

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

**ROBERT SMITH, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Guernsey County Agricultural Society  
P. O. Box 208  
Old Washington, Ohio 43768

We have reviewed the *Independent Auditors' Report* of the Guernsey County Agricultural Society, prepared by Julian & Grube, Inc., for the audit period December 1, 2012 through November 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Guernsey County Agricultural Society is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

October 21, 2015

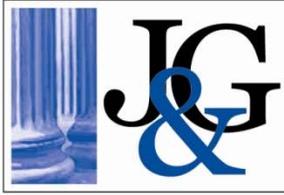
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**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

**FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1 - 2
Financial Statement:	
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) - For the Years Ended November 30, 2014 and 2013 .....	3
Notes to the Financial Statement .....	4 - 8
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	9 - 10
Schedule of Findings and Responses.....	11



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Guernsey County Agricultural Society  
Guernsey County  
P.O. Box 208  
Old Washington, Ohio 43768

To the Board of Directors:

#### ***Report on the Financial Statement***

We have audited the accompanying financial statement and related notes of the Guernsey County Agricultural Society, Guernsey County, Ohio, as of and for the years ended November 30, 2014 and 2013.

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

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 Guernsey County Agricultural Society's preparation and fair presentation of the financial statement 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 Guernsey County Agricultural 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 statement, the Guernsey County Agricultural Society prepared this financial statement 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 (GAAP), to satisfy these requirements.

Board of Directors  
Guernsey County Agricultural Society  
Page Two

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Guernsey County Agricultural Society does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Guernsey County Agricultural Society as of November 30, 2014 and 2013, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Guernsey County Agricultural Society, Guernsey County, Ohio, as of November 30, 2014 and 2013, 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 July 15, 2015, on our consideration of the Guernsey County Agricultural 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 Guernsey County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
July 15, 2015

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN FUND BALANCE (CASH BASIS)  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	<b>2014</b>	<b>2013</b>
<b>Operating Receipts:</b>		
Admissions	\$ 252,377	\$ 251,439
Privilege Fees	73,331	48,718
Rentals	138,505	133,382
Sustaining and Entry Fees	7,967	7,576
Parimutuel Wagering Commission	78	30
Sales	-	251
Utilities	9,062	7,848
Local	7	-
Fees	7,009	6,662
 Total Operating Receipts	 488,336	 455,906
<b>Operating Disbursements:</b>		
Wages and Benefits	46,575	43,222
Administration	6,659	5,613
Race Expenses	46,600	35,238
Supplies	64,041	43,130
Utilities	80,323	69,831
Professional Services	116,196	128,044
Property Services	97,162	75,809
Advertising	18,576	4,242
Repairs	2,919	4,619
Insurance	26,667	23,336
Rent and Leases	14,104	18,515
Capital Outlay	166,362	4,790
Senior Fair	15,754	12,594
Contest Expenses	7,500	6,850
Junior Fair	20,215	20,712
Other Operating Disbursements	35,603	30,929
 Total Operating Disbursements	 765,256	 527,474
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (276,920)	 (71,568)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	44,800	32,474
Restricted Support	5,241	3,544
Unrestricted Support	591,599	52,142
Interest	719	-
Other Financing Fees	(50)	(37)
 Net Non-Operating Receipts (Disbursements)	 642,309	 88,123
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 365,389	 16,555
 Cash Balance, Beginning of Year	 92,523	 75,968
 <b>Cash Balance, End of Year</b>	 <b>\$457,912</b>	 <b>\$92,523</b>

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

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

**NOTE 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 Guernsey County Agricultural Society, Guernsey 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 1952 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Guernsey County Fair during September. During the fair, harness races are held. Guernsey County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-four directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Guernsey 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 includes facility rental, track and stall rental, and community events including the Paul Bunyan Show. The reporting entity does not include any other activities or entities of Guernsey County, Ohio.

Notes 5 and 6 summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity, respectively.

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

**B. Accounting Basis**

This financial statement follows 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). The basis is similar to the cash receipts and disbursements accounting basis. The Board 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).

