



Dave Yost • Auditor of State



**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Agricultural Society  
Morgan County  
4272 Lindimore Road  
McConnelsville, Ohio 43756

To the Board of Directors:

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

We have audited the accompanying financial statement and related notes of the Agricultural Society, Morgan 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 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 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 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 years then ended.

***Basis for Additional Opinion Qualification***

Golf fee receipts are reported at \$22,829 for the year ended November 30, 2012, which are nine percent of receipts for the year ended November 30, 2012. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as golf fee receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Agricultural Society, Morgan County, Ohio, 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 October 31, 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

October 31, 2013

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

	<b>2012</b>	<b>2011</b>
<b>Operating Receipts:</b>		
Admissions	\$103,889	\$103,469
Privilege Fees	24,451	23,679
Rentals	33,497	30,358
Sustaining and Entry Fees	8,150	10,640
Parimutuel Wagering Commission	46	166
Fees	9,587	6,895
Golf Fees	22,829	21,519
Other Operating Receipts	9,972	3,337
Total Operating Receipts	212,421	200,063
<b>Operating Disbursements:</b>		
Wages and Benefits	40,107	38,980
Utilities	40,966	23,758
Professional Services	73,222	69,701
Equipment and Grounds Maintenance	40,279	45,550
Race Purse	21,690	22,916
Senior Fair	8,678	10,036
Junior Fair	7,989	5,350
Contest Expenses	7,846	2,821
Capital Outlay	5,430	80,806
Other Operating Disbursements	14,026	5,153
Total Operating Disbursements	260,233	305,071
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(47,812)	(105,008)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	18,729	19,524
County Support	2,400	2,400
Debt Proceeds	9,515	55,000
Restricted Support	6,026	6,019
Donations/Contributions	16,297	8,351
Investment Income	28	47
Debt Service	(10,814)	
Net Non-Operating Receipts (Disbursements)	42,181	91,341
Excess (Deficiency) of Receipts Over (Under) Disbursements	(5,631)	(13,667)
Cash Balance, Beginning of Year	8,034	21,701
<b>Cash Balance, End of Year</b>	<b>\$2,403</b>	<b>\$8,034</b>

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

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**AGRICULTURAL SOCIETY  
MORGAN 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, Morgan 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 1851 to operate an annual agricultural fair. The Society sponsors the week-long Morgan County Fair during September. Morgan 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 Morgan 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 include facility rental, track and stall rental, golf course green fees and community events, including horse shows sponsored by the Arabian Horse Association of Ohio and fundraisers sponsored by the Morgan County Chamber of Commerce. The reporting entity does not include any other activities or entities of Morgan 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**

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. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**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).

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Income Tax Status (Continued)**

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**

Harness stake races are held during the Athens 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.

**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	\$2,403	\$8,034

**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 \$12,064 and \$8,776, respectively, as State Support.

**AGRICULTURAL SOCIETY  
MORGAN 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.

	2012	2011
Total Amount Bet (Handle)	\$1,587	\$2,722
Less: Payoff to Bettors	(1,267)	(2,162)
Parimutuel Wagering Commission	320	560
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(54)	(195)
State Tax	(42)	(82)
Society Portion	\$24	\$83

**4. DEBT**

Debt outstanding at November 30, 2012 was as follows:

	Principal	Interest Rate
Note for Barn and General Expenses	\$56,632	3.938%

The \$65,090 note bears an interest rate of 3.938 percent and is due to the Citizens National Bank of McConnelsville, Ohio. The note was entered into on October 24, 2011 and matures November 15, 2018. Proceeds of the note were used for a barn renovation and general expenses.

Amortization of the above debt is scheduled as follows:

	Barn Loan / General Expenses	Interest	Total
Year ending November 30:			
2013	\$8,601	\$2,230	\$10,831
2014	8,939	1,892	10,831
2015	9,291	1,540	10,831
2016	9,657	1,174	10,831
2017	10,038	793	10,831
2018-2019	10,106	725	10,831
Total	\$56,632	\$8,354	\$64,986

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

**5. RISK MANAGEMENT**

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

The Morgan County Commissioners provide general insurance coverage for all the buildings on the Morgan County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. The Society's Secretary and Treasurer are bonded with coverage of \$20,000 each.

**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 Morgan County Fair. The Society disbursed \$7,989 in 2012 and \$5,350 in 2011 directly to vendors to support Junior Fair activities. 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. This accompanying financial statement does not include this activity.

The Junior Fair Board's financial activity for the years ended November 30, 2012 and 2011 follows:

	2012	2011
Beginning Cash Balance	\$ 1,132	\$ 1,165
Receipts	3,347	3,085
Disbursements	(3,258)	(3,118)
Ending Cash Balance	\$ 1,221	\$ 1,132

**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 Morgan County Fair auction. A commission of 3% 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, 2012 and 2011 follows:

	2012	2011
Beginning Cash Balance	\$ 11,185	\$ 10,491
Receipts	298,851	269,411
Disbursements	(294,493)	(268,717)
Ending Cash Balance	\$ 15,543	\$ 11,185



# Dave Yost • Auditor of State

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

Agricultural Society  
Morgan County  
4272 Lindimore Road  
McConnelsville, Ohio 43756

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 Agricultural Society, Morgan County, Ohio (the Society), as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2013, 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 due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as 2012 golf fee receipts.

### ***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. 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 2012-001 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 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 Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

October 31, 2013

**AGRICULTURAL SOCIETY  
MORGAN COUNTY**

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

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

**FINDING NUMBER 2012-001**

**Material Weakness**

The Auditor of State's Uniform System of Accounting for Agricultural Societies, November 2002 revision, outlines the procedures an agricultural society should take when accounting for cash receipts. A multi-part pre-numbered receipt should be completed for each cash receipt. A copy of the receipt shall be given to the person or organization making the payment. 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 (e.g., camping contract).

The Society did not have procedures in place to account for 2012 golf fees. The 2012 golf receipts were unsupported; therefore, sufficient competent evidential matter was not provided to assure completeness of the recorded golf fee receipts. As a result, we were unable to satisfy ourselves as to golf fee receipts for 2012 by other auditing procedures. Those financial activities represent nine percent of operating and non-operating receipts for 2012. Lack of adequate supporting documentation could result in the Society improperly posting receipts to the accounting system and could allow errors and fraud to occur and remain undetected for an extended period of time.

We recommend the Society's Treasurer, Board of Directors and employees take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Society. We recommend the Society follow the procedures that are outlined in the Auditor of State's Uniform System of Accounting for Agricultural Societies. Duplicate receipts should be written for all money received indicating the date, payee, description of the type of revenue, account number and amount. Another option would be the use of a cash register with a daily log maintained to summarize names of participants, dates and amounts paid.

**Officials' Response:** We did not receive a response from the officials to the finding reported above.

**AGRICULTURAL SOCIETY  
MORGAN 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; <b><i>Explain</i></b>
2010-001	A material weakness was issued for no supporting documentation being maintained for golf fee receipts.	No	Not corrected; reported in the Schedule of Findings as Finding Number 2012-001.





# Dave Yost • Auditor of State

**MORGAN COUNTY AGRICULTURAL SOCIETY**

**MORGAN 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 19, 2013**