



Dave Yost • Auditor of State

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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Dave Yost • Auditor of State

Miami County Agricultural Society
Miami County
650 N. County Road 25-A
Troy, Ohio 45373

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 8, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Miami County Agricultural Society
Miami County
650 N. County Road 25-A
Troy, Ohio 45373

To the Board of Directors:

We have audited the accompanying financial statements of Miami County Agricultural Society, Miami 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.

Except as discussed in the following paragraphs, 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 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, 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.

Because of inadequacies in the Society's accounting records, we were unable to form an opinion regarding the amount of admissions receipts in the accompanying statement of revenues, expenditures, and changes in fund balance stated at \$140,663 and \$161,374 (or 27% and 29% of total revenues) at November 30, 2010 and 2009, respectively.

In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the Society's admission receipts referred to in the paragraph above, the financial statements referred to above present fairly, in all material respects, the cash balances of Miami County Agricultural Society, Miami County, 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 statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 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 8, 2011

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

	2010	2009
Operating Receipts:		
Admissions	\$140,663	\$161,374
Privilege Fees	79,072	72,367
Rentals	125,750	123,903
Sustaining and Entry Fees	17,379	18,365
Parimutuel Wagering Commission	1,206	1,620
Other Operating Receipts	23,884	16,991
Total Operating Receipts	387,954	394,620
 Operating Disbursements:		
Wages and Benefits	53,917	62,742
Utilities	77,829	65,983
Professional Services	91,224	111,978
Equipment and Grounds Maintenance	91,981	100,768
Race Purse	37,556	40,254
Senior Fair	14,187	13,873
Junior Fair	20,178	26,752
Supplies	21,091	28,048
Capital Outlay	106,615	68,955
Other Operating Disbursements	60,588	88,084
Total Operating Disbursements	575,166	607,437
 Deficiency of Operating Receipts Under Operating Disbursements	(187,212)	(212,817)
 Non-Operating Receipts (Disbursements):		
State Support	22,341	23,704
County Support	42,020	47,750
Debt Proceeds	9,500	25,000
Restricted Support	51,814	62,828
Unrestricted Support	10,367	6,207
Investment Income	56	126
Debt Service	(17,461)	(4,940)
Net Non-Operating Receipts (Disbursements)	118,637	160,675
 Deficiency of Receipts Under Disbursements	(68,575)	(52,142)
 Cash Balance, Beginning of Year	115,620	167,762
 Cash Balance, End of Year	<u>\$47,045</u>	<u>\$115,620</u>

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

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**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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 Miami County Agricultural Society, Miami County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the week-long Miami County Fair during August. During the fair, harness races are held, culminating in the running of the Super Stakes Races. Miami County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-five directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Miami 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 swap meets, dog shows, and car shows. The reporting entity does not include any other activities or entities of Miami County, Ohio.

Note 5 summarizes the Junior Livestock Sale Committee's financial activity. The financial activity of the Junior Fair Board is included in the financial statements.

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. Deposits

During the audit period, the Society maintained a general checking account, racing committee checking account, and a savings account, which were valued at cost.

D. 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.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Race Purse

Super stake races are held during the Miami 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.

1. Sustaining and Entry Fees

Horse owners and the Ohio Colt Racing Association 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.

2. 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.

H. 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 Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, was as follows:

	<u>2010</u>	<u>2009</u>
Demand Deposits	\$47,045	\$115,620
Total deposits	<u>\$47,045</u>	<u>\$115,620</u>

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

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009 was \$11,040 and 12,144, respectively, as State Support.

B. Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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 (Handle)	\$19,132	\$23,100
Less: Payoff to Bettors	(18,214)	(21,723)
Pari-mutuel Wagering Commission	918	1,377
Tote Service Set Up Fee	3,039	3,858
Tote Service Commission	(1,762)	(2,237)
State Tax	(494)	(689)
Society Portion	<u>\$ 1,701</u>	<u>\$ 2,309</u>

4. RISK MANAGEMENT

The Miami County Commissioners provide general insurance coverage for all the buildings on the Miami County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 in the aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$2,000,000. The Society's general manager and treasurer are bonded with coverage of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 31, 2010.

5. 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 Miami County's auction. A commission of three percent 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 year ended December 31, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$16,133	\$13,025
Receipts	248,224	251,829
Disbursements	(255,489)	(248,721)
Ending Cash Balance	<u>\$ 8,868</u>	<u>\$16,133</u>

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

6. DEBT

Debt outstanding at November 30, 2010 was as follows:

	Principal	Interest Rate
Duke Building Addition Loan	\$18,207	5.40%

The \$25,000 Duke Building Addition Commercial Loan bears an interest rate of 5.40 percent and is due to U.S Bank. The loan was entered into on May 20, 2009 and matures May 20, 2014. Proceeds of the loan were used for the Duke building addition.

