



Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY
HURON COUNTY**

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Dave Yost • Auditor of State

Agricultural Society
Huron County
940 Fair Road
Norwalk, Ohio 44857-2041

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

May 30, 2013

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Huron County
940 Fair Road
Norwalk, Ohio 44857-2041

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Huron County, Ohio (the Society), as of and for the years ended November 30, 2012 and 2011. 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 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 agricultural societies 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, 2012 and 2011 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, 2012 or 2011, 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 cash balance as of November 30, 2012 and 2011 of the Agricultural Society, Huron County, Ohio, and its cash receipts and disbursements 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 May 30, 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 did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control 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 "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

May 30, 2013

**AGRICULTURAL SOCIETY
HURON COUNTY**

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

	<u>2012</u>	<u>2011</u>
Operating Receipts:		
Taxes	\$1,638	\$1,291
Admissions	256,624	236,008
Privilege Fees	99,246	98,788
Rentals	81,212	98,868
Entry Fees	14,565	11,127
Other Operating Receipts	<u>28,200</u>	<u>28,995</u>
 Total Operating Receipts	 <u>481,485</u>	 <u>475,077</u>
Operating Disbursements:		
Wages and Benefits	50,279	53,286
Administrative Expenses	1,789	3,630
Supplies for Resale	5,229	6,674
Utilities	64,144	60,424
Office Supplies	23,985	24,157
Professional Services	137,000	138,832
Equipment and Grounds Maintenance	36,883	40,378
Advertising	17,425	16,575
Repairs	25,746	33,455
Insurance	16,350	15,144
Rent/Lease	8,445	9,206
Senior Fair	17,403	18,898
Contest Expense	12,845	12,300
Junior Fair	32,802	32,604
Capital Outlay	2,847	48,521
Other Operating Disbursements	<u>13,538</u>	<u>12,839</u>
 Total Operating Disbursements	 <u>466,710</u>	 <u>526,923</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>14,775</u>	 <u>(51,846)</u>
Non-Operating Receipts (Disbursements):		
State Support	5,665	5,748
County Support	3,000	3,000
Donations/Contributions	81,833	68,082
Investment Income	31	23
Debt Service	<u>(70,131)</u>	<u>(29,140)</u>
 Net Non-Operating Receipts (Disbursements)	 <u>20,398</u>	 <u>47,713</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 35,173	 (4,133)
 Cash Balance, Beginning of Year	 <u>130,870</u>	 <u>135,003</u>
 Cash Balance, End of Year	 <u><u>\$166,043</u></u>	 <u><u>\$130,870</u></u>

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

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**AGRICULTURAL SOCIETY
HURON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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, Huron County, Ohio (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 1921 to operate an annual agricultural fair. The Society sponsors the week-long Huron County Fair during August. Huron County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 31 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Huron 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including Firelands Antique Restored Machines (FARM) shows. The reporting entity does not include any other activities or entities of Huron County, Ohio.

Notes 5 and 6, 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

These financial statements follow 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.

These statements include 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
HURON COUNTY**

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

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:

	2012	2011
Demand deposits	\$86,217	\$104,456
Other time deposits (savings accounts)	79,826	26,414
Total deposits	\$166,043	\$130,870

Deposits are insured by the Federal Depository Insurance Corporation.

3. DEBT

Debt outstanding at November 30, 2012 was as follows:

	Principal	Interest Rate
Promissory Note	\$100,000	6.90%

The note bears an interest rate of 6.90 percent and is due to National City Bank. The note was entered into on June 8, 2007 and was scheduled to mature on October 31, 2021. The Society is to make annual payments of \$24,066. Proceeds of the note were used to upgrade the Society's camping facilities.

The Society made an additional principal payment on the note during 2012. As a result the maturity date of the note has been revised to October 2017.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Promissory Note	Interest	Total
2013	\$17,166	\$6,900	\$24,066
2014	18,351	5,716	24,067
2015	19,617	4,449	24,066
2016	20,971	3,096	24,067
2017	23,895	172	24,067
Total	\$100,000	\$20,333	\$120,333

4. RISK MANAGEMENT

The Huron County Commissioners provide general insurance coverage for all the buildings on the Huron County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

Risk Pool Membership

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**AGRICULTURAL SOCIETY
HURON COUNTY**

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

4. RISK MANAGEMENT (Continued)

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2010, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$33,362,404	\$34,952,010
Liabilities	<u>(14,187,273)</u>	<u>(14,320,812)</u>
Net Assets	<u>\$19,175,131</u>	<u>\$20,631,198</u>

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$13 million and \$12.9 million of estimated incurred claims payable. The assets above also include approximately \$12.1 million and \$12.4 million of unpaid claims to be billed to approximately 455 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Society's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**AGRICULTURAL SOCIETY
HURON COUNTY**

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

4. RISK MANAGEMENT (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$8,818	\$10,024

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

5. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Huron County Fair. The Society disbursed \$32,802 in 2012 and \$32,604 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.

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 Huron County's auction. A commission of 4 percent on grand auction sales and 2 percent on sales of all other animals 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	\$ 4,117	\$ 7,874
Receipts	441,659	399,951
Disbursements	(440,262)	(403,708)
Ending Cash Balance	\$ 5,514	\$ 4,117



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
Huron County
940 Fair Road
Norwalk, Ohio 44857-2041

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, Huron 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 May 30, 2013 wherein we noted the Society followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

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 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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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.

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Dave Yost
Auditor of State

May 30, 2013



Dave Yost • Auditor of State

AGRICULTURAL SOCIETY-HURON COUNTY

HURON 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
JUNE 25, 2013**