



Dave Yost • Auditor of State



**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Defiance County Agricultural Society  
Defiance County  
P.O. Box 184  
Hicksville, Ohio 43526-0184

To the Board of Directors:

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

We have audited the accompanying financial statements and related notes of Defiance County Agricultural Society, Defiance County, Ohio (the Society) as of and for the years ended November 30, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2013 and 2012, or changes in financial position or cash flows 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 cash balances of Defiance County Agricultural Society, Defiance, Ohio as of November 30, 2013 and 2012, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 22, 2014

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

	<b>2013</b>	<b>2012</b>
<b>Operating Receipts:</b>		
Admissions	\$130,384	\$130,502
Privilege Fees	40,544	39,729
Rentals	57,796	54,142
Sustaining and Entry Fees	31,359	26,860
Pari-mutuel Wagering Commission	769	769
Other Fair Related Fees	10,363	2,281
Other Operating Receipts	4,582	2,263
 Total Operating Receipts	 275,797	 256,546
<b>Operating Disbursements:</b>		
Administrative	42,752	17,652
Racing Expenses	20	595
Supplies	7,255	9,926
Utilities	40,221	37,044
Professional Services	34,518	26,309
Equipment and Grounds Maintenance	94,980	85,917
Race Purse	53,225	43,059
Advertising	10,941	13,119
Senior Fair	71,869	62,483
Junior Fair	12,095	21,277
Other Operating Disbursements	22,538	22,065
 Total Operating Disbursements	 390,414	 339,446
 Excess of Operating Disbursements Over Operating Receipts	 (114,617)	 (82,900)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	32,474	26,279
County Support	100	2,000
Livestock Sale Income	248,890	238,323
Donations/Contributions	87,852	70,468
Investment Income	68	71
Livestock Sale Expenses	(243,660)	(239,448)
 Net Non-Operating Receipts (Disbursements)	 125,724	 97,693
 Excess of Receipts Over Disbursements	 11,107	 14,793
 Cash Balance, Beginning of Year	 104,010	 89,217
 <b>Cash Balance, End of Year</b>	 <b>\$115,117</b>	 <b>\$104,010</b>

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

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Defiance County Agricultural Society, Defiance 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 1877 to operate an annual agricultural fair. The Society sponsors the week-long Defiance County Fair during August. During the fair, harness races are held, including the running of the Gene L. Vance Memorial Race and the Kermit Peter Trot Race. Defiance County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 30 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Defiance 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 and stall rental. The reporting entity does not include any other activities or entities of Defiance County, Ohio.

Note 6 summarizes the Junior Fair Board'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. 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). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

**E. Race Purse**

*Northwest Ohio Colt* stake races are held during the Defiance 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 Defiance County Area Horseman's 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.

**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 and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**2. Deposits**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Demand deposits	<u>\$115,117</u>	<u>\$104,010</u>

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, 2013 and 2012 was \$13,133 and \$14,486, as State Support.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

Pari-mutuel Wagering

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

	2013	2012
Total Amount Bet (Handle)	\$ 11,431	\$ 11,176
Less: Payoff to Bettors	(8,793)	(8,554)
Parimutuel Wagering Commission	2,638	2,622
Tote Service Set Up Fee	(500)	(500)
Tote Service Commission	(1,051)	(1,023)
State Tax	(318)	(330)
Society Portion	\$ 769	\$ 769

**4. Lease**

In 2012, the Society entered into a lease agreement with CNH Capital for the acquisition of a mower. The total amount financed as part of the lease was \$11,625 at an annual interest rate of 6.59 percent. The lease agreement was entered into on April 27, 2012 and terminates May 1, 2017. The Society has a purchase option price of \$1 upon the termination date of the agreement. The lease is secured by the mower.

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

Year ending November 30:	Mower Lease
2014	2,632
2015	2,632
2016	2,632
Total	\$7,896

**5. Risk Management**

The Defiance County Commissioners provide general insurance coverage for all the buildings on the Defiance 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 \$3,000,000 aggregate.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

**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 Defiance County Fair. In fiscal years 2013 and 2012, the Society disbursed \$12,095 and \$21,277, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. 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, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Beginning Cash Balance	\$ 783	\$ 1,398
Receipts	7,698	7,682
Disbursements	<u>(6,578)</u>	<u>(8,297)</u>
Ending Cash Balance	<u>\$ 1,903</u>	<u>\$ 783</u>



# Dave Yost • Auditor of State

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

Defiance County Agricultural Society  
Defiance County  
P.O. Box 184  
Hicksville, Ohio 43526-0184

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 Defiance County Agricultural Society, Defiance County, Ohio, (the Society) as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 22, 2014 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***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*.

***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.

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

Columbus, Ohio

October 22, 2014

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

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

**Material Weakness**

**Cash Reconciliations**

The monthly reconciliation of bank account balances to the accounting systems ending fund balance is an important method in detecting errors in the postings of revenues and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Treasurer.

