

Clinton County Agricultural Society
Clinton County
Regular Audit
For the Years Ended November 30, 2014 and 2013



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Dave Yost • Auditor of State

Board of Directors
Clinton County Agricultural Society
PO Box 29
Wilmington, OH 45177

We have reviewed the *Independent Auditor's Report* of the Clinton County Agricultural Society, Clinton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2012 through November 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Clinton County Agricultural Society is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 15, 2015

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Clinton County Agricultural Society
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For the Years Ended November 30, 2014 and 2013

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Independent Auditor's Report

Board of Directors
Clinton County Agricultural Society
6406 State Route 73 South
Wilmington, Ohio 45177

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Clinton County Agricultural Society, Clinton County, (the Society) as of and for the years ended November 30, 2014 and 2013.

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 opinion.

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 significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Admissions receipts are reported at \$156,239 for the year ended November 30, 2013, which is 42 percent of total receipts for that year. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admissions receipts for the year ended November 30, 2013. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Clinton County Agricultural Society, Clinton County, as of November 30, 2014 and 2013, 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 October 9, 2015, 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 9, 2015

Clinton County Agricultural Society
Statement of Receipts, Disbursements, and
Changes in Fund Balance (Cash Basis)
For the Years Ended November 30, 2014 and 2013

	2014	2013
Operating Receipts:		
Admissions	\$199,441	\$156,239
Privilege Fees	59,309	58,225
Rentals	88,831	83,459
Other Operating Receipts	26,072	28,847
Total Operating Receipts	373,653	326,770
Operating Disbursements:		
Wages and Benefits	32,333	18,219
Utilities	61,671	51,453
Professional Services	26,121	36,712
Equipment and Grounds Maintenance	48,721	57,911
Race Purse	42,548	32,123
Senior Fair	89,192	73,306
Junior Fair	7,845	5,168
Capital Outlay	6,280	4,235
Other Operating Disbursements	77,712	84,532
Total Operating Disbursements	392,423	363,659
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(18,770)	(36,889)
Non-Operating Receipts (Disbursements)		
State Support	44,308	32,543
Donations/Contributions	14,848	9,764
Investment Income	42	80
Debt Service	(19,703)	(39,816)
Other Non-Operating Disbursements	(71)	(11)
Net Non-Operating Receipts (Disbursements)	39,424	2,560
Excess (Deficiency) of Receipts Over (Under) Disbursements	20,654	(34,329)
Fund Balance, Beginning of Year	45,664	79,993
Fund Balance, End of Year	\$66,318	\$45,664

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

Clinton County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

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 Clinton County Agricultural Society, Clinton 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 1837 to operate an annual agricultural fair. The Society sponsors the week-long Clinton County Fair during July. During the fair, harness races are held. Clinton 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 Clinton 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. The reporting entity does not include any other activities or entities of Clinton County, Ohio.

Notes 6 and 7, respectively, summarize the Clinton County 4-H Committee's and Junior Livestock Sale Committee's financial activity.

The Society's management believes these financial statements present 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

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 statements do not report these items as assets.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

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 Clinton 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 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 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 statements 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 amounts of deposits at November 30, 2014 and 2013 were as follows:

	2014	2013
Demand Deposits	\$46,016	\$11,606
Certificates of Deposit	0	20,346
Other Time Deposits	20,302	13,712
Total	\$66,318	\$45,664

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

Clinton County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse, as State Support. These amounts were \$11,287 and \$13,133, respectively, for the years ended November 30, 2014 and 2013.

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.

	2014	2013
Total Amount Bet (Handle)	\$3,646	\$4,656
Less: Payoff to Bettors	(2,867)	(3,638)
Pari-Mutuel Wagering Commission	779	1,018
Tote Service Set-Up Fee	(500)	(500)
Net Break	(57)	(59)
State Tax	(88)	(114)
Society Portion	<u>\$134</u>	<u>\$345</u>

4. DEBT AGREEMENT – PAYMENTS TO THE COUNTY

In 2008, the Society's bond anticipation note was reissued as bonds in the amount of \$515,000 at variable interest payable to Clinton County. As of November 30, 2014, the Society was in arrears \$43,166 to the County's obligation. The County Commissioners met with Society officials in October 2013 to discuss the financial obligations of the Society to the County. The County will bill the Society twice a year for the debt payments following the amortization schedule, and they will also bill the Society \$1,000 every month until the outstanding liability of \$43,166 is paid.

