



Dave Yost • Auditor of State

PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Changes in Fund Balance (Cash Basis) - For the Years Ended November 30, 2013 and 2012.....	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	14

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Financial Statements

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

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

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

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The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B 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 thereof for the years then ended.

Basis for Adverse Opinion on Regulatory Basis of Accounting

The accompanying financial statements for the years ended November 30, 2013 and 2012, are not properly presented. We were unable to obtain sufficient audit evidence supporting the receipt and disbursement classifications in the financial statements. The Beginning of Year 2012 cash balance does not agree to the November 30, 2011 audited cash balance as noted in the prior audit report. The Beginning of Year 2013 cash balance does not agree to the End of Year 2012 cash balance as reported by the Society. Both 2012 and 2013 End of Year cash balances in the accompanying financial statements did not agree to the Society prepared cash reconciliations.

Adverse Opinion on Regulatory Basis of Accounting

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly the cash balances of the Preble County Agricultural Society, Preble County, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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 9, 2014

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

	<u>2013</u>	<u>2012</u>
Operating Receipts:		
Admissions	\$246,488	\$231,851
Privilege Fees	113,285	108,045
Rentals	114,317	118,327
Sustaining and Entry Fees	25,454	12,040
Pari-mutuel Wagering Commission	857	846
Other Operating Receipts	92,638	90,754
Total Operating Receipts	<u>593,039</u>	<u>561,863</u>
Operating Disbursements:		
Wages and Benefits	154,990	151,233
Utilities	94,292	74,624
Professional Services	112,000	109,173
Equipment and Grounds Maintenance	105,217	80,497
Race Purse	50,250	31,760
Senior Fair	74,267	77,309
Junior Fair	10,222	9,957
Capital Outlay	3,000	
Other Operating Disbursements	96,611	99,002
Total Operating Disbursements	<u>700,849</u>	<u>633,555</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(107,810)</u>	<u>(71,692)</u>
Non-Operating Receipts (Disbursements):		
State Support	36,103	18,729
County Support	4,800	2,400
Donations/Contributions	85,676	64,857
Investment Income	57	191
Debt Service	(13,452)	(13,770)
Net Non-Operating Receipts (Disbursements)	<u>113,184</u>	<u>72,407</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	5,374	715
Cash Balance, Beginning of Year	<u>23,769</u>	<u>37,215</u>
Cash Balance, End of Year	<u>\$29,143</u>	<u>\$37,930</u>

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

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**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 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 the Preble County Agricultural Society, Preble County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in April 1850 to operate an annual agricultural fair. The Society sponsors the week-long Famous Preble County Fair during July and August. During the fair, harness races are held, culminating in the running of the Speed Program. Preble County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 13 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Preble County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including a monthly flea market and cattle and sheep. The reporting entity does not include any other activities or entities of Preble County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Society maintained all funds in interest bearing checking and savings accounts. Interest earned is recognized and recorded when received.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

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

F. Race Purse

Speed Program stake races are held during the Preble County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

1. Sustaining and Entry Fees

Horse owners and Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees in Sustaining and Entry Fees.

2. Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

2. DEPOSITS

The Society maintains a deposit and pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits according to Society's cash reconciliations at November 30, 2013 and 2012 was as follows:

	2013	2012
Demand deposits	\$31,644	\$41,143
Total deposits	\$31,644	\$41,143

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2013 and 2012 was \$8,064 each year, as State Support.

B. 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 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.

	2013	2012
Total Amount Bet (Handle)	\$9,259	\$9,435
Less: Payoff to Bettors	(7,508)	(7,673)
Parimutuel Wagering Commission	1,751	1,762
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(964)	(955)
State Tax	(265)	(239)
Society Portion	\$322	\$368

4. DEBT

Debt outstanding at November 30, 2013 was as follows:

	Principal	Interest Rate
Fairgrounds General Obligation Bonds	\$45,000	3% to. 3.75%
County Loan	52,300	0
Total	\$97,300	

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

4. DEBT (Continued)

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

Preble County loaned the Society \$34,163 and \$18,137 on December 21, 2001 and February 2002 respectively to pay an overdue electric bill with Dayton Power & Light. There are no set terms or a time schedule for repayment. No payments were made to Preble County for this loan during 2012 and 2013.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Tractor Note	Interest	Total
2014	\$15,000	\$1,665	\$16,665
2015	15,000	1,102	16,102
2016	15,000	540	15,540
Total	<u>\$45,000</u>	<u>\$3,307</u>	<u>\$48,307</u>

