



Dave Yost • Auditor of State



**MADISON COUNTY AGRICULTURAL SOCIETY  
MADISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statement and related notes of the Madison County Agricultural Society, Madison County, Ohio, (the Society) as of and for the years ended November 30, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting the financial statement in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on the financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the Society prepared the financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined cash balances of the Madison County Agricultural Society, Madison County as of November 30, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 9 to the financial statement, the November 30, 2010 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 16, 2013

**MADISON COUNTY AGRICULTURAL SOCIETY  
MADISON COUNTY**

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

	<b>2,012</b>	<b>2,011</b>
<b>Operating Receipts:</b>		
Admissions	\$ 128,153	\$ 128,664
Privilege Fees	36,577	40,935
Rentals	53,940	55,065
Sustaining and Entry Fees	15,320	30,500
Parimutuel Wagering Commission	362	807
Other Operating Receipts	40,179	43,399
Total Operating Receipts	274,531	299,370
<b>Operating Disbursements:</b>		
Wages and Benefits	8,284	7,492
Utilities	44,748	41,698
Professional Services	112,359	106,141
Equipment and Grounds Maintenance	61,326	64,576
Race Purse	28,284	44,234
Senior Fair	11,229	12,879
Junior Fair	14,073	16,805
Capital Outlay	4,856	4,260
Other Operating Disbursements	25,588	25,393
Total Operating Disbursements	310,747	323,478
Deficiency of Operating Receipts Under Operating Disbursements	(36,216)	(24,108)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	18,729	19,524
County Support	3,200	3,200
Donations/Contributions	3,414	5,009
Investment Income	2	5
Service Charges	(587)	(588)
Net Non-Operating Receipts (Disbursements)	24,758	27,150
Excess (Deficiency) of Receipts Over (Under) Disbursements	(11,458)	3,042
Cash Balance, Beginning of Year (Restated)	21,566	18,524
<b>Cash Balance, End of Year</b>	<b>\$ 10,108</b>	<b>\$ 21,566</b>

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

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**MADISON COUNTY AGRICULTURE SOCIETY  
MADISON 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 Madison County Agriculture Society, Madison 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 1947 to operate an annual agricultural fair. The Society sponsors the week-long Madison County Fair during July. During the fair, harness races are held. Madison County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Madison County and pay an annual membership fee to the Society.

**Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including animal shows. The reporting entity does not include any other activities or entities of Madison County, Ohio.

Notes 7 and 8, 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**

The 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.

The statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

**D. Property, Plant, and Equipment**

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

**MADISON COUNTY AGRICULTURE SOCIETY  
MADISON COUNTY**

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

Stake races are held during the Madison County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and U.S. Trotting 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 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 AND INVESTMENTS**

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2012 and November 30, 2011 was as follows:

**MADISON COUNTY AGRICULTURE SOCIETY  
MADISON COUNTY**

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

**2. DEPOSITS AND INVESTMENTS (Continued)**

	2012	2011
Demand deposits	\$5,093	\$16,551
Money Market	5,015	5,015
Total deposits and investments	\$10,108	\$21,566

**Deposits:** Demand deposits are insured by the Federal Depository Insurance Corporation and the money market is insured by SIPC.

**3. HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purses, for the years ended November 30, 2012 and November 30, 2011 of \$8,064 and \$8,776, respectively. These amounts are included within the State Support on the accompanying financial statement.

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.

	2012	2011
Total Amount Bet (Handle)	\$ 4,708	\$ 11,931
Less: Payoff to Bettors	(3,759)	(9,495)
Parimutuel Wagering Commission	949	2,436
Tote Service Commission	(287)	(985)
Tote Service Set Up Fee	(300)	(300)
State Tax	(126)	(344)
Society Portion	\$ 236	\$ 807

**4. DEBT**

The Society had no outstanding debt at November 30, 2012.

**MADISON COUNTY AGRICULTURE SOCIETY  
MADISON COUNTY**

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

**5. RISK MANAGEMENT**

The Madison County Commissioners provide general insurance coverage for all the buildings on the Madison County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$10,000,000 aggregate.

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

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

**6. CONTINGENT LIABILITIES**

Management believes there are no pending claims or lawsuits.

