



Dave Yost • Auditor of State

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Butler County Agricultural Society
Butler County
1715 Fairgrove Avenue
Hamilton, Ohio 45011

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Butler County Agricultural Society, Butler County, (the Society) as of and for the years ended November 30, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 these financial statements 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 statements are 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 statements 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 opinions.

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

As described in Note 1 of the financial statements, the Society prepared these financial statements 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*, the financial statements of the Society do 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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 receipts, disbursements, and change in fund balance (cash basis) stated at \$367,429 and \$361,791 (or 60% and 61% of total receipts) at November 30, 2015 and 2014, respectively.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to above present fairly, in all material respects, the cash balance of the Society, as of November 30, 2015 and 2014, and its 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2016, 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

May 10, 2016

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2015 AND 2014**

	2015	2014
Operating Receipts		
Admissions	\$367,429	\$361,791
Privilege Fees	110,983	105,967
Rentals	94,572	84,999
Entry Fees	31,240	31,190
Other Operating Receipts	8,649	6,471
<i>Total Operating Receipts</i>	612,873	590,418
Operating Disbursements		
Wages and Benefits	23,849	95,107
Utilities	70,468	38,837
Professional Services	35,985	46,524
Equipment and Grounds Maintenance	162,676	174,971
Senior Fair	86,641	81,960
Junior Fair	394,811	406,876
Capital Outlay	27,938	325,435
Other Operating Disbursements	92,990	109,544
<i>Total Operating Disbursements</i>	895,358	1,279,254
<i>Excess (Deficiency) of Operating Receipts</i>	(282,485)	(688,836)
Non-Operating Receipts (Disbursements)		
State Support	7,310	6,716
County Support	0	2,400
Donations/Contributions	451,353	722,679
Investment Income	53	190
Debt Service	(71,637)	(72,398)
<i>Net Non-Operating Receipts (Disbursements)</i>	387,079	659,587
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	104,594	(29,249)
Cash Balance, Beginning of Year	19,638	48,887
<i>Cash Balance, End of Year</i>	\$124,232	\$19,638

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

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**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014**

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 Butler County Agricultural Society, Butler 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 operate an annual agricultural fair. The Society sponsors the week-long Butler County Fair during July. Butler County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 10 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Butler 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, Junior Fair Board activities, and Junior Fair Livestock Sale Committee activities. Other year-round activities at the fairgrounds include facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Butler County, Ohio.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Society maintained all funds in checking accounts.

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.

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(Continued)**

2. DEPOSITS

The carrying amount of deposits at November 30, 2015 and 2014 was as follows:

	2015	2014
Demand deposits	\$124,232	\$19,638

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. DEBT

Debt outstanding at November 30, 2015 was as follows:

	Principal	Interest Rate
\$1,000,000 Loan	\$946,935	4.25%
\$150,000 Loan	142,040	4.25%
Total	\$1,088,975	

The \$1,000,000 and \$150,000 loans currently bear interest rates of 4.25 percent and are due to Somerville National Bank. The notes were entered into on September 25, 2012. According to the current amortization schedule, the notes both mature on September 25, 2042. However, the current debt agreements state that both loans will mature on September 25, 2032. Proceeds of the notes were used to build a new administrative, banquet, and show building.

The Society also signed two additional loan agreements for the \$1,000,000 loan and the \$150,000 loan on September 25, 2012. These agreements both state that the interest rates will increase to 6.00 percent after the first five years of both loans on September 25, 2017. The remaining amounts will be amortized over a 25 year period. The agreements also state that the interest rates will increase again to 6.75 percent on September 25, 2022 until maturity on September 25, 2032. The remaining amounts will be amortized over a 20 year period.

The Society does not have documentation of the amortization schedules for the debt payment changes that will occur in 2017 and 2022.

Amortization of the above debt is scheduled as follows based on the current amortization schedule before the debt agreement changes take effect:

Year ending	\$1,000,000	\$150,000	Total
November 30:			
2016	\$19,122	\$2,868	\$21,991
2017	20,058	3,009	23,067
2018	20,923	3,138	24,061
2019	21,824	3,274	25,098
2020	22,662	3,399	26,062
2021-2025	129,291	19,394	148,685
2026-2030	159,664	23,950	183,614
2031-2035	197,174	29,576	226,750
2036-2040	243,478	36,522	279,999
2041-2042	112,737	16,910	129,648
	\$946,935	\$142,040	\$1,088,975

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(Continued)**

4. RISK MANAGEMENT

The Butler County Commissioners provide general insurance coverage for all of the buildings on the Butler County Fairgrounds, pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager is bonded with coverage of \$25,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2016.

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

Butler County Agricultural Society
Butler County
1715 Fairgrove Avenue
Hamilton, Ohio 45011

To the Board of Directors:

We have audited the financial statements of the cash balances, receipts, and disbursements of the Butler County Agricultural Society, Butler County, (the Society) as of and for the years ended November 30, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2016, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on the financial statements due to inadequacies in the Society's accounting records, regarding the amount of admissions receipts.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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 and a significant deficiency.