5. RISK MANAGEMENT

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

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

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, 2013.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Preble County Fair. The Society disbursed \$9,352 and \$9,462 in 2012 and 2013 respectively directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Preble County paid the Society \$100 in 2012 and \$100 in 2013 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2013 and 2012 follows:

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

6. JUNIOR FAIR BOARD (Continued)

	2012	2013
Beginning Cash Balance	\$12,391	\$8,579
Receipts	10,090	10,059
Disbursements	(13,902)	(14,247)
Ending Cash Balance	\$8,579	\$4,391

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Preble County's auction. Monies to cover the cost of the auction are generated through a per head, per group of animals (pen) commission, and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2013 and 2012 follows:

	2013	2012
Beginning Cash Balance	\$21,123	\$14,205
Receipts	415,129	345,246
Disbursements	(418,818)	(338,328)
Ending Cash Balance	\$17,434	\$21,123

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

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

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Preble County Agricultural Society, Preble 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 9, 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. We issued an adverse opinion because the Society presented financial statements that we were unable to obtain sufficient audit evidence supporting receipt and disbursement classifications and lack of agreement in cash balances.

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 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. 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 finding 2013-001 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*.

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, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

October 9, 2014

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

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

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

- The balance per the November 30, 2011 audited financial statements was \$42,735 and the December 1, 2012 balance per the Society's 2012 Annual Financial Report was \$37,215 for a variance of \$5,520.
- The balance per the November 30, 2012 unaudited Annual Financial Report was \$37,930 and the December 1, 2013 balance per the Society's 2013 Annual Financial Report was \$23,769 for a variance of \$14,161.
- Total receipts and total expenditures on the 2012 annual financial report did not match the total receipts and expenditures per the Account Quick Report [receipts per the annual financial report--\$648,040; receipts per the Account Quick Report--\$666,165; expenditures per the annual financial report--\$647,325; expenditures per the Account Quick Report--\$668,707].
- Total receipts and total expenditures on the 2013 annual financial report did not match the total receipts and expenditures per the Account Quick Report [receipts per the annual financial report--\$719,675; receipts per the Account Quick Report--\$732,517; expenditures per the annual financial report--\$714,300; expenditures per the Account Quick Report--\$742,016].
- The Society carried items totaling \$3,263 on the November 30, 2012 outstanding checklists that were not outstanding checks.
- The Society carried an item in the amount of \$2,580 on the November 30, 2013 outstanding checklists that was not an outstanding check.
- The Society's system is not properly reflecting voided expenditures as noted by voided expenditures remaining on the outstanding checklists.

The Society's cash reconciliation controls were weak as evidenced by the accompanying financial statements End of Year cash balances of \$37,930 for 2012 and \$29,143 for 2013. These amounts did not agree to the Society's reconciled bank account balances of \$41,143 for 2012 and \$31,644 for 2013. Due to these weaknesses and the above differences in the reports and the annual financial reports, a proof of cash was performed by the Auditor of State. The Auditor of State used these procedures to determine that the Society's reconciled bank balances were \$950 greater than the Auditor of State calculated book balance in 2012 and a trivial difference of \$6 in 2013.

Due care should be taken in posting activity to Quick Books. Total receipts and expenditures per the Account Quick Reports should match the activity posted on the bank statements. Completing a monthly reconciliation of all activity posted would aid in detecting posting errors.

Due care should be taken in completing the annual financial reports. The receipts and expenditures as reported on the annual financial reports should match the activity posted to Quick Books. The Society should adopt policies/procedures for the review of activity posted to the accounting records and reported on the annual financial reports.

Officials' Response: Officials did not respond to this finding.

**PREBLE COUNTY AGRICULTURAL SOCIETY
PREBLE 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; <i>Explain</i>
2011-01	Ohio Administrative Code Section 117-2-03 – Maintaining Accounting Records – Bank Reconciliations, and Financial Reporting	No	Not Corrected – Reissued as Finding 2013-001.
2011-02	Ohio Administrative Code Section 117-2-03 – Maintaining Accounting Records – Lack of documentation over receipt cycles.	No	Partially corrected – Reissued in Management Letter.
2011-03	Ohio Revised Code Section 149.31 – Destruction of Records	No	Partially corrected – Reissued in Management Letter.
2011-04	Failure to obtain Board approval for rental discounts	No	Partially Corrected – Reissued in Management Letter.



Dave Yost • Auditor of State

PREBLE COUNTY AGRICULTURAL SOCIETY

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 6, 2014**