



Dave Yost • Auditor of State

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Miami County Agricultural Society
Miami County
650 N. County Road 25-A
Troy, Ohio 45373

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Miami County Agricultural Society, Miami County (the Society), as of and for the years ended November 30, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 adverse and qualified 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2012 and 2011, or changes in financial position thereof for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

Because of inadequacies in the Society's accounting records, we were unable to form an opinion regarding the amount of admissions receipts in the accompanying statement of receipts, disbursements, and change in cash balance stated at \$194,927 and \$173,401 (or 30.2% and 30.4% of total revenues) at November 30, 2012 and 2011, respectively.

Opinion on Regulatory Basis of Accounting

In addition, in our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Miami County Agricultural Society, Miami County, as of November 30, 2012 and 2011, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 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. 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

September 25, 2013

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

	2012	2011
Operating Receipts:		
Admissions	\$194,927	\$173,401
Privilege Fees	78,538	77,582
Rentals	132,010	132,670
Sustaining and Entry Fees	12,158	16,864
Parimutuel Wagering Commission	701	1,142
Other Operating Receipts	35,220	23,586
Total Operating Receipts	453,554	425,245
Operating Disbursements:		
Wages and Benefits	66,198	49,428
Utilities	49,878	52,680
Professional Services	192,641	180,533
Equipment and Grounds Maintenance	69,315	93,829
Race Purse	32,382	33,974
Senior Fair	4,181	9,339
Junior Fair	11,846	20,452
Supplies	25,415	21,497
Capital Outlay	20,988	
Other Operating Disbursements	72,231	54,512
Total Operating Disbursements	545,075	516,244
Deficiency of Operating Receipts Under Operating Disbursements	(91,521)	(90,999)
Non-Operating Receipts (Disbursements):		
State Support	18,729	19,524
County Support	42,020	42,020
Restricted Support	109,614	72,032
Unrestricted Support	12,335	10,701
Sale of Assets	10,000	
Debt Service	(12,112)	(11,373)
Net Non-Operating Receipts (Disbursements)	180,586	132,904
Excess of Receipts Over Disbursements	89,065	41,905
Cash Balance, Beginning of Year	88,950	47,045
Cash Balance, End of Year	\$178,015	\$88,950

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

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**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2012 AND 2011**

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 Miami County Agricultural Society, Miami 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Miami County Fair during August. During the fair, harness races are held, culminating in the running of the Super Stakes Races. Miami County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-five directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Miami 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 swap meets, dog shows, and car shows. The reporting entity does not include any other activities or entities of Miami County, Ohio.

Note 7 summarizes 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

During the audit period, the Society maintained a general checking account and racing committee checking account, which were valued at cost.

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.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Super stake races are held during the Miami 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 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.

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, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$178,015</u>	<u>\$88,950</u>
Total deposits	<u>\$178,015</u>	<u>\$88,950</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2012 AND 2011
(Continued)**

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, 2012 and 2011 was \$12,133 and \$13,776, 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.

	2012	2011
Total Amount Bet (Handle)	\$12,333	\$17,312
Less: Payoff to Bettors	(9,664)	(13,753)
Parimutuel Wagering Commission	2,669	3,559
Tote Service Set Up Fee	1,023	1,596
Tote Service Commission	(2,474)	(3,472)
State Tax	(322)	(454)
Society Portion	\$ 896	\$ 1,229

4. DEBT

Debt outstanding at November 30, 2012 was as follows:

	Principal	Interest Rate
Duke Building Addition Loan	\$8,231	5.40%
Total	\$8,231	

The \$25,000 Duke Building Addition Commercial Loan bears an interest rate of 5.40% and is due to U.S. Bank. The loan was entered into on May 20, 2009 and matures May 20, 2014. Proceeds of the loan were used for the Duke building addition.

The Society obtained a \$100,000 line of credit from U.S. Bank on September 28, 2009 for operating funds. The line of credit has an interest rate of prime plus 1%. In fiscal years 2012 and 2011, the Society did not draw on its line of credit.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Duke Building Addition Loan	Interest	Total
2013	\$5,412	\$316	\$5,728
2014	2,819	45	2,864
Total	\$8,231	\$361	\$8,592

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2012 AND 2011
(Continued)**

5. RISK MANAGEMENT

The Miami County Commissioners provide general insurance coverage for all the buildings on the Miami County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$2,000,000. The Society's general manager is bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through November 30, 2012.

6. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2012 and 2011, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2012.

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 Miami County's auction. A commission of three 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, 2012 and 2011 follows:

	<u>2012</u>	<u>2011</u>
Beginning Cash Balance	\$26,961	\$ 8,868
Receipts	311,390	323,528
Disbursements	<u>(331,624)</u>	<u>(305,435)</u>
Ending Cash Balance	<u>\$ 6,727</u>	<u>\$26,961</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

Miami County Agricultural Society
Miami County
650 N. County Road 25-A
Troy, Ohio 45373

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 Miami County Agricultural Society, Miami County, (the Society) as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 25, 2013 wherein we qualified our report on the financial statements due to inadequacies in the Society's accounting records, regarding the amount of admissions receipts which are reported in the accompanying statement of receipts, disbursements, and change in cash balance at \$194,927 and \$173,401 (or 30.2% and 30.4% of total revenues) at November 30, 2012 and 2011, respectively. We also noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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. We consider finding 2012-001 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 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

September 25, 2013

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Material Weakness

The Society sold various admissions tickets and passes during the week of the annual County Fair in 2012 and 2011. The Uniform System of Accounting for Agricultural Societies manual states all tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for unsold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt shall be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office shall be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations shall be performed for groups of tickets assigned to each local merchant for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with the reconciliations.

The following weaknesses were noted:

- In 2012 and 2011, Society held demolitions derbies, and tractor pull events at the Fairgrounds. The Society collected \$13,530 in 2012 and \$10,913 in 2011 for these events, which represent 6.9% and 6.3% of 2012 and 2011 total admissions revenues respectively. The Society did not utilize tickets or ticket accountability forms to track these admissions in either year.
- In 2012 and 2011, the ticket accountability forms reflected \$175,537 and \$169,662 respectively in overall various admissions revenues (daily admissions, concerts, passes, etc) and the amounts reported and deposited for admissions revenues in 2012 and 2011 were \$194,927 and \$173,401 respectively. This resulted in 2012 of difference of \$19,390 and for 2011 of \$3,739 of various admissions being received but having no ticket accountability documentation.

The failure to issue tickets and maintain complete and accurate ticket accountability forms could lead to a loss of revenue for the Society as well as the inability to detect errors and omissions promptly.

The Society should utilize tickets and ticket accountability forms for all admissions revenues. In addition, the Treasurer should make sure when all ticket accountability sheets are returned, to document the review of the form after the money has been recalculated and the form balanced.

Because of the inadequacies in the Society's accounting records, we were unable to form an opinion regarding the amount of admissions receipts in the accompanying statement of receipts, disbursements, and change in cash balance. In addition, alternative procedures could not be performed to gain assurance over these receipts, and therefore our opinion has been modified for such.

Officials' Response:

The Miami County Agricultural Society is now using pre-numbered tickets for all events with an admission fee. A ticket reconciliation form is being used to document all tickets.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness - Admissions Revenue	No	Repeated as Finding 2012-001
2010-002	Ohio Rev. Code Section 149.351(A) – Destruction of Records	Yes	



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MIAMI COUNTY AGRICULTURAL SOCIETY

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2013**