The Society obtained a \$100,000 line of credit from US Bank on September 28, 2009 for operating funds. The line of credit has an interest rate of prime plus 1%. In fiscal year 2010 the Society drew \$9,500 on the line of credit. The Society did not draw any funds on the line of credit in 2009.

Amortization of the above debt is scheduled as follows:

	Duke Building Commercial Loan	Interest	Total
Year ending November 30:			
2011	4,852	876	\$5,728
2012	5,123	605	5,728
2013	5,412	316	5,728
2014	2,820	45	2,865
Total	\$18,207	\$1,842	\$20,049

7. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2010 and 2009, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2010.



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

Miami County Agricultural Society
Miami County
650 N. County Road 25-A
Troy, Ohio 45373

To the Board of Directors:

We have audited the financial statements of the Miami County Agricultural Society, Miami County (The Society) as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated July 8, 2011, wherein we noted the Society prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report on the financial statements due to inadequacies in the Society's accounting records, regarding the amount of admissions receipts which are reported in the accompanying statement of revenues, expenditures, and changes in cash balance at \$140,663 and \$161,374 (or 27% and 29% of total revenues) at November 30, 2010 and 2009, respectively. 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 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-002.

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 8, 2011.

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 management, the audit committee, Board of Directors and others within the Society. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

July 8, 2011

**MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

MATERIAL WEAKNESS

The Society sold various admissions tickets and passes during the week of the annual County Fair in **2010 and 2009**. **The Uniform System of Accounting for Agricultural Societies Manual** states all tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt shall be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office shall be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations shall be performed for groups of tickets assigned to each local merchant for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

The following weaknesses were noted with regards to the Society's admission revenues in 2009 and 2010:

- In 2010, the ticket accountability forms for each ticket seller and for each day of the fair did not indicate the beginning and ending ticket numbers sold, only the total number of tickets sold by each ticket taker.
- In 2010 and 2009, the ticket accountability forms for daily admissions were not documented as being reviewed and reconciled by the Treasurer when the money was received.
- In 2010 and 2009, the Society sold season passes at the entrance gates; however, the ticket accountability forms showed only the number of passes sold, but not the actual beginning and ending numbers of the passes sold each day.
- In 2010 and 2009, the Society held concerts, demolition derbies and tractor pulls at the Fairgrounds. The Society collected \$23,318 in 2010 and \$33,074 in 2009 for these events which represents 16.6% and 20.5% of total admissions revenues respectively. There were no ticket accountability forms or seating charts for each year maintained for these receipts.
- In 2010 and 2009, the Society issued free tickets for various purposes; however, the Society failed to document the number of tickets, type of ticket, and the approval of the Board for the issuance of the free tickets.
- In 2009, the Society issued different ticket types from the same number series instead of utilizing separate pre-printed ticket rolls for each different type of ticket such as exhibitor, season, or student.

The failure to issue tickets and maintain complete and accurate ticket accountability forms could lead to a loss of revenue for the Society as well as the inability to detect errors and omissions promptly. Additionally, due to the errors noted above a opinion qualification was issued.

The Society should utilize tickets and ticket accountability forms for all admissions revenues. In addition, the Treasurer should make sure that ticket accountability forms are completed with the beginning and ending ticket numbers when returned and document the review of the form after the money has been recalculated and the form balanced.

Official's Response:

MCAS has now established procedures and a documentation system to track the sale of all types of passes and approval for passes given away and traded for goods and services.

FINDING NUMBER 2010-002

NONCOMPLIANCE

Ohio Rev. Code Section 149.351(A) states, in part that, all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

The Society issued contracts for rental space and privilege fees to various customers and vendors during 2009 and 2010 for space at the fairgrounds. Additionally the Society received gifts and contributions from various organizations and individuals for specific purposes. These funds were recorded as rental receipts, privilege fees and restricted support receipts, respectively on the Society's statement of receipts, expenditures, and change in fund balance.

- 1 out of 25 rental contracts and 1 out 25 privilege fee contracts examined could not be located by the Society to support the amounts on the validated deposit slips and duplicate receipts;
- 30 out of 32 restricted support revenue receipts tested amounting to \$33,391 during Fiscal Year 2010 and 13 out of 22 receipts tested in Fiscal Year 2009 amounting to \$32,425 only included a duplicate receipt and validated deposit slip for support. No remittance slip or copy of check denoting the restriction of monies was maintained.

The Society should maintain all rental and privilege fee contracts, as well as copies of checks or remittance advices from individuals or organizations providing support to the Society that is for a restricted purpose.

Official's Response:

Procedures are now in place for cross referencing contract numbers with receipt numbers.

MIAMI COUNTY AGRICULTURAL SOCIETY
MIAMI COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Admissions Revenue	No	Repeated as Finding 2010-001

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MIAMI COUNTY AGRICULTURAL SOCIETY

MIAMI 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 11, 2011**