**7. 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 Madison County Fair. The Society disbursed \$14,073 for the year ended November 30, 2012 and \$17,235 for the year ended November 30, 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. Madison County paid the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2012 and November 30, 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Beginning Cash Balance	\$ 2,355	\$ 3,682
Receipts	15,921	11,229
Disbursements	<u>(12,304)</u>	<u>(12,556)</u>
Ending Cash Balance	<u>\$ 5,972</u>	<u>\$ 2,355</u>

**MADISON COUNTY AGRICULTURE SOCIETY  
MADISON COUNTY**

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

**8. JUNIOR LIVESTOCK SALE COMMITTEE**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Madison County's auction. A commission of 3 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 years ended November 30, 2012 and November 30, 2011 is as follows:

	2012	2011
Beginning Cash Balance	\$ 39,643	\$ 38,712
Receipts	299,216	259,394
Disbursements	(318,353)	(258,463)
Ending Cash Balance	\$ 20,506	\$ 39,643

**9. RESTATED FUND BALANCE**

The Agriculture Society has a savings account. The beginning balance of the account in 2011 was \$4,777. The prior year fund balance did not properly reflect the balance of the savings account. As a result, the beginning fund balance at 2011 was understated by \$4,777. The cash fund balance has been restated as follows:

<b>November 30, 2010 Balance</b>	<b>Fund Balance Adjustments</b>	<b>December 1, 2010 Restated Balance</b>
\$13,747	\$4,777	\$18,524

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# 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*

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

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 statement of the Madison County Agricultural Society, Madison County, (the Society) as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statement and have issued our report thereon dated September 16, 2013 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. In addition, we noted that the November 30, 2010 financial statement has been restated.

### ***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 statement, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 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 statement. 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. We consider findings 2012-01 and 2012-02 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 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, 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*.

***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.

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  
Columbus, Ohio

September 16, 2013



**MADISON COUNTY AGRICULTURAL SOCIETY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2012 AND 2011**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Material Weakness**

Strong monitoring practices of the Society's financial activities are the responsibility of management and the Society's Board of Directors and are essential to ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciling items, including deposits in transit, outstanding checks, or unposted interest, should be considered in the reconciliation to ensure the Society's ledgers are reconciled to the bank balances. Additionally, the Society's Board of Directors should review the bank to book reconciliation and monthly financial reports of financial activity of the Society on a regular basis. Evidence of these reviews should be documented.

The Society could not provide the bank to book reconciliations for March 31, 2012 and November 30, 2012.

In addition to the audit adjustments in Finding Number 2012-02, the Society had unreconciled differences of (\$256) and \$132 at November 30, 2012 and November 30, 2011 respectively.

Failure to reconcile the Society's book balance to the bank in a timely manner and to properly record accounting entries including reconciling items can result in incorrect financial statements and accounting ledgers which will prohibit the Board of Directors from monitoring accurate financial data in a timely manner.

The Society should reconcile all bank accounts to the books on a timely basis. In this process all reconciling items or errors should be identified and included on the face of the reconciliation and traced to supporting documentation. The reconciliations and accounting adjustments, if applicable, should be reviewed by the Board on a monthly basis and acknowledged in the minutes.

Further, the Society Board of Directors should ensure that strong monitoring practices of the Society's financial activities are implemented and operating effectively. This includes, but is not limited to, the Treasurer and the Board of Directors reviewing monthly financial reports and ensuring that they accurately reflect the Society's cash balances.

**MADISON COUNTY AGRICULTURAL SOCIETY  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2012-02**

**Material weakness**

Sound financial reporting is the responsibility of management and the Board of Directors and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

The following audit adjustments were made to the financial statement and the Society's accounting records where applicable:

- The amounts of \$1,278 in 2012 and \$4,776 in 2011 were included in the financial statement as cash receipts although these amounts were not actually received per the Society's bank statements and accounting records. Therefore, non-operating receipts and ending cash balances were overstated by \$1,278 and \$4,776 in 2012 and 2011, respectively.
- The prior year fund balance did not properly reflect the balance of a savings account (\$4,777) in the Society's name. The December 31, 2010 fund balance on the financial statement was understated by \$4,777.
- In 2011, the Society received \$12,650 for speed fees. The Treasurer booked the \$12,650 as speed fee revenue and as donations. Therefore, non-operating receipts and the December 31, 2011 cash balance were overstated by \$12,650.

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

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

**MADISON COUNTY AGRICULTURAL SOCIETY  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-MADAG-01	Material Weakness - Adjustments to the Financial Statements	No	Not corrected – See Finding 2012-02.
2010-MADAG-02	Material Weakness - Bank Reconciliation Errors	No	Not corrected – See Finding 2012-01.

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# Dave Yost • Auditor of State

**MADISON COUNTY AGRICULTURAL SOCIETY**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 7, 2013**