



Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington County Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair 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 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 statement, the 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement 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 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 Society as of November 30, 2012 and 2011, or changes in financial position thereof for the year 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 Agricultural Society, Washington County, as of November 30, 2012 and 2011, and its cash receipts and cash disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2013, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

July 2, 2013

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

	2012	2011
Operating Receipts:		
Admissions	\$147,223	\$130,382
Privilege Fees	20,033	17,816
Sales by Fair Board	11,125	21,058
Racing	4,825	11,358
Sales Activity	11,567	5,746
Utilities	4,088	7,966
Fees	15,823	19,498
Rentals	103,001	81,903
Total Operating Receipts	317,685	295,727
Operating Disbursements:		
Wages and Benefits	12,383	63
Administrative	17,877	20,602
Supplies for Resale	17,837	18,037
Supplies	13,278	18,312
Utilities	55,062	54,748
Race Expenses	6,173	27,015
Services Expenses	90,026	81,695
Property Expenses	25,763	21,139
Advertising	11,157	20,916
Repairs	9,585	1,604
Insurance	27,021	27,893
Rent and Lease	8,898	10,031
Senior Fair	7,096	6,417
Contest Expenses	6,586	19,149
Junior Fair	13,639	7,581
Capital Outlay		100
Other Fair Expenses	12,834	4,474
Total Operating Disbursements	335,215	339,776
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(17,530)	(44,049)
Non-Operating Receipts (Disbursements):		
State Support	18,729	19,607
County Support	5,168	3,300
Restricted Donations/Contributions	26,173	17,302
Unrestricted Donations/Contributions	1,926	17,548
Debt Service	(32,653)	(31,749)
Net Non-Operating Receipts (Disbursements)	19,343	26,008
Excess (Deficiency) of Receipts Over (Under) Disbursements	1,813	(18,041)
Cash Balance, Beginning of Year	10,317	28,358
Cash Balance, End of Year	\$12,130	\$10,317

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

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**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Agricultural Society, Washington 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 four day Washington County Fair over Labor Day weekend. During the fair, harness races are held. Washington County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Washington 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 other community events and fundraisers. The reporting entity does not include any other activities or entities of Washington County, Ohio.

Note 6 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

This financial statement follows 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.

This statement includes 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.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Harness stake races are held during the Washington 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 report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

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

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

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	\$12,130	\$10,317

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

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2012 and 2011, was \$8,064 and \$8,859, respectively, as State Support.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

3. HORSE RACING (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 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. The harness races were rained out for 2012.

	2011
Total Amount Bet (Handle)	\$ 6,940
Less: Payoff to Bettors	(5,537)
Parimutuel Wagering Commission	1,403
Tote Service Set Up Fee	(200)
Tote Service Commission	(710)
State Tax	(189)
Society Portion	\$ 304

4. DEBT

Debt outstanding at November 30, 2012 was as follows:

	Principal	Interest Rate
Mortgage - Multi-Purpose Arena	\$306,038	4.75%

The mortgage for the Multi-Purpose Arena bears an interest rate of 4.75 percent and is due to the Settlers Bank. The note was entered into on April 23, 2004 and matures June 23, 2024. The land was mortgaged as security for this note.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Multi-Purpose Arena
2013	\$34,412
2014	34,412
2015	34,412
2016	34,412
2017	34,412
2018-2022	172,061
2023-2024	51,618
Total	\$395,739

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

5. RISK MANAGEMENT

The Washington County Commissioners provide general insurance coverage for all the buildings on the Washington County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and flood insurance, with limits of \$1,000,000 and \$440,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$25,000.

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 Washington County Fair auction. 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 follows:

	<u>2012</u>	<u>2011</u>
Beginning Cash Balance	\$ 20,515	\$ 10,774
Receipts	230,348	192,104
Disbursements	<u>232,008</u>	<u>182,363</u>
Ending Cash Balance	<u>\$ 18,855</u>	<u>\$ 20,515</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

Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

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 Agricultural Society, Washington County, Ohio (the Society), as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statement and have issued our report thereon dated July 2, 2013.

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 statement, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. We consider finding 2013-002 described in the accompanying Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of internal control deficiencies, less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2012-001 and 2012-002.

Entity's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

July 2, 2013

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 1711.13(B) states the total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

As of November 30, 2012, the total indebtedness of the Society was \$309,020, and the 2012 annual revenues were \$369,681. As of November 20, 2011, the total indebtedness of the Society was \$323,715 and the 2011 annual revenues were \$353,484. This resulted in the Society's net indebtedness to be in excess of 25 percent of its annual revenues for fiscal year 2012 and 2011.

We recommend the Society review their financial condition to ensure the Society has the ability to meet their debt service requirements in the future. We recommend the Society take into consideration future attendance at events sponsored by the Society, and the unpredictable nature of factors such as the weather and the local economy. We also recommend the Society adopt plans to either increase receipts or decrease expenditures in order to maintain the current levels of service and meet the increased debt service requirements.

Officials' Response: We are trying to pay our debt down.

FINDING NUMBER 2012-002

Noncompliance Citation and Material Weakness

Ohio Admin Code 117-2-02(A) states that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office 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.

In 2012, the Annual Financial Report did not agree to the cash reconciliation by \$5,715 requiring an adjustment to the Annual Financial Report. Outstanding checks from the previous year-end were not carried forward resulting in entries made in the QuickBooks system in an attempt to reconcile the system with the cash balance when the outstanding checks eventually cleared the bank. Also the beginning cash balance in the Quickbooks system for 2012 was \$0 and a journal entry posted as a deposit was made in an attempt to correct the beginning balance in the QuickBooks system.

As a result, an adjustment, with which the Society agrees, has been posted to the accompanying financial statements.

We recommend the Treasurer properly record all financial activity on the Society's books and annual financial statement. We also recommend the Treasurer prepare monthly reconciliations on a timely basis.

Officials' Response: Because of a change in computer systems, the correct balance was not brought forward.

**AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2012 AND 2011
(Continued)**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-003

Significant Deficiency

The Uniform Agricultural Society Accounting System User Manual states that 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 sold 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 all reconciliations.

We noted for fair admission ticket sales, there were instances of large variances between the cash collected and the expected revenue from ticket sales. Lack of ticket accountability could allow errors and/or fraud to occur and could result in a finding for recovery.

We recommend the Treasurer consult the Uniform Agricultural Society Accounting System User Manual and devise a system of ticket accountability that accounts for all tickets distributed with clear guidelines given to all gate workers.

Officials' Response: We are trying to devise a better system for ticket accountability.

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	A noncompliance citation for debt exceeding twenty-five percent of annual revenues.	No	Not corrected; re-issued as finding 2012-001 in report.
2010-002	A material weakness for inadequate supporting documentation for financial transactions.	Yes	N/A
2010-003	A material weakness for inadequate accounting system.	No	Not corrected; re-issued as finding 2012-002 in report.
2010-004	A material weakness for inadequate supporting documentation for receipts.	Yes	N/A

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AGRICULTURAL SOCIETY

WASHINGTON 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 1, 2013**