



Dave Yost • Auditor of State

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - For the Years Ended November 30, 2015 and 2014	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Summary Schedule of Prior Audit Findings	14

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Montgomery County Agricultural Society
Montgomery County
1043 South Main Street
Dayton, Ohio 45409

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balance, receipts and disbursements and related notes of the Montgomery County Agricultural Society, Montgomery 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 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, 2015 and 2014, or changes in financial position or cash flow thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Montgomery County Agricultural Society, Montgomery County 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 December 13, 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

December 13, 2016

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY 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	\$140,336	\$10,269
Privilege Fees	82,234	112,770
Sales	7,670	310
Rentals	146,734	159,185
Sustaining and Entry Fees	17,166	13,215
Pari-mutuel Wagering Commission	229	463
Other Operating Receipts	21,036	21,971
Total Operating Receipts	415,405	318,183
Operating Disbursements:		
Wages and Benefits	143,950	119,528
Utilities	113,429	90,796
Professional Services	80,152	45,769
Equipment and Grounds Maintenance	108,199	58,409
Race Purse	73,558	47,403
Senior Fair	34,833	22,394
Junior Fair	10,703	16,203
Other Operating Disbursements	79,418	41,084
Total Operating Disbursements	644,242	441,586
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(228,837)	(123,403)
Non-Operating Receipts (Disbursements):		
State Support	68,768	45,107
County Support	47,800	46,634
Debt Proceeds	50,000	
Donations/Contributions	60,439	25,600
Investment Income	3	3
Sale of Assets	13,950	
Debt Service	(1,360)	(436)
Net Non-Operating Receipts (Disbursements)	239,600	116,908
Excess (Deficiency) of Receipts Over (Under) Disbursements	10,763	(6,495)
Cash Balance, Beginning of Year	15,736	22,231
Cash Balance, End of Year	\$26,499	\$15,736

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

This page intentionally left blank.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY 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 Montgomery County Agricultural Society, Montgomery 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 1853 to operate an annual agricultural fair. The Society sponsors the week-long Montgomery County Fair during the month of August. During the fair, harness races are held. Montgomery County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Montgomery County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, antique shows, wrestling and boxing events, horse shows, and concerts and festivals. The reporting entity does not include any other activities or entities of Montgomery County, Ohio.

Notes 6 and 7, 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

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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Society has a business checking account and two business savings accounts. The Society had no investments in 2015 or 2014.

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.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015 AND 2014
(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 Montgomery 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 report 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 Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2015 and 2014 was as follows:

	<u>2015</u>	<u>2014</u>
Demand deposits	<u>\$26,499</u>	<u>\$15,736</u>

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

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

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

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2015 and 2014, of \$58,457 and \$34,684, respectively, as State Support.

B. 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.

	2015	2014
Total Amount Bet (Handle)	\$8,341	\$5,384
Less: Payoff to Bettors	(6,653)	(4,273)
Parimutuel Wagering Commission	1,688	1,111
Tote Service Set Up Fee	(800)	(200)
Tote Service Commission	(409)	(448)
State Tax	(229)	(164)
Society Portion	\$250	\$299

4. RISK MANAGEMENT

The Society provides health coverage for full-time employees through an insurance company unless the employee declines coverage due to obtaining insurance through a difference source i.e. spouse or Medicare.

The Montgomery County Commissioners provide general insurance coverage for all the buildings on the Montgomery County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society carries Risk Management Insurance through Hylant. This covers property, contractor's equipment, electronic data processing, general liability, motorsports, user liability, automobile, excess liability, executive liability, crime insurance, and accident. The crime coverage covers employee theft, premises coverage, transit coverage, and forgery with limits of \$50,000. The Society's President and Vice President were bonded in 2015 and 2014 for \$25,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

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

5. SUBSEQUENT EVENTS

On December 10, 2013, the board adopted a resolution approving an option purchase agreement between Montgomery County Agricultural Society (MCAS), the Dayton-Montgomery County Port Authority (DMCPA), the Montgomery County Board of Commissioners (MCC), and Miller Valentine (MV). The agreement grants MV an Option of two years' duration to purchase the existing fairground location at Stewart and Main Streets from DMCPA and MCAS. The major condition to the Option is the ability of MV to obtain financing to pay the purchase price (see below). If MV exercises its Option to Purchase MV will, through an affiliate, assist DMCPA and MCAS in acquiring, developing, and constructing a new fairground previously identified by MCAS. MV also agrees to provide up to \$3 million in added value at the new fairgrounds through donations, third party contributions, and procuring services from third parties that would add value to the new fairground location.

This option, if exercised, will result in a \$15 million purchase price for the existing fairground. If MV cannot provide at least \$1 million in added value, MV will provide the difference between the added value, as determined by a third party, and \$1 million dollars as a supplemental purchase price in addition to the \$15 million base price. MCAS will be responsible for ensuring the new fairgrounds is suitable for the operation of a county fair and will receive \$73,500 from MV towards the expenses associated with the feasibility studies necessary to determine the new fairground location will be suitable. One of the conditions to suitability is that the location previously identified is properly zoned for the conduct of a County Fair. MV has applied a substantial portion of the \$73,500 toward the expenses of getting the property in question rezoned for a county fair use. MV will also make available \$171,500 to MCAS for operational activities upon exercising the option.

