

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

**FINANCIAL STATEMENTS
(AUDITED)**

FOR THE YEARS ENDED NOVEMBER 30, 2016 AND 2015

AMY HAYES, TREASURER



Dave Yost • Auditor of State

Board of Directors
Mercer County Agricultural Society
1001 West Market Street
Celina, Ohio 45822

We have reviewed the *Independent Auditor's Report* of the Mercer County Agricultural Society, Mercer County, prepared by Julian & Grube, 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 Mercer 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

June 15, 2017

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**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

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Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Mercer County Agricultural Society
Mercer County
1001 W. Market Street
Celina, Ohio 45822

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Mercer County Agricultural Society, Mercer County, Ohio, 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 Mercer County Agricultural Society's preparation and fair presentation of the financial statement 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 Mercer County Agricultural 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 Mercer County Agricultural 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, 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 Mercer County Agricultural 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.

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 Mercer County Agricultural 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

Gate receipts (included as admissions) are reported at \$48,340 and \$65,313 for the fiscal years ended November 30, 2016 and 2015, respectively, which is approximately 8% and 10% of operating receipts for fiscal years ended 2016 and 2015, respectively. We are unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admission receipts. Consequently, we are 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 Mercer County Agricultural Society, Mercer County 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 May 17, 2017, on our consideration of the Mercer County Agricultural Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mercer County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 17, 2017

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

	2016
Operating Receipts	
Taxes	\$1,594
Admissions	236,400
Privilege Fees	35,252
Sales - Fair	39,800
Other Sales	49,638
Racing	78,274
Utilities	4,747
Other Fees	7,157
Rentals	144,345
Miscellaneous	8,301
	605,508
<i>Total Operating Receipts</i>	<i>605,508</i>
Operating Disbursements	
Secretary's Salary/Wages	25,991
Fairground Maintenance	6,465
Manager's Salary/Wages	46,091
Office Assistant	16,167
Benefits- Employers Share	7,919
Administrative Expenses	8,043
Race Supplies & Materials	3,299
Office Supplies & Materials	2,573
Postage	1,734
Ground Maintenance	190,359
Other Supplies & Materials	4,127
Gas Vehicles & Equipment	2,316
Electricity	41,398
Gas	5,816
Water	6,456
Telephone	2,378
Sewer	2,273
Racing- Harness	101,381
Professional Services	199,244
Property Services	28,638
Advertising & Communication	34,922
Repairs	18,818
Insurance	18,652
Rent/Lease Expense	6,941
Fair Expenses	111,286
Late Fees	3
Miscellaneous Expenses	82,160
	975,450
<i>Total Operating Disbursements</i>	<i>975,450</i>
<i>Excess (Deficiency) of Operating Receipts</i>	<i>(369,942)</i>
Non-Operating Receipts (Disbursements)	
State Support	69,244
Restricted Support	107,872
Unrestricted Support	143,588
Reimbursements	49,807
Interest	432
Loan proceeds	72,297
Debt Service	(63,466)
	379,774
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>379,774</i>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>9,832</i>
Cash Balance, Beginning of Year	49,010
<i>Cash Balance, End of Year</i>	<i>\$58,842</i>

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

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

	<u>2015</u>
Operating Receipts	
Taxes	\$1,095
Admissions	231,062
Privilege Fees	32,853
Other Sales	85,806
Racing	77,181
Utilities	9,676
Other Fees	9,745
Rentals	127,016
Miscellaneous	<u>56,320</u>
<i>Total Operating Receipts</i>	<u>630,754</u>
Operating Disbursements	
Wages and Benefits	94,656
Administrative	10,124
Racing	98,077
Supplies	23,899
Utilities	58,333
Professional Services	253,394
Property Services	39,257
Advertising	45,563
Repairs	5,761
Insurance	15,644
Rent/Lease	19,800
Senior Fair Expenses	21,359
Junior Fair Expenses	20,909
Other Fair Expenses	56,391
Miscellaneous Expenses	<u>123,929</u>
<i>Total Operating Disbursements</i>	<u>887,096</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(256,342)</u>
Non-Operating Receipts (Disbursements)	
State Support	39,604
Restricted Support	50,885
Unrestricted Support	99,441
Interest	23
Sale of Assets	8,900
Debt Service	(32,007)
Loan Proceeds	<u>58,800</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>225,646</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(30,696)
Cash Balance, Beginning of Year	<u>79,706</u>
<i>Cash Balance, End of Year</i>	<u><u>\$49,010</u></u>

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

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 1 – Reporting Entity

The Agricultural Society of Mercer County (the Society), Mercer 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Mercer County Fair during August. During the fair, harness races are held, culminating in the running of the Mercer County Fair Harness Races. Mercer County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 10 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Mercer 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, Craft Beer & Wine Tasting, Canvas & Cork, Cookies & Canvas, Ribfest, and Halloween Campout. Other year-round activities at the fairgrounds including facility rental, track and stall rental, and community events including community garage sales. The reporting entity does not include any other activities or entities of Mercer County, Ohio.