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. Property, Plant and Equipment**

The Society records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statement does not include 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.

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Race Purse**

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

Sustaining and Entry Fees

Horse owners and The Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports 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.

**G. Restricted Support**

Restricted Support includes amounts that donors restrict for specific uses.

**H. Unrestricted Support**

A large portion of unrestricted support at November 30, 2014 is due to oil and gas revenue derived from rights to the Society’s land.

**NOTE 2 - DEPOSITS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand Deposits	<u>\$ 457,912</u>	<u>\$ 92,523</u>

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

**NOTE 2 - DEPOSITS - (Continued)**

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**NOTE 3 - HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2014 and 2013, in the amount of \$27,884 and \$18,432, respectively, as State Support.

Pari-mutuel Wagering

The Society conducted pari-mutuel wagering during the 2014 and 2013 Guernsey County Fair. The Society’s commission from these activities was insignificant.

**NOTE 4 - RISK MANAGEMENT**

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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP’s primary liability for claim 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 net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

**NOTE 4 - RISK MANAGEMENT - (Continued)**

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member Society's in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Society's share of these unpaid claims collectible in future years is approximately \$15,000.

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>2012</u>	<u>2013</u>
\$12,288	\$21,977

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.

**NOTE 5 - 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 Guernsey County Fair. The Society disbursed \$20,215 and \$20,712, respectively to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 866	\$ 618
Receipts	2,010	2,374
Disbursements	(2,600)	(2,126)
Ending Cash Balance	\$ 276	\$ 866

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

NOTES TO THE FINANCIAL STATEMENT  
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013

**NOTE 6 - 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 Guernsey County's auction. A commission of 3 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, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$ 4,983	\$ 4,018
Receipts	48,408	50,092
Disbursements	<u>(28,164)</u>	<u>(49,127)</u>
Ending Cash Balance	<u><u>\$ 25,227</u></u>	<u><u>\$ 4,983</u></u>



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards***

Guernsey County Agricultural Society  
Guernsey County  
P.O. Box 208  
Old Washington, Ohio 43768

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 statement of the Guernsey County Agricultural Society, Guernsey County, Ohio, as of and for the years ended November 30, 2014 and 2013 and the related notes to the financial statement and have issued our report thereon dated July 15, 2015, wherein we noted the Guernsey County Agricultural 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 Guernsey County Agricultural 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 statement, but not to the extent necessary to opine on the effectiveness of the Guernsey County Agricultural 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 and responses 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 Guernsey County Agricultural Society's financial statement. 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 2014-001 described in the accompanying schedule of findings and responses to be a material weakness.

Board of Directors  
Guernsey County Agricultural Society

***Compliance and Other Matters***

As part of reasonably assuring whether the Guernsey County Agricultural Society's financial statement is 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 Guernsey County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Guernsey County Agricultural Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
July 15, 2015

**GUERNSEY COUNTY AGRICULTURAL SOCIETY  
GUERNSEY COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2014-001

**Material Weakness - Financial Reporting**

Sound financial reporting is the responsibility of the Board of Directors and the Treasurer. It is essential that strong internal controls are in place and properly working efficiently and effectively.

We identified a misstatement in the financial statement for the year ended November 30, 2014 that was not initially identified by the Society's internal controls. A description of the audit adjustments follows:

The Society did not record an oil and gas receipt in their system. The Society opened up a savings account with the revenue from the receipt, but the amount was never recorded in the Society's system. The following adjustment was made to the audited financial statement:

2014

Cash: Increased \$524,608. Unrestricted Support increased \$524,608.

The audited financial statement and the Society's records reflect the above adjustments.

The presentation of a materially correct financial statement and related footnotes is the responsibility of management.

We recommend that the Society implement control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financials and footnotes. Furthermore, the Treasurer and Board of Directors should review postings each month and again at the end of the year to verify all amounts are classified and posted properly for correct presentation.

*Client Response:* The Society will attempt to present a more materially correct financial statement in the future.



# Dave Yost • Auditor of State

**GUERNSEY COUNTY AGRICULTURAL SOCIETY**

**GUERNSEY 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 5, 2015**