

Fayette County Agricultural Society
Fayette County
Regular Audit
For the Years Ended November 30, 2016 and 2015



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Dave Yost • Auditor of State

Governing Board
Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor's Report* of the Fayette County Agricultural Society, Fayette County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2014 through November 30, 2016. 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 Fayette 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

July 24, 2018

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Fayette County Agricultural Society
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For the Years Ended November 30, 2016 and 2015

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Independent Auditor's Report

Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, OH 43160

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the cash balances, receipts, and disbursements, and related notes of the Fayette County Agricultural Society, Fayette County, (the Society) as of and for the years ended November 30, 2016 and 2015.

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 express an opinion on these financial statements based on an audit 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*. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As described in Note 2 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 basis of accounting and GAAP are not reasonably determinable, we presume they are material.

The Society was unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of rentals in 2016 or 2015 or for admissions and privilege fees in 2016. It was noted that the Society did not always maintain support for rentals collected during 2016 and 2015. It was also noted that the Society did not always maintain support for other receipts, such as admissions and privilege fees, collected during 2016.

The Society was also unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of disbursements. Supporting documentation was not available for the payment of invoices in both 2015 and 2016 which totaled to material amounts.

We were unable to obtain sufficient and appropriate audit evidence to determine the accuracy of the financial statement classifications of receipts or disbursements, and therefore, also fund cash balances. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, 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 the effectiveness of the Society's 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.
Portsmouth, Ohio

January 23, 2018

Fayette County Agricultural Society
*Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)*
For the Year Ended November 30, 2016

Operating Receipts:	
Admission	\$212,775
Privilege Fees	79,338
Racing Receipts	41,284
Fees	6,132
Rentals	<u>180,691</u>
 Total Operating Receipts	 520,220
Operating Disbursements:	
Wages and Benefits	105,265
Utilities	68,545
Professional Services	161,074
Equipment and Grounds Maintenance	63,888
Race Expense	113,634
Senior Fair	6,332
Junior Fair	17,863
Capital Outlay	99,078
Other Operating Disbursements	<u>73,630</u>
 Total Operating Disbursements	 <u>709,309</u>
 Deficiency of Operating Receipts Under Operating Disbursements	 (189,089)
Non-Operating Receipts (Disbursements):	
State Support	76,435
Local Government	2,800
Donations/Contributions	62,234
Interest Receipts	19,712
Asset Sales	1,406
Proceeds from Debt	135,350
Debt Service	<u>(209,485)</u>
 Total Non-Operating Receipts (Disbursements)	 <u>88,452</u>
 Excess of Receipts Under Disbursements	 (100,637)
 Fund Cash Balance, Beginning of Year	 <u>349,475</u>
 Fund Cash Balance, End of Year	 <u><u>\$248,838</u></u>

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 1 – Reporting Entity

The Agricultural Society of Fayette County (the Society), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1881 to operate an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series and Fayette County Classic. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 8 and 9, respectively, summarize the 4-H Council'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.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The Society's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

B. Basis of Accounting

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 and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Capital Assets

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 2 - 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 conducted during the Fayette 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 the Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. The accompanying financial statement reports these fees as Racing Receipts.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See note 4 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 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 Racing Receipts. See note 4 for additional information.

Note 3 – Deposits and Investments

The Society maintains a deposit and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2016 was as follows:

Demand Deposits	\$ 10,442
Investments	
Municipal Bonds	78,923
Mutual Funds	<u>159,473</u>
Total Investments	<u>238,396</u>
Total	\$ <u>248,838</u>

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 3 – Deposits and Investments (Continued)

Investments: The investments were a donation the Society received in July 2014. Merrill Lynch's trust department holds the Society's bonds in book entry form in the Society's name. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2016 was \$76,435, as State Support.

Pari-mutuel Wagering

The Society does not record the total amount bet or the payoff to bettors in the accompanying financial statements, rather, it records the pari-mutuel wagering commission (commission) which is the Society's share 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.

Note 5 – Debt

The Society renewed a \$200,000 line of credit from Merchants National Bank on October 20, 2014 for operating funds. The line of credit has an interest rate of prime plus one and one half percent. During 2016, the Society had draws of \$126,000 and principal payments of \$110,000 with a remaining balance of \$198,637 outstanding as of November 30, 2016.

