



Dave Yost • Auditor of State



**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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# Dave Yost • Auditor of State

Agricultural Society  
Ottawa County  
7870 W. State Route 163  
Oak Harbor, Ohio 43449-8706

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 society to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

April 19, 2013

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society  
Ottawa County  
7870 W. State Route 163  
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Ottawa 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 or cash flows for the years then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2013, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State

April 19, 2013



**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

|  | 2011      | 2010      |
|--|-----------|-----------|
| <b>Operating Receipts</b>  |           |           |
| Admissions   | \$76,507  | \$124,509 |
| Privilege Fees   | 31,387    | 28,693    |
| Rentals  | 90,169    | 90,401    |
| Sustaining and Entry Fees  | 17,708    | 23,204    |
| Pari-mutuel Wagering Commission                                  | 330       | 855       |
| Other Operating Receipts   | 18,557    | 27,433    |
| <i>Total Operating Receipts</i>                                  | 234,658   | 295,095   |
| <b>Operating Disbursements</b>                                   |           |           |
| Wages and Benefits   | 24,135    | 21,490    |
| Utilities  | 26,027    | 34,426    |
| Professional Services  | 66,995    | 102,637   |
| Equipment and Grounds Maintenance                                | 23,143    | 25,925    |
| Race Purse   | 36,317    | 43,362    |
| Senior Fair  | 3,210     | 4,367     |
| Junior Fair  | 22,904    | 20,069    |
| Capital Outlay   | 15,639    | 27,822    |
| Other Operating Disbursements                                    | 138,097   | 130,753   |
| <i>Total Operating Disbursements</i>                             | 356,467   | 410,851   |
| <i>Excess of Operating Disbursements Over Operating Receipts</i> | (121,809) | (115,756) |
| <b>Non-Operating Receipts</b>                                    |           |           |
| State Support  | 19,524    | 22,192    |
| County Support   | 3,300     | 3,300     |
| Restricted Support   | 26,155    | 52,402    |
| Donations/Contributions  | 12,156    | 8,723     |
| Investment Income  | 4         | 11        |
| Debt Proceeds  | 61,812    | 29,500    |
| <i>Total Non-Operating Receipts</i>                              | 122,951   | 116,128   |
| <i>Net Change in Cash Balance</i>                                | 1,142     | 372       |
| <i>Cash Balance, Beginning of Year</i>                           | 14,687    | 14,315    |
| <i>Cash Balance, End of Year</i>                                 | \$15,829  | \$14,687  |

*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, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Agricultural Society, 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 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 flea market, craft show and a toy show. The reporting entity does not include any other activities or entities of Ottawa County, Ohio.

Note 7 summarize the Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**B. Accounting Basis**

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. Deposits and Investments**

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**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.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

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

**E. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**F. 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 Northwestern 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.

**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. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

**2. DEPOSITS**

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

|                  | 2011     | 2010     |
|------------------|----------|----------|
| Demand deposits  | \$12,715 | \$8,532  |
| Savings accounts | 2,714    | 5,755    |
| Cash on hand     | 400      | 400      |
| Total deposits   | \$15,829 | \$14,687 |

**Deposits:** Deposits are insured by the Federal Depository 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 ended November 30, 2011 and 2010 was \$15,289 and \$17,778, respectively, as State Support.

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.

|                                | 2011    | 2010     |
|--------------------------------|---------|----------|
| Total Amount Bet (Handle)      | \$8,834 | \$17,423 |
| Less: Payoff to Bettors        | (7,067) | (13,925) |
| Parimutuel Wagering Commission | 1,767   | 3,498    |
| Tote Service Set Up Fee        | (600)   | (600)    |
| Tote Service Commission        | (611)   | (1,587)  |
| State Tax                      | (226)   | (456)    |
| Society Portion                | \$330   | \$855    |

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

**4. DEBT**

Debt outstanding at November 30, 2011 was as follows:

|                | Principal | Interest Rate |
|----------------|-----------|---------------|
| Line of Credit | \$50,000  | Variable      |
| County Loan    | 42,400    | 4%            |
| Total          | \$92,400  |               |

The \$50,000 line of credit at Genoa Bank bears a variable interest rate. The agreement was entered into on November 25, 2010 and was to expire November 25, 2011, but the Society extended the term of the agreement. The line of credit was entered into to meet operating expenses. The Society is required to make monthly interest payments.

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.

**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.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2013.

**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, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

**5. RISK MANAGEMENT (Continued)**

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

|             | <u>2011</u>         | <u>2010</u>         |
|-------------|---------------------|---------------------|
| Assets      | \$33,362,404        | \$34,952,010        |
| Liabilities | <u>(14,187,273)</u> | <u>(14,320,812)</u> |
| Net Assets  | <u>\$19,175,131</u> | <u>\$20,631,198</u> |

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Society's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

| <u>Contributions to PEP</u> |             |
|-----------------------------|-------------|
| <u>2011</u>                 | <u>2010</u> |
| \$5,486                     | \$7,436     |

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.

**AGRICULTURAL SOCIETY  
OTTAWA COUNTY**

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

**6. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, and FCCLA 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 (Name of County) County's auction. A commission of 6 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 years ended November 30, 2011 and 2010 follows:

|                        | <u>2011</u>            | <u>2010</u>            |
|------------------------|------------------------|------------------------|
| Beginning Cash Balance | \$11,581               | \$9,695                |
| Receipts               | 221,038                | 200,288                |
| Disbursements          | <u>(219,817)</u>       | <u>(198,402)</u>       |
| Ending Cash Balance    | <u><u>\$12,802</u></u> | <u><u>\$11,581</u></u> |





# Dave Yost • Auditor of State

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

Agricultural Society  
Ottawa County  
7870 W. State Route 163  
Oak Harbor, Ohio 43449-8706

To the Board of Directors:

We have audited the financial statements of the Agricultural Society, Ottawa County, Ohio, (the Society) as of and for the years ended November 30, 2011 and 2010, and have issued our report thereon dated April 19, 2013, wherein we noted the Society prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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.

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 more than a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### 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 matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated April 19, 2013.

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

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**Dave Yost**  
Auditor of State

April 19, 2013



# Dave Yost • Auditor of State

OTTAWA 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  
MAY 9, 2013