



Dave Yost • Auditor of State

MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Morrow County Agricultural Society
Morrow County
PO Box 168
Mt. Gilead, Ohio 43338

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of Morrow County Agricultural Society, Morrow County, Ohio, (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 audit opinions.

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

As described in Note 1 for 2015 and Note 2 for 2016 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 thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Morrow County Agricultural Society, Morrow County, Ohio, 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 1 for 2015 and Note 2 for 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

July 20, 2017

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE YEAR ENDED NOVEMBER 30, 2016**

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Operating Receipts	
Admissions	\$ 235,165
Privilege Fees	58,819
Sales	5,005
Sales - Non-Fair Activities	5,559
Rentals	57,692
Sustaining and Entry Fees	26,399
Pari-mutuel Wagering Commission	500
Utilities	1,200
	<hr/>
<i>Total Operating Receipts</i>	<i>390,339</i>
Operating Disbursements	
Wages and Benefits	60,928
Administrative Expenses	9,987
Race Expenses	1,392
Supplies	24,132
Utilities	28,704
Racing Expenses	5,238
Professional Services	42,526
Property Expenses	54,463
Advertising	11,089
Equipment and Grounds Maintenance	17,313
Insurance	24,424
Race Purse	83,156
Rent/Lease Expense	17,697
Senior Fair Contest Expense	34,875
Senior Fair	14,829
Junior Fair	21,764
Capital Outlay	138,212
Other Operating Disbursements	10,545
	<hr/>
<i>Total Operating Disbursements</i>	<i>601,274</i>
	<hr/>
<i>Deficiency of Operating Receipts</i>	<i>(210,935)</i>
Non-Operating Receipts (Disbursements)	
State Support	74,739
County Support	30,000
Donations/Contributions	95,254
Investment Income	274
	<hr/>
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>200,267</i>
	<hr/>
<i>Deficiency of Receipts Under Disbursements</i>	<i>(10,668)</i>
	<hr/>
Cash Balance, Beginning of Year	325,450
	<hr/>
<i>Cash Balance, End of Year</i>	<i>\$ 314,782</i>
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The notes to the financial statement are an integral part of this statement.

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**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016**

Note 1 - Reporting Entity

The Agricultural Society of Morrow County, (the Society), Morrow 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 1850 to operate an annual agricultural fair. The Society sponsors the week-long Morrow County Fair during August. During the fair, harness races are held. Morrow County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 22 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morrow 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 and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including Morrow County July 3rd Celebration. The reporting entity does not include any other activities or entities of Morrow 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 this financial statement presents all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

This financial statement follows 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.

This statement includes 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.

The Society invests in certificates of deposit which are valued at cost.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016
(Continued)**

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.

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

Stake races are held during the Morrow 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 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 & Ohio Harness Horsemen's Association

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.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016
(Continued)**

Note 3 – Deposits and Investments

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

	2016
Demand deposits	\$ 120,516
Certificates of deposit	139,547
Other time deposits (savings and NOW accounts)	54,719
Total deposits	\$ 314,782

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

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 \$4,400 as State Support. Also supplement purse for the year 2016 was received from the Ohio Harness Horsemen's Association.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. 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
Total Amount Bet (Handle)	\$ 9,020
Less: Payoff to Bettors	(7,238)
Parimutuel Wagering Commission	1,782
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(283)
State Tax	(214)
Society Portion	\$ 285

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016
(Continued)**

Note 5 - Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 30, 2017.

The Society has entered into an agreement with the Morrow County Commissioners and Mary Weiler, Secretary/Treasurer whereby she is covered for health insurance. There is no cost to the Society for this health insurance.

The Morrow County Commissioners provide general insurance coverage for all the buildings on the Morrow County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's fiscal officer is bonded with coverage of \$25,000.

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 judgements, 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, 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 limits are the obligation of the respective government.

Financial Position

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

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

At December 31, 2016, the liabilities above include approximately 12 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 November 30, 2016, the Society's share of these unpaid claims collectible in future years is approximately \$15,230.

Based on discussions with PEP, the expected rates PEP charges to computer 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 account of financial contributions required to be made to PEP for each year of membership.

Contribution to PEP for the fiscal year end of November 30, 2016 was \$24,174.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016
(Continued)**

Note 5 - Risk Management (Continued)

After one full 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

The Society has a lease with Gordon Flesch Leasing dated May 2, 2012 for a Canon copy machine at the Sr. Fair Office. The term of the lease is 5 years and the monthly payment is \$148 with tax. At the end of the lease the machine is the property of the Society and will be utilized at the Jr. Fair office.