Notes 9 and 10 respectively; summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes the financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

The 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The 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.

Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies- (Continued)

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

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.

Race Purse

Two-Year-Old Colt Pace, Two-Year-Old Colt Trot, Three-Year-Old Colt Pace, Three-Year-Old Colt Trot, Two-Year-Old Filly Pace, Two-Year-Old Filly Trot, Three-Year-Old Filly Pace, Three-Year-Old Filly Trot stake races are held during the Mercer 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 Harness Horsemen'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 report these fees as Sustaining and Entry Fees.

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

Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 3 – Deposits

The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2016 and 2015 were as follows:

	2016	2015
Demand deposits	\$ 38,695	\$ 28,302
Cash on hand	100	100
Other time deposits (money market account)	20,047	20,608
Total deposits and investments	\$ 58,842	\$ 49,010

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2016 and 2015 was \$29,244 and \$24,605 respectively, 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 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.

	2016	2015
Total Amount Bet (Handle)	\$ 11,195	\$ 14,024
Less: Payoff to Bettors	(8,806)	(11,170)
Parimutuel Wagering Commission	2,389	2,854
Tote Service Set Up Fee	(700)	(700)
Tote Service Commission	(755)	(1,154)
State Tax	(306)	(397)
Society Portion	\$ 628	\$ 603

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 5 – Risk Management

The Mercer County Commissioners provide general insurance coverage for all the buildings on the Mercer County Fairgrounds pursuant to Ohio Revised Code: 1711.24. A private company provides general liability, with limits of \$3,000,000 and \$0 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$3,000,000.

The Society’s Treasurer is bonded with coverage of \$12,000.

Risk Pool Membership

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 Society’s. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of 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 ARPCO. Member Society’s pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

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 Society.

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 and 2015 (the latest information available):

	2016	2015
Assets	\$42,182,281	\$38,307,677
Liabilities	(13,396,700)	(12,759,127)
Net Position	\$28,785,581	\$25,548,550

At December 31, 2016 and 2015, respectively, the liabilities above include approximately \$12.0 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million and \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 499 members in 2015 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 \$12,000.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 5 – Risk Management - (Continued)

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.

<u>Contributions to PEP</u>	
<u>2015</u>	<u>2016</u>
\$16,442	\$18,312

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 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

Debt outstanding at November 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>	<u>Interest Rate</u>
John Deere Financial- Note Tractor 4610	\$3,564	\$7,010	3.5%
Rent Lease Mower	5,040	8,361	4.2%
Fair Ground Improvement Bond	4,950	15,000	5.8%
Second National Bank - Promissory Note	35,000	-	5.8%
Second National Bank - Line of Credit	48,097	45,800	5.8%
Citizens National Bank- Jr. Fair Building	12,017	27,517	5.0%
Total	<u>\$108,668</u>	<u>\$103,688</u>	

The 4610 Tractor Note bears an interest rate of 3.5 percent and is due to John Deere Financial. The note was entered into on November 20, 2013 and matures on November 20, 2018.

The Mower lease bears an interest rate of 4.2 percent and is due to John Deere Financial. The lease was entered on April 21, 2015 and matures on April 20, 2018. The maximum amount of the lease is \$10,575.

The Fair Ground Improvement bond bears an interest rate of 5.8% and is due to the Mercer County Commissioners. The note was issued on February 14, 2001 in the amount of \$173,000. This note was issued for the purpose of making improvements to the fairgrounds, which includes a shower house and public restroom.

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 7 – Debt - (Continued)

The Society entered into an agreement for a Promissory Note of \$50,000 with Second National Bank with an interest rate of 5.8 percent. The note was entered into on December 22, 2015.

The Society obtained a line of credit with Second national bank on December 14, 2014. It bears an interest rate of 5.8 percent. The Society has used the line of credit to meet operating obligations of the Society.

The Society took out a commercial draw loan with Citizens National Bank on October 7, 2008 for the Junior Fair Building Project. The maximum amount of the loan is \$155,000, but interest is only paid upon the amount drawn.

Note 8 – Contingent Liabilities

\$50,000 was received from the State of Ohio Department of Agriculture. Amounts grantor agencies pay to the Society are subject to the audit and adjustment by the grantor.

