

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



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Dave Yost • Auditor of State

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

October 12, 2017

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

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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 of the cash balances, receipts, and disbursements, and related notes of the Clinton County Agricultural Society, Clinton 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 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 adverse and qualified audit opinions.

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

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 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, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Privilege fees are reported at \$64,872, and \$58,824 for the years ended November 30, 2016 and 2015, respectively, which are 17 percent of total operating receipts for the year ended November 30, 2016, and 16 percent of total operating receipts for the year ended November 30, 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as privilege fees. 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 as of November 30, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2017, 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 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

July 25, 2017

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

Operating Receipts:	
Admissions	\$196,397
Privilege Fees	64,872
Rentals	95,576
Sales During the Fair	940
Sales During Other Activities	650
Racing Fees and Charges	11,999
Fees	20,596
Other Operating Receipts	215
Total Operating Receipts	391,245
Operating Disbursements:	
Wages and Benefits	39,652
Utilities	48,693
Administrative	6,529
Race Supplies and Materials	15,255
Supplies and Materials	29,808
Advertising and Communications	19,796
Insurance	19,920
Professional Services	15,520
Property Services	37,923
Racing	87,453
Repairs	10,449
Rent/Lease	5,952
Senior Fair	18,884
Junior Fair	7,345
Contests	80,335
Other Fair Expenses	5,869
Capital Outlay	108,482
Other Operating Disbursements	7,937
Total Operating Disbursements	565,802
Excess of Operating Receipts Under Operating Disbursements	(174,557)
Non-Operating Receipts (Disbursements)	
State Support	74,739
Local Government Grant-In-Aid	106,000
Restricted Support	6,861
Investment Income	33
Debt Service	(47,426)
Net Non-Operating Receipts (Disbursements)	140,207
Excess of Receipts Under Disbursements	(34,350)
Fund Balance, Beginning of Year	65,192
Fund Balance, End of Year	\$30,842

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

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

NOTE 1 – REPORTING ENTITY

The Agricultural Society of Clinton County (the Society), Clinton 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 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 13 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of 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 Clinton County, Ohio.

Notes 8 and 9, respectively, summarize the 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.

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 Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Society's deposits are held in checking and savings accounts with a local financial institution. The Society has no investments.

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.

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

NOTE 2 - SUMMARY OF SIGNFICANT 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 Racing Fees and Charges.

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 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 Racing Fees and Charges. See Note 4 for additional information.

NOTE 3 – DEPOSITS

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

Demand deposits	\$28,557
Other time deposits (savings and NOW accounts)	<u>2,285</u>
Total deposits	<u>\$30,842</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

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

NOTE 4 – HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2016 in the amount of \$10,463 as State Support.

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.

Total Amount Bet (Handle)	\$ 11,942
Less: Payoff to Bettors	<u>(9,419)</u>
Parimutuel Wagering Commission	2,523
Tote Service Set Up Fee	(1,100)
Tote Service Commission	(55)
State Tax	<u>(367)</u>
Society Portion	<u>\$ 1,001</u>

NOTE 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 Section 1711.24. A private company provides general liability and vehicle insurance, with an aggregate limit of \$2,000,000. The Society’s Treasurer and Secretary are bonded with coverage of \$150,000 for each position.

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 – DEBT

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, 2016, the Society was in arrears of \$20,166 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 \$1,000 every month until the outstanding liability of \$20,166 is paid.

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

NOTE 7 - DEBT (CONTINUED)

Debt outstanding at November 30, 2016 was as follows:

	Principal	Interest Rate
County Loan	\$350,000	3.50%
County Arrears	20,166	N/A
Total	\$370,166	

NOTE 8 – 4-H COMMITTEE

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 Clinton County Fair. The Society disbursed to the Junior Fair Board \$7,345 in 2016 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 follows:

Beginning Cash Balance	\$130,091
Receipts	110,699
Disbursements	(103,838)
Ending Cash Balance	\$136,952

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 Clinton County's auction. A commission of three and a half percent (3.5%) for general fund for all species and three percent (3%) for barn fund for dairy, one and a half percent (1.5%) of the barn fund are for swine, and 2% barn fund are for poultry, sheep, goats and rabbits, and three percent (3%) on cattle and feeder calves. The commission will be assessed on the total premium and re-sale amount. The Junior Livestock Committee retains this money. The total auction amount for the year ended November 30, 2016 was \$322,890, and the Junior Livestock Sale Committee received \$19,873. The accompanying financial statement does not include the Junior Livestock Committee's activity for the year ended November 30, 2016. Refer to the 4-H Committee financial activity in Note 8.