The Society renewed a \$100,000 line of credit from Merchants National Bank on October 18, 2016 for operating funds. The line of credit has an interest rate of prime plus one and one half percent. During 2016, the Society had draws of \$9,350 and principal payments of \$74,474 with a remaining balance of \$25,226 outstanding as of November 30, 2016.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2016.

Note 7 - Risk Management

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 7 - Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016:

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	\$28,785,581

At December 31, 2016, the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Society's share of these unpaid claims collectible in future years is approximately \$13,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2016
\$20,581

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – 4-H Council

The Fayette County 4-H Council, 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 Fayette County Fair. The Society disbursed \$17,863 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 is as follows:

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 8 – 4-H Council (Continued)

Beginning Cash Balance	\$ 5,094
Receipts	3,636
Disbursements	<u>(2,880)</u>
Ending Cash Balance	<u>\$ 5,850</u>

Note 9 – 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 Fayette County's auction. A commission of five 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 year ended November 30, 2016 is as follows:

Beginning Cash Balance	\$ 20,524
Receipts	364,084
Disbursements	<u>(361,777)</u>
Ending Cash Balance	<u>\$ 22,831</u>

Note 10 – Contingent Liabilities

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The Society is not currently party to legal proceedings.

Note 11 – Subsequent Events

In June of 2016, the Society was awarded a grant from the State of Ohio, Ohio Department of Agriculture for construction of a new restroom facility. The Ohio Department of Agriculture will provide financial assistance, on a reimbursement basis, in the amount of \$50,000 to be used for the project. The Society will provide matching funds of \$50,000 for the project. Construction of the new restroom facility was completed in 2017.

Fayette County Agricultural Society
*Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)*
For the Year Ended November 30, 2015

Operating Receipts:	
Admission	\$243,128
Privilege Fees	161,723
Racing Receipts	34,413
Fees	8,509
Rentals	<u>230,104</u>
 Total Operating Receipts	 677,877
Operating Disbursements:	
Wages and Benefits	91,686
Utilities	66,848
Professional Services	178,276
Equipment and Grounds Maintenance	66,304
Race Expense	107,588
Senior Fair	4,882
Junior Fair	14,581
Capital Outlay	659,860
Other Operating Disbursements	<u>186,399</u>
 Total Operating Disbursements	 <u>1,376,424</u>
 Deficiency of Operating Receipts Under Operating Disbursements	 (698,547)
Non-Operating Receipts (Disbursements):	
State Support	70,666
Local Government	8,200
Donations/Contributions	139,486
Interest Receipts	22,602
Dividends	16,349
Asset Sales	217
Proceeds from Debt	290,350
Debt Service	<u>(38,554)</u>
 Total Non-Operating Receipts (Disbursements)	 <u>509,316</u>
 Excess of Receipts Under Disbursements	 (189,231)
 Fund Cash Balance, Beginning of Year	 <u>538,706</u>
 Fund Cash Balance, End of Year	 <u><u>\$349,475</u></u>

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 1 – Reporting Entity

The Agricultural Society of Fayette County (the Society), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1881 to operate an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series and Fayette County Classic. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 8 and 9, respectively, summarize the 4-H Council'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.

Note 2 – Summary of Significant Accounting Policies

A. Basis of Presentation

The Society's financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

B. Basis of Accounting

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 and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Capital Assets

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 2 - 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 conducted during the Fayette 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 the Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. The accompanying financial statement reports these fees as Racing Receipts.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See note 4 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 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 Racing Receipts. See note 4 for additional information.

Note 3 – Deposits and Investments

The Society maintains a deposit and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2015 was as follows:

Demand Deposits	\$ 11,675
Investments	
Municipal Bonds	80,648
Mutual Funds	<u>257,152</u>
Total Investments	<u>337,800</u>
Total	<u>\$ 349,475</u>

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 3 – Deposits and Investments (Continued)

Investments: The investments were a donation the Society received in July 2014. Merrill Lynch's trust department holds the Society's bonds in book entry form in the Society's name. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2015 was \$70,666, as State Support.

