



Dave Yost • Auditor of State

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

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Dave Yost • Auditor of State

Defiance County Agricultural Society
Defiance County
P.O. Box 184
Hicksville, Ohio 43526-0184

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

December 13, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Defiance County Agricultural Society
Defiance County
P.O. Box 184
Hicksville, Ohio 43526-0184

To the Board of Directors:

We have audited the accompanying financial statements of Defiance County Agricultural Society, Defiance County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010. 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.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Society's larger (i.e. major) funds separately. 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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position or cash flows 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, 2011 and 2010 of Defiance County Agricultural Society, Defiance 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 December 13, 2012, 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

December 13, 2012

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010**

	2011	2010
Operating Receipts:		
Admissions	\$125,476	\$129,188
Privilege Fees	34,710	36,805
Rentals	50,446	50,242
Sustaining and Entry Fees	23,141	23,254
Parimutuel Wagering Commission	1,084	1,266
Other Fees	6,968	7,322
Other Operating Receipts	1,151	2,655
<i>Total Operating Receipts</i>	<i>242,976</i>	<i>250,732</i>
Operating Disbursements:		
Administrative	14,483	8,515
Race Expenses	1,390	2,953
Supplies	15,684	11,285
Utilities	31,087	28,220
Professional Services	31,831	35,041
Equipment and Grounds Maintenance	130,406	46,581
Race Purse	38,886	37,722
Advertising	8,198	10,159
Senior Fair	57,827	47,530
Junior Fair	13,138	15,629
Other Operating Disbursements	1,183	24,995
<i>Total Operating Disbursements</i>	<i>344,113</i>	<i>268,630</i>
<i>Excess of Operating Disbursements Over Operating Receipts</i>	<i>(101,137)</i>	<i>(17,898)</i>
Non-Operating Receipts (Disbursements):		
State Support	24,529	22,192
County Support	10,500	4,500
Debt Proceeds		
Livestock Sale Income	252,024	186,958
Donations/Contributions	36,266	43,802
Investment Income	247	226
Livestock Sale Expenses	(241,205)	(187,477)
Debt Service		(5,462)
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>82,361</i>	<i>64,739</i>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>(18,776)</i>	<i>46,841</i>
<i>Cash Balance, Beginning of Year</i>	<i>107,993</i>	<i>61,152</i>
<i>Cash Balance, End of Year</i>	<i>\$89,217</i>	<i>\$107,993</i>

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

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010**

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 Defiance County Agricultural Society, Defiance 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 1877 to operate an annual agricultural fair. The Society sponsors the week-long Defiance County Fair during August. During the fair, harness races are held, culminating in the running of the Gene L. Vance Memorial Race and the Kermit Peter Trot Race. Defiance County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 30 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Defiance County and pay an annual membership fee to the Society.

B. Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week. Other year round activities at the fairgrounds including facility rental, stall rental, and community events such as the Ball Summer Fest in 2010. The reporting entity does not include any other activities or entities of Defiance County, Ohio.

Note 5 summarize the Junior Fair Board's financial activity.

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

C. 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.

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. 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.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

Northwest Ohio Colt stake races are held during the Defiance 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 Defiance County's Horseman's 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 statements reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. DEPOSITS

The carrying amount of deposits at November 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Demand deposits	<u>\$89,217</u>	<u>\$107,993</u>

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

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2011 and 2010 was \$18,781 and \$16,040, 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.

	2011	2010
Total Amount Bet (Handle)	\$ 13,765	\$ 15,821
Less: Payoff to Bettors	(10,511)	(12,080)
Parimutuel Wagering Commission	3,254	3,741
Tote Service Set Up Fee	(400)	(400)
Tote Service Commission	(1,353)	(1,595)
State Tax	(417)	(480)
Society Portion	\$ 1,084	\$ 1,266

4. RISK MANAGEMENT

The Defiance County Commissioners provide general insurance coverage for all the buildings on the Defiance County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate.

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 (Name of County) County Fair. In fiscal years 2011 and 2010, the Society disbursed \$13,138 and \$15,629, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2011 and 2010 follows:

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

5. JUNIOR FAIR BOARD (Continued)

	<u>2011</u>	<u>2010</u>
Beginning Cash Balance	\$ 3,693	\$ 1,808
Receipts	6,470	10,770
Disbursements	<u>(8,765)</u>	<u>(8,885)</u>
Ending Cash Balance	<u>\$ 1,398</u>	<u>\$ 3,693</u>



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

Defiance County Agricultural Society
Defiance County
P.O. Box 184
Hicksville, Ohio 43526-0184

To the Board of Directors:

We have audited the financial statements of Defiance County Agricultural Society, Defiance County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010, and have issued our report thereon dated December 13, 2012. 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 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 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 2011-001 through 2011-003 described in the accompanying schedule of 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*.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated December 13, 2012.

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

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Dave Yost
Auditor of State

December 13, 2012

**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-001

Material Weakness

Monitoring of Financial Transactions

Financial reporting is the responsibility of the Fiscal Officer and Board of Directors. Sound accounting procedures require there to be monitoring procedures performed by management to ensure the information provided to the readers of the financial statements is complete and accurate.

As part of this monitoring process, the Fiscal Officer reconciles the Quickbook financial activity to the bank account balances at the end of each month. This procedure is an important method of detecting errors in the Quickbook postings and bank account records. After this procedure is completed, any errors found should be immediately corrected, and month end financial information should be generated by the Fiscal Officer.