The following contributed to an unidentified reconciling error of \$680 on the Society's bank reconciliation as of November 30, 2013:

- Although the Treasurer attempted to reconcile the bank accounts individually to the cash balances for each bank account in Quickbooks, the Treasurer did not perform a reconciliation of the total bank account balances to the total cash balance per the Quickbooks system each month.
- The Treasurer made changes to receipt and disbursement amounts after fiscal year end in the Quickbooks system which impacted the financial activity for the fiscal years ended November 30, 2013 and 2012.
- Receivables and payables were recorded during fiscal year 2013 and 2012 even though the Society used a cash basis accounting system. Although, the Treasurer later deleted these transactions it complicated the reconciling process since these accrual entries were included as deposits in transit and outstanding checks.
- The cash reconciliation reported \$4,443 as deposits in transits that were not valid deposits in transit and there was no documentation to support these as reconciling items.
- The cash reconciliation report \$6,154 as outstanding checks that were not valid outstanding checks and there was no support to include these as reconciling items.

Failure to perform month end reconciliations which reconciles the Society's total bank account balances to the general ledger system fund balance total greatly increases the likelihood that posting errors can be made to the accounting system and possibly cause material unreconciled differences or irregularities to occur and not be detected.

In an effort to help ensure financial activity of the Society is being properly account for and reported, we recommend:

- The Treasurer perform a reconciliation each month by preparing a spreadsheet using Quickbooks information to show the beginning cash fund balance total plus profit/loss report revenues less profit/loss report disbursements to obtain the overall ending cash fund balance. This ending fund balance should agree to the cash reconciliation of all of the Society's bank accounts.
- The Treasurer present the monthly bank reconciliations to the Board as evidence that all bank balances have been reconciled to the Quickbooks fund balance total each month without significant adjusting factors on the reconciliation.

- The Board (or finance committee) should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit.
- The Treasurer's' monthly bank reconciliations should be reviewed, initialed, and approved in the minutes by the Board (or finance committee).

### **FINDING NUMBER 2013-002**

#### **Material Weakness**

##### **Gate Admission and Grandstand Collections**

Complete and accurate supporting documentation should be maintained for its fair gate admissions, season passes, and grandstand events.

The following deficiencies were noted related to gate admission and grandstand event collections:

- Although summary ticket records, e.g. gate sheets, were maintained, ticket reconciliations for admission and season passes did not always include beginning and ending ticket numbers to compute the total number of tickets sold at each gate.
- Although a summary ticket record was maintained which documented tickets used for significant grandstand events, ticket reconciliations were not prepared for each grandstand event reconciling ticket sales to amounts collected for the event.
- Additionally, ticket sales were not compared and reconciled to the total number of tickets purchased for each grandstand event.

Lack of adequate supporting documentation could result in a material amount of revenues being received, but not being recorded. It also increases the likelihood of theft or fraud occurring. Gate admissions and grandstand collections made up 20% and 22% of total revenues in fiscal years 2013 and 2012, respectively.

The Society should maintain complete and accurate supporting documentation for gate admissions, season passes, and grandstand events. In order to help ensure admission and grandstand collections are properly accounted for we recommend:

- Financial records should include documentation for the revenues received such as ticket stubs, ticket reconciliations, items ordered and/or printed for use, items sold, etc.
- Ticket reconciliations should be completed for daily gate admission tickets and season passes and for each event held at the grandstand. The ticket reconciliations should indicate beginning and ending ticket numbers which compute to the total tickets sold.
- Data on completed daily ticket reconciliations should be accurate and complete based on documented ticket sales and matched to the total revenue actually collected.
- These records should be reconciled to the amounts collected and turned over to the Treasurer for receipt and deposit to the Society's depository (in turn, revenues reported in the Society's accounting system and financial statements).

In particular, to strengthen controls and improve accountability over ticketed receipts, we recommend:

- Gate ticket sales (ticket sequences reported on the gate ticket reconciliation report) be compared and reconciled to the total number of tickets sold (i.e. ticket stubs). Any discrepancies should be documented and explained on the reconciliations.
- Ticket reconciliations be completed for each event held at the grandstand (similar to ticket reconciliation reports completed for gate admission activity).
- Ticket reconciliations be signed off by the individual in charge of the gate and reviewed and signed by the Treasurer to ensure accuracy.
- The total number of grandstand ticket sales (the number of sold/unsold tickets) be compared and reconciled to the total number of tickets purchased/printed for each event. Any discrepancies should be documented and explained on the reconciliations.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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

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>
2011-001	Material weakness due to errors in financial statements.	No	Partially Corrected. Reissued in the Management Letter.
2011-002	Material weakness due to errors in the accounting and reporting of change funds.	No	Partially Corrected. Reissued in the Management Letter.
2011-003	Material weakness due to control deficiencies over collections.	No	Not Corrected. Reissued as Finding 2013-002 in this report.

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# Dave Yost • Auditor of State

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**DEFIANCE 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 6, 2014**