Miller Valentine did not choose to accept the option agreement. The Board is actively seeking a new site for its fair grounds.

6. 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 Montgomery County Fair. The Society disbursed \$10,703 in 2015 and \$16,203 in 2014 in support of the Junior Fair exhibitor winnings (premiums, trophies, etc.). These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Montgomery County paid the Society \$500 per year to support Junior Fair work.

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 2015 and 2014 follows:

	2015	2014
Beginning Cash Balance	\$1,424	\$2,518
Receipts	3,866	2,641
Disbursements	(3,609)	(3,735)
Ending Cash Balance	\$1,681	\$1,424

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

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

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 the Montgomery County's auction. A commission of 4 percent per head 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, 2015 and 2014 follows:

	2015	2014
Beginning Cash Balance	\$31,042	\$52,020
Receipts	224,969	436,355
Disbursements	(230,464)	(457,332)
Ending Cash Balance	\$25,547	\$31,043

8. DEBT

Debt outstanding at November 30, 2015 was as follows:

	Principal	Interest Rate
County Loan	\$50,000	0.00%
Total	\$50,000	

Montgomery County loaned the Society \$50,000 during 2015 to support cash flow needs prior to the 2015 Montgomery County Fair. The Society was to pay back the total loan amount by November 30, 2015. However, an extension was granted allowing the Society to repay the loan in 2016.

This page intentionally left blank.



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

Montgomery County Agricultural Society
Montgomery County
1043 South Main Street
Dayton, Ohio 45409

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 statements of the cash balance, receipts, and disbursements of the Montgomery County Agricultural Society, Montgomery 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 December 13, 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.

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.

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 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. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

Society's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State
Columbus, Ohio

December 13, 2016

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2015-001

Noncompliance, Finding for Recovery Repaid Under Audit

The Montgomery County Agricultural Society's Employee Handbook states, in part, there is no payout for unused personal or vacation leave.

Employee Debbie Long left service with the Society during the audit period. Ms. Long received a payout for unused personal leave of \$1,150 as follows:

- Check No. 56924 for \$1,000 on May 2, 2014 for 10 personal days
- Check No. 57157 for \$150 on August 7, 2014 for 1.5 personal days

In accordance with the forgoing facts, and pursuant to Ohio Revised Code §117.28, a finding for recovery for public money illegally expended in the amount of \$1,150 is hereby issued against Debbie Long and in favor of the Montgomery County Agricultural Society.

On December 8, 2016 Debbie Long repaid the finding amount via check number 2703.

The Society should review severance compensation for employees and verify that payments are made in accordance with applicable contracts and Society policies. Failure to do so could result in future severance overpayments and potential findings for recovery in future audits.

Officials' Response:

The current administration will adhere to the current employee handbook from this point forward.

FINDING NUMBER 2015-002

Material Weakness

The Society presented its 2015 and 2014 financial statements in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(D) permit. The Society's annual financial statements for 2015 and 2014 were adjusted for the following misstatements:

- In 2014, the Society improperly classified \$104,896 of Privilege Fees receipts as Donations and Contributions.
- In 2014, the Society improperly classified \$29,540 of State Support receipts as Sustaining and Entry Fees.
- In 2014, the Society overstated Cash and Other Sales Activity receipts by \$31,175 due to a double-posting of the receipts in both the fiscal year 2013 and fiscal year 2014 annual reports.
- In 2014, the Society understated Cash and Donations and Contributions receipts by \$8,252 due to a failure to include a receipt code in their roll-up from the accounting system to the annual report.
- In 2015, the Society improperly classified \$50,000 of Debt Proceeds receipts as County Support.

The Society should implement procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards. Failure to do so could result in the users of the financial statements basing their conclusions on materially misstated financial data.

Officials' Response:

A CPA has been hired to prepare the Annual Financial Report yearly. This will help keep errors to a minimum since the same person will work on them year to year.

**MONTGOMERY COUNTY AGRICULTURAL SOCIETY
MONTGOMERY COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material Weakness – Lack of Controls and Supporting Documentation Over Privilege Fees and Rentals Revenue Cycles	Partially Corrected, Repeated in Management Letter	Once the new Treasurer was hired she took the fees to the Board of Directors for approval and created forms that reflect the Board of Directors approved amounts for the Privilege Fees and Rental revenue.
2013-002	Significant Deficiency/Material Noncompliance – Ohio Rev. Code Section 9.38 - Public Money Not Deposited with the Fiscal Officer (Designated Depository) Timely	Partially Corrected, Repeated in Management Letter	Once the new Treasurer was hired the bank deposits were made in a timely manner. Any delay during the Fair was due to the night deposits being posted on the first business day after the weekend/Labor Day holiday.



Dave Yost • Auditor of State

MONTGOMERY COUNTY AGRICULTURAL SOCIETY

MONTGOMERY 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
JANUARY 19, 2017**