



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 North 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, 2014 and 2013.

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 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.

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

Though the Society does not intend these statements 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 permitted 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 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years 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 fund balance (cash basis) stated at \$206,399 and \$181,912 (or 26.2% and 27.7% of total receipts) at November 30, 2014 and 2013, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the 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 balance of Miami County Agricultural Society, Miami County 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 24, 2015, 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

July 24, 2015

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

	<u>2014</u>	<u>2013</u>
Operating Receipts:		
Admissions	\$206,399	\$181,912
Privilege Fees	84,940	78,093
Rentals	140,145	135,012
Sustaining and Entry Fees	20,392	11,832
Pari-mutuel Wagering Commission	894	852
Other Operating Receipts	58,222	37,181
Total Operating Receipts	<u>510,992</u>	<u>444,882</u>
 Operating Disbursements:		
Wages and Benefits	65,849	67,862
Utilities	53,123	44,812
Professional Services	201,086	151,189
Equipment and Grounds Maintenance	123,490	146,079
Race Purse	58,803	42,351
Senior Fair	3,365	2,970
Junior Fair	21,173	17,258
Supplies	50,108	31,037
Capital Outlay	25,835	14,670
Other Operating Disbursements	118,549	93,295
Total Operating Disbursements	<u>721,381</u>	<u>611,523</u>
 Deficiency of Operating Receipts Under Operating Disbursements	 <u>(210,389)</u>	 <u>(166,641)</u>
 Non-Operating Receipts (Disbursements):		
State Support	38,607	32,473
County Support	42,020	42,020
Restricted Support	173,599	117,579
Unrestricted Support	23,434	20,285
Debt Service	(6,808)	(9,857)
Net Non-Operating Receipts (Disbursements)	<u>270,852</u>	<u>202,500</u>
 Excess of Receipts Over Disbursements	 60,463	 35,859
 Cash Balance, Beginning of Year	 <u>213,874</u>	 <u>178,015</u>
 Cash Balance, End of Year	 <u><u>\$274,337</u></u>	 <u><u>\$213,874</u></u>

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, 2014 AND 2013**

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This 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.

These statements include 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. Deposits

During the years ended November 30, 2014 and 2013, the Society maintained a general checking account and a racing committee checking account, which were both 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.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(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

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.

1. Sustaining and Entry Fees

Horse owners and the 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.

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.

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, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	<u>\$274,337</u>	<u>\$213,874</u>
Total deposits	<u><u>\$274,337</u></u>	<u><u>\$213,874</u></u>

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

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2014 and 2013 was \$11,286 and \$13,133, as State Support.

B. 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.

	2014	2013
Total Amount Bet (Handle)	\$16,744	\$14,687
Less: Payoff to Bettors	(13,201)	(11,514)
Parimutuel Wagering Commission	3,543	3,173
Tote Service Set Up Fee	1,212	1,060
Tote Service Commission	(3,398)	(2,975)
State Tax	(463)	(406)
Society Portion	\$894	\$852

4. DEBT

The Society paid off the \$25,000 Duke Building Addition Commercial Loan during 2014.

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 one percent. In fiscal years 2014 and 2013, the Society did not draw on its line of credit.

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, 2014.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

6. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participate. For 2014 and 2013, 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, 2014.

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 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 year ended November 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$12,217	\$6,727
Receipts	399,185	332,853
Disbursements	<u>(396,495)</u>	<u>(327,363)</u>
Ending Cash Balance	<u>\$14,907</u>	<u>\$12,217</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 North 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 statement of the Miami County Agricultural Society, Miami County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2015, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also qualified our opinion on the financial statement 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 fund balance (cash basis) of \$206,399 and \$181,912 (or 26.2% and 27.7% of total receipts) at November 30, 2014 and 2013, respectively.

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. 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 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 style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 24, 2015

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness – Admissions and Sales Revenue

The Society sold various admissions tickets and passes prior to and during the week of the annual County Fair in 2014 and 2013. 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 Society also sold beer and ice during the week of the annual County Fair in 2014 and 2013 and during the Balloon Fest in 2014. The Uniform System of Accounting for Agricultural Societies manual states the Society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt. The cash deposited for beer and ice sales should be reconciled daily and should equal the revenue related to the sale of beer and ice. Each day, an accountability form should be prepared indicating the beginning quantity of beer and ice and the ending quantity of beer and ice. The difference between beginning and ending quantities would be the amount sold for the day. The sales price of each item multiplied by the number of items sold should then be reconciled to total collections on the daily accountability form. A single pre-numbered cash receipt can be issued for each batch of daily beer and ice sales.

The following weaknesses were identified:

- In 2014 and 2013, the Society held shootouts, livestock scrambles, MMA fights, tug a truck, and tractor pull events at the Fairgrounds. The Society reported collections of \$16,606 in 2014 and \$22,235 in 2013 for these events, which represent 8.05% and 12.22% of 2014 and 2013 total admissions revenues, respectively. The Society did not utilize tickets or ticket accountability forms to track these admissions in either year.
- In 2014 and 2013, the ticket accountability forms reflected \$182,828 and \$151,141, respectively, in total admissions revenues not related to the non-ticket accountability events noted above (daily admissions, concerts, passes, etc.) and the amounts reported and deposited for admissions revenues not related to the non-ticket accountability events noted above in 2014 and 2013 were \$189,793 and \$159,677, respectively. This resulted in a difference of \$6,965 in 2014 and \$8,536 in 2013 for related admissions being received, but not having ticket accountability documentation.
- In 2014 and 2013, beer sale revenue (based on beer sale price and amount of beer purchased and returned) should have been \$25,056 and \$7,848, respectively. However, total beer sales deposited and reported (within other operating receipts) was \$29,486 and \$8,557, respectively.

The failure to issue tickets for all events, clearly document tickets/passes that were given away, and maintain complete and accurate ticket/beer/ice accountability forms could lead to a loss of revenue for the Society, as well as the inability to detect errors and omissions promptly.

**FINDING NUMBER 2014-001
(Continued)**

The Society should utilize tickets and ticket accountability forms for all admissions revenues. In addition, the Society should document the review and approval by appropriate personnel of the ticket accountability form after the money has been recalculated and the form balanced. The accountability form should also clearly document how many tickets/passes are given away and who received the free tickets/passes.

The Society should utilize beer and ice sales accountability forms for all beer and ice revenues. In addition, the Society should document the review and approval by appropriate personnel of the sales accountability form after all beer and ice sales accountability forms are recalculated and the forms 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. We will not modify our opinion on beer and ice sales (other operating receipts) due to the related variances and related revenues not being material to the Society as a whole.

Officials' Response:

We did not receive a response from Society officials regarding this finding.

MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material Weakness – Admissions Revenues	No	Repeated as Finding Number 2014-001

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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
AUGUST 18, 2015**