Note 9 – Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Mercer County Fair. The Society disbursed \$22,550 in 2016 and \$20,909 in 2015 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement for 2015 and is included in fair expenses in 2016. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 and 2015 are as follows:

	2016	2015
Beginning Cash Balance	\$ 8,150	\$ 2,673
Receipts	5,723	15,521
Disbursements	(7,406)	(10,044)
Ending Cash Balance	\$ 6,467	\$ 8,150

Note 10 – Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Mercer County Junior Fair Livestock auction. A commission of 2% percent (varies by animal species) on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2016 and 2015 follows:

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY**

Notes to the Financial Statements
For the Fiscal Years Ended November 30, 2016 and 2015

Note 10 – Junior Livestock Sale Committee- (Continued)

	<u>2016</u>	<u>2015</u>
Beginning Cash Balance	\$ 62,062	\$ 67,979
Receipts	315,160	329,889
Disbursements	(318,505)	(335,806)
Ending Cash Balance	<u>\$ 58,717</u>	<u>\$ 62,062</u>

Note 11 – Noncompliance

The Society had noncompliance with Ohio Revised Code Section 117.38 for filing incomplete financial statements on the Hinkle System for fiscal years ended November 30, 2016 and 2015. The Society also had noncompliance with Ohio Administrative Code 117-2-02(D) due to lack of substantiating evidence for various receipts and disbursements for fiscal years ended November 30, 2016 and 2015.



Julian & Grube, Inc.
Serving Ohio Local Governments

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required By *Government Auditing Standards***

Mercer County Agricultural Society
Mercer County
1001 W. Market Street
Celina, Ohio 45822

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Mercer County Agricultural Society, Mercer County, Ohio, 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 May 17, 2017, wherein we noted the Mercer County Agricultural 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 lack of sufficient audit evidence supporting the amounts recorded as admission receipts for the fiscal years ended November 30, 2016 and 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Mercer County Agricultural Society's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Board of Directors
Mercer County Agricultural Society

Compliance and Other Matters

As part of reasonably assuring whether the Mercer County Agricultural Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as items 2016-001 and 2016-002.

Mercer County Agricultural Society's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Mercer County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Mercer County Agricultural Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
May 17, 2017

**MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
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/Noncompliance - Accounting Records

Ohio Administrative Code (OAC) § 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include a cash receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions should be recorded on this ledger. The local office should also maintain adequate documentation to support the amounts recorded on this ledger. In addition, OAC § 117-2-02(3) states that check vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices and timely record the transaction into its manual or computerized account records. It is management’s responsibility to implement internal accounting control policies and procedures to reasonably ensure the Society’s receipts and disbursements are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of receipt and disbursement records.

The following internal control weaknesses were noted related to the Society’s receipt and disbursement procedures:

Gate receipts in the amounts of \$48,340 and \$65,313 for the years ended November 30, 2016 and 2015, respectively, could not be substantiated due to lack of supporting documentation.

Ride company expenses in the amount of \$33,651 and \$17,230 for fiscal year 2016 and 2015, respectively, were approved by the Society’s Board, however, no formal contract was created.

We recommend the Mercer County Agricultural Society Treasurer and Board of Directors take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Mercer County Agricultural Society, Inc. regarding gate receipts (included as Admissions) and cash disbursements. We further recommend the Secretary and/or Treasure implement procedures to adequately track and reconcile gate receipts to help prevent loss of funds and improve financial reporting. Those procedures should include a ticket system that is tracked, including the amount sold, voided, and complimentary tickets. Reconciliation of ticket sales and cash collected and deposited should be done. A proper ticket inventory should also be maintained that documents the inventory of tickets purchased and tickets on-hand. The Society should also obtain contracts with vendors to ensure amounts are being paid correctly for the services performed or products received.

Client Response: We did not receive a response from officials to this finding.

MERCER COUNTY AGRICULTURAL SOCIETY
MERCER COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2016 AND 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number:	2016-002

Material Weakness/Noncompliance – Incomplete Hinkle Filing Submission

Ohio Revised Code Section 117.38 states each public office, other than a state agency, shall file a financial report for each fiscal year. In addition, Ohio Auditor of State Bulletin 2015-007 states that complete annual financial reports need to be filed via the Hinkle System website. A complete submission for Regulatory Cash-Basis Entities includes the Statement(s) of Receipts, Disbursements, and Changes in Fund Balances and noted to the financial statements.

The Society filed annual reports for both 2015 and 2016 with the Hinkle System successfully; however, the Society did not upload a Statement of Receipts, Disbursements, and Changes in Fund Balances as required and instead uploaded Profit and Loss statements ran from their accounting software. In addition, certain note disclosures were modified in the Society’s report.

We recommend the Mercer County Agricultural Society Treasurer and Board of Directors take the necessary steps to ensure their annual financial report includes the above requirements including the Statement(s) of Receipts, Disbursements, and Changes in Fund Balances and notes to the financial statements.

Client Response: We did not receive a response from officials to this finding.

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Dave Yost • Auditor of State

MERCER COUNTY AGRICULTURAL SOCIETY

MERCER 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
JUNE 29, 2017**