Pari-mutuel Wagering

The Society does not record the total amount bet or the payoff to bettors in the accompanying financial statements, rather, it records the pari-mutuel wagering commission (commission) which is the Society's share 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.

Note 5 – Debt

The Society renewed a \$200,000 line of credit from Merchants National Bank on October 20, 2014 for operating funds. The line of credit has an interest rate of prime plus one and one half percent. During 2015, the Society had draws of \$200,000 and principal payments of \$31,102 with a remaining balance of \$182,637 outstanding as of November 30, 2015.

The Society opened a \$100,000 line of credit from Merchants National Bank on August 17, 2015 for operating funds. The line of credit has an interest rate of prime plus one and one half percent. During 2015, the Society had draws of \$90,350 and principal payments of \$0 with a remaining balance of \$90,350 outstanding as of November 30, 2015.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2015.

Note 7 - Risk Management

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 7 - Risk Management (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	\$25,548,550

At December 31, 2015, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool's membership increased to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Society's share of these unpaid claims collectible in future years is approximately \$12,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP

2015
\$19,462

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 8 – 4-H Council

The Fayette County 4-H Council, 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 Fayette County Fair. The Society disbursed \$14,581 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair disbursement. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2015 is as follows:

Fayette County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 8 – 4-H Council (Continued)

Beginning Cash Balance	\$ 3,575
Receipts	5,912
Disbursements	<u>(4,393)</u>
Ending Cash Balance	\$ <u>5,094</u>

Note 9 – 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 Fayette County's auction. A commission of five 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 year ended November 30, 2015 is as follows:

Beginning Cash Balance	\$ 16,537
Receipts	313,999
Disbursements	<u>(310,012)</u>
Ending Cash Balance	\$ <u>20,524</u>

Note 10 – Contingent Liabilities

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The Society is not currently party to legal proceedings.

Note 11 – Subsequent Events

In June of 2016, the Society was awarded a grant from the State of Ohio, Ohio Department of Agriculture for construction of a new restroom facility. The Ohio Department of Agriculture will provide financial assistance, on a reimbursement basis, in the amount of \$50,000 to be used for the project. The Society will provide matching funds of \$50,000 for the project. Construction of the new restroom facility was completed in 2017.

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*

Independent Auditor's Report

Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We were engaged to audit, in accordance with the 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 Fayette County Agricultural Society, Fayette County, (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2018, 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. Our report disclaims an opinion on such financial statements because we were not able to obtain sufficient appropriate audit evidence to support an audit opinion.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Society, 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 2016-001 through 2016-004 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Society, to the extent possible, 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 Response to Finding

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 results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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.
Portsmouth, Ohio

January 23, 2018

Fayette County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2016 and 2015

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

FINDING NUMBER 2016-001

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. During testing, we noted errors with debt-related transactions, disbursements related to the demolition derby, and improper classifications of State support. Correction of the financial statements was made for these errors. Failure to properly classify or recognize transactions could result in errors in future accounting records and financial statements. The Society should implement additional monitoring procedures to ensure that items are properly recorded in the financial records and financial statements.

Client Response:

The Society will implement monitoring procedures to ensure proper recording.

FINDING NUMBER 2016-002

Material Weakness – Receipts

Maintenance of supporting documentation is an integral part of a sound, properly functioning control environment to ensure that a sufficient audit trail is maintained to support the fair presentation of receipts. During testing of receipts, the following conditions were noted:

Admissions

1. Supporting documentation was not maintained for 4 of 8 admissions receipts tested for 2016 and 5 of 10 admissions receipts tested for 2015.
2. Variances were noted between auditor calculated and recorded admissions receipts. Variances of \$34,524 and \$10 were noted for 2016 and 2015, respectively.

Privilege Fees

1. Supporting documentation was not maintained for 4 of 4 privilege fee receipts tested for 2016 and 2 of 5 privilege fee receipts tested for 2015.
2. In one instance for 2015, the amount recorded in the general ledger did not match the amount on the support provided. Support provided showed a receipt of \$88,173.06, whereas the general ledger and deposit to the bank was for \$86,898.75. Management could not provide an explanation for the difference.