The Society has a lease with MT Business Technologies dated October 13, 2016 for a Ricoh copy machine at the Sr. Fair office. The term of the lease is 5 years and the monthly payment is \$150.

Note 8 – Related Party Transactions

Board member Sue Beck is part owner of The R.B. Powers Co. from which the Society purchases ribbons, awards, tickets and passes during the year. The Society paid \$5,261 for this acquisition.

Board member Dale Bowersmith is the spouse of Toni Bowersmith that the Society paid \$2,900 for cleaning services during the 2016 fair.

Vice President Tim Weiler and Secretary/Treasurer Mary Weiler are spouses. Tim abstains from any vote regarding the employment of Mary's Weiler.

Various board members participate in the Sr. Fair and can receive premiums or awards for this participation. For example, showing livestock, competing in a race or truck/tractor pull. There are also board members who volunteer their time and skills for the fair, such as auctioneering.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2016
(Continued)**

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 Morrow County Fair. The Society disbursed \$6,866 directly to the Junior Fair Board for premiums and awards and \$14,898 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Morrow County paid the Society \$100 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 follows:

	2016
Beginning Cash Balance	9,241
Receipts	35,754
Disbursements	(31,120)
Ending Cash Balance	\$ 13,875

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 Morrow County's auction. A commission of 2, 4 or 5 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 follows:

	2016
Beginning Cash Balance	\$ 21,601
Receipts	659,848
Disbursements	(655,043)
Ending Cash Balance	\$ 26,406

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE YEAR ENDED NOVEMBER 30, 2015**

Operating Receipts	
Admissions	\$ 220,070
Privilege Fees	56,344
Sales	4,220
Sales - Non-Fair Activities	4,150
Rentals	57,247
Sustaining and Entry Fees	19,096
Pari-mutuel Wagering Commission	593
Utilities	3,574
	365,294
<i>Total Operating Receipts</i>	
Operating Disbursements	
Wages and Benefits	60,531
Administrative Expenses	12,783
Race Expenses	2,763
Supplies	19,718
Utilities	26,846
Racing Expenses	4,408
Professional Services	40,221
Property Expenses	56,661
Advertising	10,264
Equipment and Grounds Maintenance	15,507
Insurance	24,738
Race Purse	72,434
Rent/Lease Expense	15,876
Senior Fair Contest Expense	32,584
Senior Fair	16,356
Junior Fair	21,746
Capital Outlay	44,679
Other Operating Disbursements	9,203
	487,318
<i>Total Operating Disbursements</i>	
<i>Deficiency of Operating Receipts</i>	
	(122,024)
Non-Operating Receipts (Disbursements)	
State Support	68,695
County Support	5,000
Debt Proceeds	20,000
Donations/Contributions	65,020
Investment Income	274
Debt Service	(20,571)
	138,418
<i>Net Non-Operating Receipts (Disbursements)</i>	
<i>Excess of Receipts Over Disbursements</i>	
	16,394
Cash Balance, Beginning of Year	309,056
	309,056
<i>Cash Balance, End of Year</i>	\$ 325,450

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

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**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Morrow County Agricultural Society, Morrow County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1850 to operate an annual agricultural fair. The Society sponsors the week-long Morrow County Fair during August. During the fair, harness races are held. Morrow County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 22 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morrow County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including Morrow County July 3rd Celebration. The reporting entity does not include any other activities or entities of Morrow County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

B. Accounting Basis

The financial statement follows 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).

This statement includes 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 balance. 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.

The Society invests in certificates of deposit.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant, and Equipment

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

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 Morrow 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 pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund & Ohio Harness Horsemen's Association

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

G. Pari-mutuel Wagering

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

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015
(Continued)**

2. DEPOSITS AND INVESTMENTS

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

	2015
Demand deposits	\$ 131,452
Certificates of deposit	139,442
Other time deposits (savings and NOW accounts)	54,556
Total deposits	\$ 325,450

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

At November 30, 2015, all deposits were insured or collateralized.

3. HORSE RACING

State and Ohio Harness Horsemen's Association Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2015 was \$4,184 as State Support and \$43,200 from the Ohio Harness Horsemen's Association for a total of \$47,384.

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. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2015
Total Amount Bet (Handle)	\$ 9,756
Less: Payoff to Bettors	(7,813)
Parimutuel Wagering Commission	1,943
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(350)
State Tax	(243)
Society Portion	\$ 350

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015
(Continued)**

4. DEBT

On February 26, 2015 the Society drew down \$20,000 from an available \$50,000 line-of-credit with a fixed interest rate of 5%. The purpose of the draw was to purchase four sets of aluminum bleachers and maintain the cash levels and flow. On March 20, 2015, April 10, 2015, May 15, 2015, June 15, 2015, July 21, 2015 and August 11, 2015, payments were made to pay off the line of credit balance of \$20,000 plus accrued interest.

