

***MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Dave Yost • Auditor of State

Board of Directors
Madison County Agricultural Society
205 Elm Street
P.O. Box 30
London, Ohio 43140

We have reviewed the *Report of Independent Accountants* of the Madison County Agricultural Society, Madison County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2008 through November 30, 2010. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Madison 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

March 27, 2013

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MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Audit Report
For the Years Ended November 30, 2010 and 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Madison County Agricultural Society
Madison County
205 Elm Street, P.O. Box 30
London, Ohio 43140

To the Board of Directors:

We have audited the accompanying financial statements of the Madison County Agricultural Society, Madison County (the Society), as of and for the years ended November 30, 2010 and 2009. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.


As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2010 and 2009, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances as of November 30, 2010 and 2009 of the Madison County Agricultural Society, and its cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal controls over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Charles E. Harris". The signature is written in a cursive, slightly slanted style.

Charles E. Harris & Associates, Inc.

January 17, 2013

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
For the Year Ended November 30, 2010**

	2010
Operating Receipts:	
Admissions	\$ 127,952
Privilege Fees	52,113
Rentals	48,900
Sustaining and Entry Fees	43,501
Parimutuel Wagering Commission	1,680
Other Operating Receipts	40,704
Total Operating Receipts	314,850
Operating Disbursements:	
Wages and Benefits	10,275
Utilities	47,977
Professional Services	93,365
Equipment and Grounds Maintenance	63,412
Race Purse	61,503
Senior Fare	14,085
Junior Fare	21,718
Capital Outlay	3,223
Other Operating Disbursements	38,351
Total Operating Disbursements	353,909
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(39,059)
Non-Operating Receipts (Disbursements):	
State Support	22,192
County Support	3,500
Donations/Contributions	1,671
Interest	8
Bank Fees	(604)
Net Non-Operating Receipts (Disbursements)	26,767
Excess (Deficiency) of Receipts Over (Under) Disbursements	(12,292)
Cash Balance December 1, 2009	26,039
Cash Balance November 30, 2010	\$ 13,747

See accompanying notes to the financial statements.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
For the Year Ended November 30, 2009**

	2009
Operating Receipts:	
Admissions	\$ 141,939
Privilege Fees	44,179
Rentals	49,594
Sustaining and Entry Fees	56,475
Other Operating Receipts	30,263
Total Operating Receipts	322,450
Operating Disbursements:	
Wages and Benefits	9,154
Utilities	46,399
Professional Services	87,563
Equipment and Grounds Maintenance	80,707
Race Purse	73,549
Senior Fare	15,097
Junior Fare	20,611
Capital Outlay	36,694
Other Operating Disbursements	26,525
Total Operating Disbursements	396,299
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(73,849)
Non-Operating Receipts (Disbursements):	
State Support	23,704
County Support	3,500
Donations/Contributions	12,561
Interest	135
Bank Fees	(567)
Net Non-Operating Receipts (Disbursements)	39,333
Excess (Deficiency) of Receipts Over (Under) Disbursements	(34,516)
Cash Balance December 1, 2008	60,555
Cash Balance November 30, 2009	\$ 26,039

See accompanying notes to the financial statements.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended November 30, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Madison County Agricultural Society, Madison County, Ohio, (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1947 to direct the operation of an annual agricultural fair. The Society sponsors the week-long Madison County Fair during July. During the fair, harness races are held. Madison County is not financially accountable for the Society. The responsibility for management of the affairs of the Society is vested in the Board of Directors (the Board). The Board is made up of 18 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Madison 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 animal shows. The reporting entity does not include any other activities or entities of Madison County, Ohio.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended November 30, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

E. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Stake races are conducted during the Madison 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 purses to winning horses.

Sustaining and Entry Fees

Horse owners and the U.S. Trotting Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race.

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

A pari-mutual wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses at various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as determined by the pari-mutuel wagering system.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended November 30, 2010 and 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Pari-mutuel Wagering

The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (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 statements as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. CASH

The carrying amount of cash and investments at November 30, 2010 and 2009 are as follows:

	2010	2009
Demand Deposits	\$ 8,733	\$ 21,025
Money Markets	5,014	5,014
Total Deposits and Investments	\$ 13,747	\$ 26,039

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Society, or (3) collateralized by the financial institution's public entity deposit pool.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement the race purse for the years ended November 30, 2010 and 2009 was \$11,040 and \$12,144, respectively. These amounts are included within State Support on the accompanying financial statements.

Pari-mutuel Wagering

The Society does not record the total Amount Bet or the Payoff to Bettors in the accompanying financial statements, rather, it records the pari-mutuel wagering commission and taxes which include the Society's share after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services. State taxes are also paid from Pari-mutuel wagering commissions and the amount remaining is the Society's net portion.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended November 30, 2010 and 2009**

3. HORSE RACING (Continued)

Pari-mutuel Wagering

	2010	2009
Total Amount Bet (Handle)	\$ 16,987	\$ 14,605
Less:		
Payoff to Bettors	(12,331)	(10,603)
Parimutuel Wagering Commissio	(2,975)	(2,561)
State Tax	(477)	(423)
Society Portion	\$ 1,204	\$ 1,018

4. DEBT

The Society had no debt outstanding at November 30, 2010.

5. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2010 and 2009, employees contributed 7.65% of their gross salaries. The Society contributed an amount equal to 7.65% of participant's gross salaries through November 30, 2010.

