



Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

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Dave Yost • Auditor of State

Agricultural Society
Morgan County
320 North Best Road
Malta, Ohio 43758

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 25, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Morgan County
320 North Best Road
Malta, Ohio 43758

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Morgan County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as described in paragraph six, 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 this financial statement 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 statement of the variances between these regulatory accounting practices and GAAP, we presume they are material.

GAAP require presenting entity-wide statements. While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statement does 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 third following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2010 and 2009 does 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.

We were unable to determine the completeness of golf fee receipts for years ended November 30, 2010 and 2009. It was not practical to perform alternative procedures.

Also, in our opinion, except for such adjustments, if any, that would have been necessary had sufficient competent evidential matter been available to assure completeness of the recorded golf fee receipts for the years ended November 30, 2010 and 2009, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Agricultural Society, Morgan County, Ohio, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2011, 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.



Dave Yost
Auditor of State

July 25, 2011

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating Receipts:		
Admissions	\$109,033	\$114,148
Privilege Fees	25,022	22,923
Rentals	36,638	27,081
Sustaining and Entry Fees	16,516	19,641
Parimutuel Wagering Commission	182	193
Golf Fees	29,158	34,616
Other Operating Receipts	<u>9,224</u>	<u>10,750</u>
 Total Operating Receipts	 <u>225,773</u>	 <u>229,352</u>
Operating Disbursements:		
Wages and Benefits	44,292	44,840
Utilities	27,626	23,857
Professional Services	58,743	60,616
Equipment and Grounds Maintenance	39,698	35,058
Racing Expenses	38,755	41,884
Senior Fair	8,071	7,146
Junior Fair	8,346	8,426
Contest Expenses	8,426	8,310
Capital Outlay		14,680
Other Operating Disbursements	<u>18,993</u>	<u>19,493</u>
 Total Operating Disbursements	 <u>252,950</u>	 <u>264,310</u>
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 <u>(27,177)</u>	 <u>(34,958)</u>
Non-Operating Receipts (Disbursements):		
State Support	22,192	23,704
County Support	2,400	2,400
Donations/Contributions	14,850	7,507
Investment Income	<u>104</u>	<u>227</u>
 Net Non-Operating Receipts (Disbursements)	 <u>39,546</u>	 <u>33,838</u>
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 12,369	 (1,120)
 Cash Balance, Beginning of Year	 <u>9,332</u>	 <u>10,452</u>
 Cash Balance, End of Year	 <u><u>\$21,701</u></u>	 <u><u>\$9,332</u></u>

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, 2010 AND 2009**

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 direct the operation of an annual agricultural fair. The Society sponsors the week-long Morgan County Fair during September. During the fair, harness races are held. 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 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

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 statement does not include these items as assets.

D. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509(a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Harness stake races are held during the Morgan 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, 2010 and 2009 was as follows:

	2010	2009
Demand deposits	<u>\$21,701</u>	<u>\$9,332</u>

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

2. DEPOSITS (Continued)

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

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009, in the amount of \$22,192 and \$23,704 respectively, as State Support.

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.

	2010	2009
Total Amount Bet	\$5,448	\$5,781
Less: Payoff to Bettors	(4,358)	(4,624)
Parimutual Wagering Commission	1,090	1,157
Tote Service Set-Up Fee	(400)	(400)
Tote Service Commission	(385)	(426)
State Tax	(140)	(148)
Society Portion	\$165	\$183

4. 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.

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2010 AND 2009
(Continued)**

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 Morgan County Fair. The Society disbursed \$8,346 for 2010 and \$8,426 for 2009 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Morgan County paid the Society \$500 in 2010 and \$500 in 2009 to support Junior Club work. 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 year ended November 30, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$471	\$1,067
Receipts	3,410	6,862
Disbursements	(2,716)	(7,458)
Ending Cash Balance	\$1,165	\$471

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 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 follows:

	2010	2009
Beginning Cash Balance	\$10,014	\$10,252
Receipts	233,579	234,687
Disbursements	(233,102)	(234,925)
Ending Cash Balance	\$10,491	\$10,014



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

Agricultural Society
Morgan County
320 North Best Road
Malta, Ohio 43758

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Morgan County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated July 25, 2011, 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 also noted that sufficient competent evidential matter was not available to obtain the necessary assurances over the completeness of the Society's recorded golf fee receipts for the years ended November 30, 2010 and 2009. Except as discussed in the preceding sentence, 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*.

Internal Control 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 opinion 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 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 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 finding 2010-001 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, 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 that we must report under *Government Auditing Standards*.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated July 25, 2011.

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

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

July 25, 2011

**AGRICULTURAL SOCIETY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009**

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

FINDING NUMBER 2010-001

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 golf fees. These 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 by other auditing procedures. Those financial activities represent 11 percent and 13 percent of operating and non-operating receipts for 2010 and 2009, respectively. 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, 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 Officials to this finding.

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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
AUGUST 16, 2011**