5. RISK MANAGEMENT

The Clinton County Commissioners provide general insurance coverage for all the buildings on the Clinton County Fairgrounds pursuant to Ohio Revised Code §1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000. The Society's Treasurer and Secretary are bonded with coverage of \$150,000 for each position.

6. CLINTON COUNTY 4-H COMMITTEE

The Clinton County 4-H Committee, 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 Clinton County Fair. The Society disbursed \$7,845 and \$5,168 directly to the Junior Fair Board in 2014 and 2013, respectively, to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair disbursements. 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 years ended November 30, 2014 and 2013 are as follows:

Clinton County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

6. CLINTON COUNTY 4-H COMMITTEE (CONTINUED)

	2014	2013
Beginning Cash Balance	\$95,005	\$80,197
Receipts	128,211	111,671
Disbursements	(109,381)	(96,863)
Ending Cash Balance	<u>\$113,835</u>	<u>\$95,005</u>

7. 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 Clinton County's auction. A commission of three percent (3%) for cattle and feeder calves, two percent (2%) for goats, poultry and rabbits, and one and one half percent (1.5%) for hogs is assessed on the auction price to cover auction costs. The Junior Livestock Committee retains this money. The total auction amounts for the years ended November 30, 2014 and 2013 were \$382,352 and \$435,136, respectively, and the Junior Livestock Sale Committee received \$20,608 and \$23,507, respectively. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2014 and 2013 is included in the 4-H Council financial activity in Note 6.

8. RELATED PARTY TRANSACTIONS

The Society paid \$2,780 to the spouse of a Board member for grounds and maintenance services provided during 2013.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Clinton County Agricultural Society
6406 State Route 73 South
Wilmington, Ohio 45177

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Clinton County Agricultural Society, Clinton County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2015, 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 due to the lack of sufficient appropriate audit evidence supporting the amount recorded as admissions receipts for the year ended November 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2014-001 and 2014-002, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Society's Responses to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Society's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 9, 2015

Clinton County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2014 and 2013

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2014-001

Material Weakness – Financial Reporting

A monitoring system by the Society should be in place to prevent or detect misstatements for the fair presentation of the Society's financial statements, which would also include assurance that changes in accounting pronouncements are properly implemented, as applicable. Misclassifications were identified during the course of testing. Certain items were corrected due to their nature while correction of other items was waived due to immateriality. The Society should implement monitoring procedures to ensure that items are properly classified during the fiscal year.

Client Response:

Client chose not to respond.

FINDING NUMBER 2014-002

Material Weakness – Admissions

The Auditor of State's Uniform System of Accounting for Agricultural Societies, November 2002 revision, outlines the procedures an agricultural society should take when accounting for fair admissions. During testing, we noted the following issues regarding 2013 admissions receipts:

- Duplicate receipts issued for gate receipts were not traceable from the duplicate receipt to the bank deposits. We were also unable to agree admission receipts to the accounting system for the spring tractor pull.
- The Society did not maintain supporting documentation for the spring tractor pull.
- Season passes were sold at the entry gates to the fair. However, when receipts were posted to the system, there was no breakdown of what receipts were for season passes versus daily admissions for the fair.

Failure to accurately collect, record and maintain annual fair admissions records could cause receipts and fund balances to be misappropriated. In order to strengthen internal controls over the annual fair admissions receipt processes and to ensure all receipts are properly deposited, we recommend that the Society use due care when processing gate and season pass receipts. Supporting documentation should be maintained, and amount received should be reconciled to the amount collected and deposited. We did note significant improvements for fiscal year 2014.

Client Response:

Client chose not to respond.

Clinton County Agricultural Society
Schedule of Prior Audit Findings
For the Years Ended November 30, 2014 and 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Take, or Finding No Longer Valid, Explain
2012-001	Noncompliance/Material Weakness – Ohio Administrative Code Section 117-2-02(A) – Sufficient Accounting Records	No	Partially Corrected. Reissued, in Part, as Finding 2014-001
2012-002	Material Weakness – Timely Debt Payments	Yes	
2012-003	Material Weakness – Admissions	No	Reissued as Finding 2014-002
2012-004	Material Weakness – Privilege Fees	No	Reissued, in Part, in Management Letter



Dave Yost • Auditor of State

CLINTON COUNTY AGRICULTURAL SOCIETY

CLINTON 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 29, 2015**