Rentals

1. Supporting documentation was not maintained for 6 of 24 rental fee receipts tested for 2016 and 11 of 13 rental fee receipts tested in 2015.
2. We noted 6 instances out of 24 tested in which the contract amount did not agree to the receipt for 2016.
3. We noted 7 instances out of 24 tested for 2016 in which contracts were not signed.
4. Amounts were not included on contracts for 3 out of 24 receipts tested in 2016.

Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in uncollected funds, inaccurate financial reports and/or loss or theft of funds. The Society should implement procedures to ensure that sufficient supporting documentation is maintained for receipts.

Fayette County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2016 and 2015

FINDING NUMBER 2016-002 (Continued)

Client Response:

The Society will implement procedures to ensure supporting documentation is maintained for rentals. For privilege fees, documentation was provided for the difference of \$88,173.06 and \$86,898.75. It was an expense paid by the derby promoter. The promoter subtracted the expense from the amount due to the Society. For admissions, this difference was not identified to the Society that I am aware of. All fair admissions are documented by tickets that are matched to money collected at the gates.

Millhuff-Stang, CPA, Inc. Conclusion:

At the time of the formation of the audit opinion, this information was not available. The Office of the Auditor of State is working with the Society on this issue.

FINDING NUMBER 2016-003

Material Weakness – Nonpayroll Disbursements

Maintenance and review of supporting documentation is an integral part of a sound, properly functioning control environment to ensure that a sufficient audit trail is maintained to support the fair presentation of disbursements and to prove proper public purpose. Instances were noted in which the Society did not maintain supporting documentation for disbursements in 2015 and 2016. Instances were noted in which invoices did not recompute correctly and sales tax was paid. Instances were noted in which checks were written to cash, signed by the Treasurer, and no supporting documentation was maintained. Not maintaining or properly reviewing supporting documentation could result in the Society paying for goods and services not received, paying an incorrect amount, possible finding for recovery, misappropriation of assets, and results in an insufficient audit trail. The Society should implement procedures to ensure that supporting documentation for all disbursements are reviewed for accuracy and appropriateness and maintained, and sales tax is not paid.

Client Response:

Supporting documentation has been sent to the Auditor of State

Millhuff-Stang, CPA, Inc. Conclusion:

At the time of the formation of the audit opinion, this information was not available. The Office of the Auditor of State is working with the Society on this issue.

FINDING NUMBER 2016-004

Material Weakness – ATM Account

The Society owns an ATM that is located at the fairgrounds. The Society periodically stocks this ATM with cash from its ATM bank account. Funds are reimbursed to the ATM bank account from the accounts of those who withdrawal from the ATM, and corresponding ATM usage fees are also deposited to this account. In addition, the Society occasionally withdraws cash from the operating account to stock the ATM to fund increased usage time periods, with those funds being subsequently withdrawn from the ATM bank account and redeposited in the operating account.

During the course of testing, we noted that the Society does not reconcile this ATM account back to ATM system reports and was also unable to substantiate checks written from this account to cash with supporting documentation, ATM system accounting reports, or other satisfactory documentation.

Fayette County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2016 and 2015

FINDING NUMBER 2016-004 (Continued)

The Society should consult with its ATM service provider to identify what reports are available from the ATM system to reconcile and support deposits to and withdrawals from the ATM and implement additional procedures to ensure this account is properly reconciled monthly and that activity is sufficiently supported and reported.

Client Response:

The ATM account will be reconciled monthly. Supporting documentation has been sent to the Auditor of State.

Millhuff-Stang, CPA, Inc. Conclusion:

At the time of the formation of the audit opinion, this information was not available. The Office of the Auditor of State is working with the Society on this issue.

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Fayette County Agricultural Society
Schedule of Prior Audit Findings
For the Years Ended November 30, 2016 and 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Take, or Finding No Longer Valid, Explain
2014-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2016-001

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Dave Yost • Auditor of State

FAYETTE COUNTY AGRICULTURAL SOCIETY

FAYETTE 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
AUGUST, 7 2018