NOTE 10 – SUBSEQUENT EVENTS

On March 6, 2017 the Society entered an agreement with the Clinton County Board of Commissioners to reimburse the Board \$300,000 for the necessary construction costs of various capital improvement projects. The Society shall repay the financial assistance at the first reasonable date available, in part, with funds received from a Capital Improvement Community Recreation Project Grant awarded to the Society by the Department of Natural Resources. The Grant provides up to \$245,000 to be used toward a project to develop new facilities and renovate existing facilities at the Clinton County Fairgrounds.

NOTE 11 – 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.

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

Operating Receipts:	
Admissions	\$180,049
Privilege Fees	58,824
Rentals	95,156
Sales During the Fair	1,549
Racing Fees and Charges	20,104
Utilities	857
Fees	14,720
Other Operating Receipts	<u>21,728</u>
Total Operating Receipts	392,987
Operating Disbursements:	
Wages and Benefits	40,179
Utilities	50,397
Administrative	6,901
Race Supplies and Materials	3,100
Supplies Purchased for Resale	453
Supplies and Materials	25,751
Advertising and Communications	18,425
Insurance	17,076
Professional Services	22,192
Property Services	43,653
Racing	76,574
Repairs	3,669
Rent/Lease	5,425
Senior Fair	9,448
Junior Fair	7,706
Contests	80,541
Other Fair Expenses	2,787
Capital Outlay	66,189
Other Operating Disbursements	<u>9,055</u>
Total Operating Disbursements	<u>489,521</u>
Excess of Operating Receipts	
Under Operating Disbursements	(96,534)
Non-Operating Receipts (Disbursements)	
State Support	68,795
Local Government Grant-In-Aid	60,000
Restricted Support	12,658
Investment Income	32
Debt Service	<u>(46,077)</u>
Net Non-Operating Receipts (Disbursements)	<u>95,408</u>
Excess of Receipts Under Disbursements	(1,126)
Fund Balance, Beginning of Year	<u>66,318</u>
Fund Balance, End of Year	<u><u>\$65,192</u></u>

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

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

NOTE 1 – REPORTING ENTITY

The Agricultural Society of Clinton County (the Society), Clinton 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 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 13 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of 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 Clinton County, Ohio.

Notes 8 and 9, respectively, summarize the 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.

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 Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits

The Society's deposits are held in checking and savings accounts with a local financial institution. The Society has no investments.

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.

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

NOTE 2 - SUMMARY OF SIGNFICANT 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 Clinton County Harness Horseman's 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 Racing Fees and Charges.

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 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 Racing Fees and Charges. See Note 4 for additional information.

NOTE 3 – DEPOSITS

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

Demand deposits	\$42,881
Other time deposits (savings and NOW accounts)	22,311
Total deposits	<u>\$65,192</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

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

NOTE 4 – HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2015 in the amount of \$10,225 as State Support.

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.

Total Amount Bet (Handle)	\$ 8,380
Less: Payoff to Bettors	<u>(6,640)</u>
Parimutuel Wagering Commission	1,740
Tote Service Set Up Fee	(550)
Tote Service Commission	(76)
State Tax	<u>(205)</u>
Society Portion	<u>\$ 909</u>

NOTE 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 Section 1711.24. A private company provides general liability and vehicle insurance, with an aggregate limit of \$2,000,000. The Society’s Treasurer and Secretary are bonded with coverage of \$150,000 for each position.

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 – DEBT

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, 2015, the Society was in arrears of \$31,166 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 \$1,000 every month until the outstanding liability of \$31,166 is paid.

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

NOTE 7 - DEBT (CONTINUED)

Debt outstanding at November 30, 2015 was as follows:

	Principal	Interest Rate
County Loan	\$370,000	3.50%
County Arrears	31,166	N/A
Total	\$401,166	

NOTE 8 – 4-H COMMITTEE

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 Clinton County Fair. The Society disbursed to the Junior Fair Board \$7,706 in 2015 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 follows:

Beginning Cash Balance	\$113,835
Receipts	116,020
Disbursements	(99,764)
Ending Cash Balance	\$130,091

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 Clinton County’s auction. A commission of three and a half percent (3.5%) for general fund for all species and three percent (3%) for barn fund for dairy, one and a half percent (1.5%) of the barn fund are for swine, and 2% barn fund are for poultry, sheep, goats and rabbits, and three percent (3%) on cattle and feeder calves. The commission will be assessed on the total premium and re-sale amount. The Junior Livestock Committee retains this money. The total auction amount for the year ended November 30, 2015 was \$370,631, and the Junior Livestock Sale Committee received \$20,577. The accompanying financial statement does not include the Junior Livestock Committee’s activity for the year ended November 30, 2015. Refer to the 4-H Committee financial activity in Note 8.