6. RISK MANAGEMENT

The Madison County Commissioners provide general insurance coverage for all the buildings on the Madison County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. The Society has obtained general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's Treasurer is bonded with coverage of \$50,000.

Workers' compensation benefits are provided through the State Bureau of Worker's Compensation. The premium is calculated based upon accident history and administrative costs.

There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended November 30, 2010 and 2009**

7. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H and FFA representatives, is responsible for the Junior Fair Division activities of the Madison County Fair. The Society disbursed \$21,718 for the year ended November 30, 2010 and \$20,611 for the year ended November 30, 2009 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statements as Junior Fair Disbursement. The Society was reimbursed \$500 for the years ended November 30, 2010 and 2009 by Madison County for its support of Junior Club work. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statements do not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the years ended November 30, 2010 and 2009 is as follows:

	2010	2009
Beginning Cash Balance	\$1,069	\$8,357
Receipts	9,556	542
Disbursements	(6,944)	(7,830)
Ending Cash Balance	\$ 3,681	\$1,069

8. 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 Madison County's auction. Monies to cover the cost of the auction are generated through a 3% commission and are retained by the Junior Livestock Committee. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2010 and 2009 is as follows:

	2010	2009
Beginning Cash Balance	\$9,363	\$11,180
Receipts	269,845	216,617
Disbursements	(246,224)	(218,434)
Ending Cash Balance	\$ 32,984	\$9,363

9. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Madison County Agricultural Society
Madison County
205 Elm Street, P.O. Box 30
London, Ohio 43140

To the Board of Directors:

We have audited the financial statements of the Madison County Agricultural Society, Madison County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated January 17, 2013, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

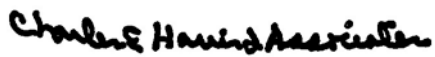
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-MADAG-01 through 03 described in the accompanying Schedule of Audit Findings to be material weaknesses.

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, providing an opinion 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*.

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.

We intend this report solely for the information and use of the finance committee, management, the Board of Directors, and others within the Society. We intend it for no one other than these specified parties.



Charles E. Harris and Associates, Inc.

January 17, 2013

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Years Ended December 31, 2010 and 2009**

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

Finding Number 2010-MADAG-01 - Material Weakness

The Society utilizes QuickBooks to maintain its accounting records. However, its regulatory statements are prepared manually and there does not appear to be a review process to prevent errors. We noted the following errors:

- Budgeted amounts for State Support of \$5,774 in 2009 and \$4,776 in 2010 were included in the financial statements as cash receipts although these amounts were not actually received. Therefore, non-operating receipts and ending cash balances were overstated by \$5,774 and \$4,776 in 2009 and 2010, respectively.
- In 2010 a cash disbursement of \$6,000 from the Jr. Fair Savings account for various fair expenses was not recorded in the financial statements and was reflected on the books as an unclassified expense. Therefore, operating disbursements were understated by \$6,000 and ending cash balances were overstated by a like amount.
- In 2010 a cash disbursement of \$4,700 from the Sr. Fair account was not recorded on the books nor reflected in the financial statements. Therefore, cash disbursements were understated by \$4,700 and ending cash balances were overstated by a like amount.
- In 2009 a \$6,000 bank transfer from the Society's investment account to the general checking account was recorded as a cash receipt and as a cash expenditure rather than as a bank transfer. Therefore, operating receipts and operating disbursements were overstated by \$6,000 each. There was no effect on cash balances.
- Various other minor mathematical errors were noted.

The net effect of these errors was to overstate the ending cash balance of the Society by \$12,308 at November 30, 2010.

The financial statements have been adjusted accordingly.

We recommend the Society implement additional internal control procedures to ensure the accuracy and completeness of transactions and the annual financial reports. The internal control procedures can include additional review of financial statements, revenue ledgers, and expenditures ledgers by an outside party and/or using analytical reviews for comparison of current year to prior year numbers. In addition, we recommend that the Society review its procedures for bank transfers.

Management Response:

We did not receive a management response.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS-(Continued)
For the Years Ended December 31, 2010 and 2009**

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

Finding Number 2010-MADAG-02 – Material Weakness

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. The Society's bank reconciliations at the end of 2009 and 2010 had several errors including listing the wrong amounts for the bank balance. Because of offsetting errors, the ending cash balance reflected in the 2009 annual financial statement was only overstated by \$8. However, the ending cash balance reflected in the 2010 annual financial statement was overstated by \$12,308. The annual reports for these years were filed with the Auditor of State with these errors. The financial statements have been adjusted accordingly.

Without complete and accurate monthly bank reconciliations, the Society's internal control is weakened, which could hinder the detection of errors or irregularities by the Society's management in a timely manner.

We recommend the bank reconciliations be reviewed and approved by a person on the governing body who is not a check signor.

Management Response:

We did not receive a management response.

Finding Number 2010-MADAG-03 – Material Weakness

Although the Society disburses funds by check with two signatures required, it also allows various disbursements to vendors to be paid in cash rather than by check. This practice does not provide effective control over the disbursement of funds.

We recommend that the Society suspend the practice of paying vendors in cash and disburse funds only by check.

Management Response:

We did not receive a management response.

SCHEDULE OF PRIOR AUDIT FINDINGS

The prior audit report, for the years ended November 30, 2008 and 2007 reported no material citations or recommendations.



Dave Yost • Auditor of State

MADISON COUNTY AGRICULTURAL SOCIETY

MADISON 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
APRIL 9, 2013**