Due to the small size of the Society's fiscal operations, the Fiscal Officer performs most accounting functions. It is therefore important the Board of Directors, or its designee, also monitor financial activity closely.

The Fiscal Officer did not perform complete bank reconciliations during the audit period which contributed to the following errors:

- A bank transfer of \$10,245 was posted as a revenue in fiscal year 2011 on the profit/loss statement;
- In fiscal year 2010, disbursements of \$2,427 were double booked since they were originally recorded in fiscal year 2009;
- There were \$1,056 and \$11,422 in disbursements which were not reflected on the profit/loss statement in fiscal years 2011 and 2010, respectively.

As a result, the financial statements did not correctly reflect the activity of the Society. The financial statements and accounting records have been adjusted to correct these errors.

In an effort to help ensure financial activity of the Society is being properly accounted for and reported we recommend

- The Fiscal Officer prepare a spreadsheet using Quickbooks information to show the beginning cash fund balance plus profit/loss statement revenues less profit/loss statement expenditures to obtain the overall ending cash fund balance. This ending fund balance should agree to the cash reconciliation of all of the Society's bank accounts. This should be done on a monthly basis.
- The Board, or its designee, should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of bank account balances, outstanding checks, deposits in transit; and procedures should be performed to ensure the spreadsheets compute to the totals indicated.

**FINDING NUMBER 2011-001
(Continued)**

- The Board, or its designee, should develop a review process to ensure all transactions are accurately posted to the accounting system and in the Society's annual financial report to ensure errors and omissions are detected and corrected. Also, all transactions should be posted to the proper accounts in the chart of accounts used by the Society, as suggested in the Uniform System of Accounting for Agricultural Societies manual issued by the Auditor of State.

FINDING NUMBER 2011-002

Material Weakness

Change Fund Activity

The Fiscal Officer created change funds with cash withdrawals of \$10,950 and a warrant issued for \$2,500 for a total of \$13,450 in 2011 and cash withdrawals of \$20,790 in 2010. These change funds were to be returned to the Society treasury upon completion of the fair. The financial records indicated only \$5,218 and \$17,536 were posted as change fund monies returned to the treasury.

The remaining variances were due to \$8,232 and \$3,254 being commingled with ticket and grandstand event posting and deposits in 2011 and 2010. Adjustments have been made to eliminate the change fund activity on the financial statements.

If returned change funds are not separately identified there is a lack of supporting evidence documenting their proper return. This increases the risk change funds may be expended for improper use or illegal purposes.

We recommend the Board approve all change funds in the minutes. Upon approval, a check should be issued in the name of the Fiscal Officer – Change Fund for the establishment of the change fund. Upon completion of the fair, all change fund monies shall be re-deposited and separately identified on the financial records. This financial activity should then be excluded from the financial statements.

FINDING NUMBER 2011-003

Material Weakness

Admission and Grandstand Collections

- Ticket reconciliations for admission and season passes did not always include beginning and ending ticket numbers to compute the total number of tickets sold at each gate.
- Although a summary ticket record was maintained which documented tickets sold for significant grandstand events, ticket reconciliations were not prepared for each grandstand event reconciling ticket sales to amounts collected for the event.
- Additionally, ticket sales were not compared and reconciled to the total number of tickets purchased for each grandstand event.

Lack of adequate supporting documentation could result in a material amount of lost revenues to the Society as well as fraud

The Society should maintain complete and accurate supporting documentation for the admission, season pass and grandstand events. In order to ensure admission and grandstand collections are properly accounted for we recommend:

**FINDING NUMBER 2011-003
(Continued)**

- Financial records should include documentation for the revenues received such as ticket stubs, ticket reconciliations, items ordered, items sold, etc.
- These records should be reconciled to the amounts collected and turned over to the Fiscal Officer for receipt and deposit to the Society's depository (in turn, revenues reported in the Society's accounting system and financial statements).
- Receipts should be issued for all monies deposited with the Fiscal Officer and receipt information should be complete and accurate. Deposits should match specific sequences of receipts.
- Ticket reconciliations should be completed for daily gate admission tickets and season passes and for each event held at the grandstand. The ticket reconciliations should indicate beginning and ending ticket numbers which compute to the total ticket sold.
- Data on completed daily ticket reconciliations should be accurate and complete based on documented ticket sales and matched to the total revenue actually collected.

In particular, to strengthen controls and improve accountability over ticketed receipts, we recommend:

- Gate ticket sales (ticket sequences reported on the gate ticket reconciliation report) be compared and reconciled to the total number of tickets sold (i.e. ticket stubs). Any discrepancies should be documented and explained on the reconciliations.
- Ticket reconciliations be completed for each event held at the grandstand (similar to ticket reconciliation reports completed for gate admission activity).
- Ticket reconciliations be signed-off by the individual in charge of the gate and reviewed and signed-off by the Fiscal Officer to ensure accuracy.
- The total number of grandstand ticket sales (the number of sold/unsold tickets) be compared and reconciled to the total number of tickets purchased for each event. Any discrepancies should be documented and explained on the reconciliations.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Material Weakness on the monitoring of financial activity by the governing board.	No	Finding has not been corrected and is repeated in this report as Finding 2011-001.
2009-002	Material Weakness on cash collections.	No	Finding has been partially corrected and is repeated in this report as Finding 2011-004.

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Dave Yost • Auditor of State

DEFIANCE COUNTY AGRICULTURAL SOCIETY

DEFIANCE 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
DECEMBER 31, 2012**