The Society has a lease with Gordon Flesch Leasing dated May 2, 2012 for a Canon copy machine at the Sr. Fair office. The term of the lease is 5 years and the monthly payment is \$148. At the end of the lease the machine is the property of the Society and will be utilized at the Jr. Fair office.

5. RISK MANAGEMENT

The Morrow County Commissioners provide general insurance coverage for all the buildings on the Morrow County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's fiscal officer is bonded with coverage of \$25,000.

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

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 30, 2016.

The Society has entered into an agreement with the Morrow County Commissioners and Mary Weiler, Secretary/Treasurer whereby she is covered for health insurance. There is no cost to the Society for this health insurance.

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.

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 limits are the obligation of the respective government.

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

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015
(Continued)**

5. RISK MANAGEMENT (Continued)

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 from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. At November 30, 2015 the Society's share of these unpaid claims collectible in future years is approximately \$15,418.

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.

Contribution to PEP for the fiscal year end of November 30, 2015 was \$24,473.

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.

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.

7. RELATED PARTY TRANSACTIONS

Sue Beck, a Board member is part owner of The R.B. Powers Company from which the Society acquired tickets, membership passes, ribbons and awards during the year. The Society paid \$4,937 for this acquisition.

Dale Bowersmith, a Board member is the spouse of Toni Bowersmith that the Society paid \$2,700 for services during the 2015 fair.

Vice President Tim Weiler and Secretary/Treasurer Mary Weiler are spouses and Tim abstains from any vote regarding Mary's wages.

There are various board members that receive premiums or awards for participation in events during the fair. For example, showing livestock, competing in a race or truck/tractor pull. There are also board members who volunteer their time and skills for the fair, such as auctioneering.

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2015
(Continued)**

8. 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 Morrow County Fair. The Society disbursed \$7,082 directly to the Junior Fair Board and \$14,664 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Morrow County paid the Society \$100 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2015 follows:

	2015
Beginning Cash Balance	6,464
Receipts	24,706
Disbursements	(21,929)
Ending Cash Balance	\$ 9,241

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 the Morrow County's auction. A commission of 2, 4 or 5 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 follows:

	2015
Beginning Cash Balance	\$ 36,687
Receipts	734,234
Disbursements	(749,320)
Ending Cash Balance	\$ 21,601



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Morrow County Agricultural Society
Morrow County
P.O. Box 168
Mt. Gilead, Ohio 43338

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements of the Morrow County Agricultural Society, Morrow County, Ohio, (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 20, 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

July 20, 2017

**MORROW COUNTY AGRICULTURAL SOCIETY
MORROW COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Pit Gate Admissions – Material Weakness

Implementing effective internal controls, both application and monitoring, is an important responsibility of management. Effective internal controls can help assure that transactions are complete, occurred, are accurately reported, properly cutoff and properly classified. In addition, management should periodically monitor control procedures to verify they are functioning effectively. Safe cash handling controls include:

- Require daily verification of the starting balance by the responsible cashier to assign accountability.
- Require collections for each individual cash drawer be reconciled daily, documented, signed off by the responsible cashier and deposited in a timely manner.
- Segregate duties between collection, recordation, reconciliation and deposit processes.
- Overages should be recorded as other revenue and shortages should be recorded as other expenditures.
- Management should require cashiers to report overages or shortages.
- Require management to verify the daily receipt and reconciliation process.
- Require management to monitor and track daily overages and shortages for each cashier.
- Require management to review trend information regarding overages and shortages.
- Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages.

During fiscal years 2016 and 2015, the Society prepared summary sheets showing the number of tickets sold, price per ticket, and total amount collected for pit gate admissions during the fair. However, the Society did not document either the beginning/ending ticket numbers or any shortages/overages on summary sheets and did not maintain documentation to support the number of pit passes sold (such as unused tickets). In addition, the Society did not maintain a summary sheet for the event on July 3, 2016, which totaled \$11,200.

Failure to establish and implement effective internal controls impairs management's ability to effectively monitor the Society's finances and could result in the theft or loss of property without management's detection.

We recommend the Society implement written policies and procedures over pit pass admission receipts. These policies and procedures should, at a minimum, include procedures over ticket recapitulation sheets and maintaining documentation to support the number of passes sold.

Officials' Response

We did not receive a response from Officials to this finding.

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MORROW COUNTY AGRICULTURAL SOCIETY

MORROW 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
SEPTEMBER 7, 2017**