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 statements. We consider findings 2015-003 and 2015-004 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-001 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

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

May 10, 2016

**BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Noncompliance and Significant Deficiency

Ohio Rev. Code § 9.38 provides that public money must be deposited with the Fiscal Officer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

- Five of 17 (29%) admissions receipts tested for 2015 were not deposited in a timely manner.
- Four of seven (57%) privilege fee receipts tested for 2015 were not deposited in a timely manner.
- Four of six (67%) rental fee receipts tested for 2015 were not deposited in a timely manner.
- Five of eight (63%) contributions and donations receipts tested for 2015 were not deposited in a timely manner.

Failure to deposit on a timely basis may lead to this misappropriation of revenues.

We recommend that the Society ensure that monies received are deposited in accordance with Ohio law

FINDING NUMBER 2015-002

Noncompliance

Ohio Rev. Code § 1711.13(B) allows an agricultural society to enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the Board of Directors of the Society. The total net indebtedness incurred by a county agricultural society pursuant to this division shall not exceed an amount equal to twenty-five per cent of its annual revenues. Contrary to this section, the Butler County Agricultural Society entered into loans exceeding twenty-five percent of its annual revenues.

For fiscal year 2015, the Society had loans totaling \$1,089,001 or 102% of annual revenue which was \$1,071,589. For fiscal year 2014, the Society had loans totaling \$1,110,180 or 84% of annual revenue, which was \$1,322,402.

Failure to limit total net indebtedness to less than twenty-five percent of revenue could result in financial difficulty for the Society.

We recommend that the Society's indebtedness be limited to twenty-five per cent of its annual revenues.

FINDING NUMBER 2015-003

Material Weakness

Admission receipts comprised 60% and 61% of the Society's total operating receipts for 2015 and 2014, respectively. Collections are made by volunteer groups unaffiliated with the Society, and no internal control procedures are in place with these volunteer groups to assure completeness of ticket collections.

The Society did not document the majority of the ticket and pass numbers on the Admission reports, so it could not be verified whether the correct amount of receipts were collected and deposited. The following weaknesses were identified:

- In fiscal year 2014, there was no documentation which pre-numbered tickets were sold for three of 13 (23%) receipts tested. The beginning and ending ticket numbers were not documented for one Pit Pass receipt tested, one preferred parking receipt tested, and one other receipt tested.
- In fiscal year 2015, there was no documentation which pre-numbered tickets were sold for six of 17 (35%) receipts tested. The beginning and ending ticket numbers were not documented for four Pass receipts tested and two one-day concession privilege tickets tested. For an additional two of 17 (12%) receipts tested, it was listed which pre-numbered Pit Passes were sold but we could not trace the ending Pit Pass sold to a pre-numbered Pit Pass.
- In fiscal year 2015, there were data entry and mathematical errors in the Admissions Ticket spreadsheet for four of 17 (24%) receipts tested. For three of these receipts, there were errors in the ending ticket listed. For one of these receipts, there were errors in the ending tickets listed, and the total number of tickets did not properly foot. For one additional receipt, the total number tickets sold did not foot.

Failure to properly document ticket number for all admission receipts may result in the misappropriation of ticket revenues. The Society should utilize tickets and ticket accountability forms for all admissions revenues. In addition, the Society should document the review and approval by appropriate personnel of the ticket accountability form after the money has been recalculated and the form balanced. The accountability form should also clearly document how many tickets/passes are given away and who received the free tickets/passes.

We recommend that the beginning and ending ticket numbers for all admission tickets be properly documented on the admission reports. 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 receipts, disbursements, and change in fund balance (cash basis) stated at \$367,429 and \$361,791 (or 60% and 61% of total receipts) at November 30, 2015 and 2014, respectively; and therefore qualified the opinion for such.

FINDING NUMBER 2015-004

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The following conditions existed in the Society's trial balances & financial statement for 2014 due to footing errors:

- Wages and Benefits Expenses were overstated by \$700
- Total Capital Outlay was understated by \$3,536
- Junior Fair Expenses were understated by \$4,781

The net effect of these errors was a 39% reduction in ending cash balance.

The Society had the correct expenditure amounts in their general ledger. The Society also had the correct total expenditures listed on their trial balance. Adjustments were posted to the accompanying financial statements. Failure to properly report expenditures can result inaccurate financial reports.

We recommend the Society make sure the trial balances properly foot and agree to their general ledger.

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

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BUTLER COUNTY AGRICULTURAL SOCIETY
BUTLER COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015 AND 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Debt Exceeding 25% of annual revenues	No	Reissued as Finding 2015-001

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BUTLER COUNTY AGRICULTURAL SOCIETY

BUTLER 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
MAY 26, 2016**