NOTE 10 – SUBSEQUENT EVENTS

On March 6, 2017 the Society entered an agreement with the Clinton County Board of Commissioners to reimburse the Board \$300,000 for the necessary construction costs of various capital improvement projects. The Society shall repay the financial assistance at the first reasonable date available, in part, with funds received from a Capital Improvement Community Recreation Project Grant awarded to the Society by the Department of Natural Resources. The Grant provides up to \$245,000 to be used toward a project to develop new facilities and renovate existing facilities at the Clinton County Fairgrounds.

NOTE 11 – 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.

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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

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, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2017, 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 amounts recorded as privilege fees for the years ended November 30, 2016 and 2015.

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 2016-001, 2016-002, and 2016-003 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 Response 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.
Portsmouth, Ohio

July 25, 2017

Clinton 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. Various errors were identified during the course of testing. We also noted that the Society includes accruals within its cash basis accounting records, resulting in misstatements within the financial statements presented under the regulatory cash basis of accounting. Lastly, we noted that the Society's annual financial reports do not include cash balances at year end. Only receipts, disbursements, and change in fund balance are reported. The Society should implement monitoring procedures to ensure that transactions are properly recorded and that financial information is properly presented. The Society should also consider including a cash balance within the annual reports filed with the State and submitted for audit.

Client Response:

Will speak to accountant to include cash balances at year end for reports filed with state and submitted for audit.

FINDING NUMBER 2016-002

Material Weakness – Admissions

The Auditor of State's Uniform System of Accounting for Agricultural Society, November 2002 revision, outlines the procedures an agricultural society should take when accounting for fair admissions. The Society maintained ticket tally sheets for admission receipts; however, we noted the following conditions of the recording of admissions revenue for 2016:

1. We were unable to trace most admission receipts to proper postings in the accounting system.
2. Season passes were sold at the entry gates to the fair; however, when receipts were posted to the system, we noted instances where there was no breakdown of what receipts were for season passes or daily entrance into the fair.
3. Pit/parking passes were not substantiated by supporting documentation.
4. We noted instances where other revenue sources per descriptions in the general ledger were included within admissions, but there was no supporting documentation for review.

In order to strengthen internal controls over the annual fair admissions receipt process and ensure all receipts are properly deposited, we recommend the Society use due care when processing gate and season pass receipts. Supporting documentation should be maintained for all transactions. The amount received should be reconciled to the amount collected and deposited.

Client Response:

For 2017, we tracked number of tickets as well as general admission tickets that were taken at each gate. Deposits were broken down by season tickets, general admission tickets that were paid at the gate. We also had pit passes numbered in order to more accurately reconcile number of tickets sold versus money collected.

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

FINDING NUMBER 2016-003

Material Weakness – Privilege Fees

The privilege fee revenue line item is comprised of rental monies received for concession space, merchant building space, and outside space during fair week. Supporting documentation for these receipts are contracts. The renter completes a contract that contains date, business, number of spaces needed, number of passes needs and the total amount due. The renter and a Society member should sign the contract. The contract is marked paid upon receipt of the rental fee and method of payment is documented. The Society has not established internal control procedures over privilege fee receipts. The following conditions were noted:

1. Contracts were not always signed by the payee;
2. An instance was noted where the amount received was less than the amount reported in the (unsigned) contract provided;
3. Supporting documentation was not maintained for most privilege fee receipts tested.
4. There were receipts posted to privilege fees that do not appear to have been properly recorded based on descriptions in accounting records or discussions with management, but no supporting documentation could be located for review.

As a result, the Society did not provide sufficient documentation supporting privilege fee receipts. 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.

Without this documentation, we were unable to satisfy ourselves as to the completeness of privilege fees by other auditing procedures.

To improve accountability over privilege fee receipts:

1. Each privilege fee receipt should have a signed contract by the renter/vendor and an appropriate member of the Society's management;
2. The Society should ensure that payments of privilege fees are in accordance with contracts;
3. The Society should maintain these contracts and file them with the Society's financial records.
4. The Society should implement a financial monitoring process to ensure that amounts recorded as privilege fees are accurate and complete.

Client Response:

Will work to ensure all contracts are signed and supporting document attached to contract as well as properly recorded.

Clinton 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	Partially Corrected. Reissued, in Part, as Finding 2016-001
2014-002	Material Weakness – Admissions	No	Reissued as Finding 2016-002

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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
OCTOBER 24, 2017**