	(857)
State Tax	(45)	(110)
Society Portion	\$ 0	\$ (29)

**4. DEBT**

Debt outstanding was as follows:

	November 30, 2010		November 30, 2011	
	Principal	Interest Rate	Principal	Interest Rate
County Loan	\$109,321	2.25%	\$102,148	3.50%
Tractor Loan	18,011	7.42%	12,431	7.42%
Total	\$127,332		\$114,579	

The Society obtained a loan on April 7, 2008 for \$120,000 for the construction of the Art Hall Building. Pike County paid off the loan and issued a bond anticipation note in the amount of \$120,000 on March 9, 2009. The Society must repay the loan to the County plus interest at a rate based upon the annual investment rate of the County. The interest rates applicable at November 30, 2010 and November 30, 2011 were 2.25 percent and 3.50 percent, respectively. The maturity date of this loan is March 8, 2025.

The \$18,011 Tractor Loan bears an interest rate of 7.42 percent and is due to the Kubota Credit Corporation. The note was entered into on April 22, 2010 and matures April 22, 2013. Proceeds of the loan were used to purchase the tractor and are collateralized by the tractor.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

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

**4. DEBT (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending November 30:	County Loan	Kubota Loan	Total
2012		\$6,916	\$6,916
2013	\$5,532	6,916	12,448
2014	9,228		9,228
2015	10,070		10,070
2016	8,890		8,890
2017 - 2021	47,863		47,863
2022 - 2025	38,025		38,025
Total	<u>\$119,608</u>	<u>\$13,832</u>	<u>\$133,440</u>

**5. RISK MANAGEMENT**

The Pike County Commissioners provide general insurance coverage for all the buildings on the Pike County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$1,000,000. The Society's Treasurer is bonded with coverage of \$10,000.

General liability and vehicle insurance limits of \$5,000,000 aggregate was increased from \$3,000,000 in the prior audit.

**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 Pike County Fair. 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 years ended November 30, 2011 and 2010 follows:

	2011	2010
Beginning Cash Balance	\$ 512	\$ 629
Receipts	2,370	2,049
Disbursements	<u>(2,461)</u>	<u>(2,166)</u>
Ending Cash Balance	<u>\$ 421</u>	<u>\$ 512</u>

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2011 AND 2010  
(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 Pike County's auction. A commission per head on auction sales of \$11 for all market animals is retained by the Junior Livestock Sale Committee to cover auction costs.

The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2011 and 2010 follows:

	2011	2010
Beginning Cash Balance	\$ 20,401	\$ 19,869
Receipts	383,161	374,767
Disbursements	<u>(381,754)</u>	<u>(374,235)</u>
Ending Cash Balance	<u>\$ 21,808</u>	<u>\$ 20,401</u>

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# Dave Yost • Auditor of State

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

Pike County Agricultural Society  
Pike County  
311 Mill Street  
Piketon, Ohio 45661

To the Board of Directors:

We have audited the financial statements of Pike County Agricultural Society, Pike County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010, and have issued our report thereon dated June 28, 2012, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-001 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, 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 no instances of noncompliance or other matter we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated June 28, 2012.

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.

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

June 28, 2012

PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY

SCHEDULE OF FINDINGS  
NOVEMBER 30, 2011 AND 2010

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2011-001

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Society incorrectly reported amounts collected from fundraisers for the construction of a goat and lamb barn as Other Operating Receipts in the amount of \$49,928 in 2010 and \$56,657 in 2011, which should have been reported as Donations/Contributions.

The audited financial statements and Society's accounting system reflect the above adjustments.

To ensure the Society's financial statements and notes to the financial statements are complete and accurate, we recommend that the Society's Fiscal Officer review the *Uniform System of Accounting for Agricultural Societies* for guidance on the correct line item to post various receipts of the Society.

**Officials' response:** The fundraiser is now being handled by another organization.

**PIKE COUNTY AGRICULTURAL SOCIETY  
PIKE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	ORC 149.351(A) Disbursement not properly supported.	Partially Corrected	Reissued in separate letter to management
2009-002	AOS Bulletin 2004-010 Bank did not provided cancelled checks or electronic images.	Yes	
2009-003	Material weakness for incorrect posting to the financial statements.	No	Reissued as Finding 2011-001



# Dave Yost • Auditor of State

PIKE COUNTY AGRICULTURAL SOCIETY

PIKE 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 19, 2012