



**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2016-2015



Dave Yost • Auditor of State

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union County Agricultural Society
Union County
PO Box 678
Marysville, Ohio 43040-8931

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 Union County Agricultural Society, Union 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 such 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 *Additional Opinion Qualification* 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, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Admission receipts are reported at \$105,309, and \$113,921 for the years ended November 30, 2016 and 2015, respectively, which are 23 percent of receipts for the year ended November 30, 2016, and 20 percent of receipts for the year ended November 30, 2015. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admissions. 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, receipts and disbursements, and related notes of Union County Agricultural Society, Union County, Ohio as of November 30, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2018, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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

August 21, 2018

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

Operating Receipts	
Taxes	\$1,194
Admissions	105,309
Privilege Fees	34,285
Sales during fair	5,589
Racing Fees & Charges	24,969
Sales During Other Activities	570
Fees	1,439
Rentals	94,749
	268,104
<i>Total Operating Receipts</i>	
Operating Disbursements	
Admin Expenses	3,548
Race Supplies	2,185
Supplies (resale)	2,611
Supplies & Materials	15,417
Utilities	30,686
Racing	88,652
Professional Services	105,232
Property Services	54,005
Advertising & Communication	15,009
Repairs	7,867
Insurance	14,842
Rent Lease Expenses	12,580
Capital Outlay	51,125
Debt Service	20,484
Senior Fair Expenses	4,478
Junior Fair Expenses	28,404
Other Fair Expenses	4,048
Misc. Expenses	648
	461,821
<i>Total Operating Disbursements</i>	
<i>Excess (Deficiency) of Operating Receipts</i>	
	(193,717)
Non-Operating Receipts (Disbursements)	
State Support	74,739
Local Govt. Support	16,000
Restricted Support	102,259
Unrestricted Support	429
Interest	391
	193,818
<i>Net Non-Operating Receipts (Disbursements)</i>	
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	
	101
Cash Balance, Beginning of Year	94,422
	94,422
<i>Cash Balance, End of Year</i>	\$94,523

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

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

Note 1 – Reporting Entity

The Union County Agricultural Society (the Society), Union 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union 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 including the Union County Independence Celebration. The reporting entity does not include any other activities or entities of Union County, Ohio.

Notes 7 and 8, respectively; summarize the Junior Fair Board'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

Basis of Presentation

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. 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.

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

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 had no investments.

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 Union 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 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 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.

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

Note 3 – Deposits and Investments

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

	2016
Demand deposits	48,810
Certificates of deposit	45,713
Total deposits	94,523

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 \$59,463 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.

	2016
Total Amount Bet (Handle)	\$ 8,040
Less: Payoff to Bettors	(6,419)
Parimutuel Wagering Commission	1,621
Tote Service Set Up Fee	(900)
Tote Service Commission	(253)
State Tax	(216)
Society Portion	\$ 252

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

Note 5 – Risk Management

The Union County Commissioners provide general insurance coverage for all the buildings on the Union County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

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 coverage limits are the obligation of the respective Society.

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:

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

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Society's share of these unpaid claims collectible in future years is approximately \$9,107.

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.

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

<u>Contributions to PEP</u>
<u>2016</u>
14,456

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 – Debt

Debt outstanding at November 30, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Horse Barn	\$42,098	4.00%
Note Payable for Rabbit/Poultry Barn	\$92,959	5.00%
Total	<u>\$135,057</u>	

The \$60,000 Horse Barn note bears an interest rate of 4.00 percent and is due to Richwood Bank. The note was entered into on April 11, 2013 and matures December 10, 2023. Proceeds of the note were used for the construction of a new barn

The \$100,000 Rabbit/Poultry Barn note bears an interest rate of 5.00 percent and is due to Richwood Bank. The note was entered into on June 25, 2015 and matures on September 1, 2015. Proceeds of the note were used for the construction of a new barn. The Fairgrounds are collateral for the Rabbit/Poultry Barn Loan.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Horse Barn	Rabbit/poultry Barn	Total
2017	7,398	13,068	20,466
2018	7,398	13,068	20,466
2019	7,398	13,068	20,466
2020	7,398	13,068	20,466
2021	7,398	13,068	20,466
2022-2023	5,108	-	5,108
2022-2025	-	27,619	27,619
	<u>\$42,098</u>	<u>\$92,959</u>	<u>\$135,057</u>

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

Note 7 – 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 Union County Fair. The Society disbursed \$13,679 directly to the Junior Fair Board and \$12,074 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Union County paid the Society \$0.00 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 follows:

	2016
Beginning Cash Balance	1,641
Receipts	25,386
Disbursements	(24,523)
Ending Cash Balance	\$ 2,504

Note 8 – 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 Union County's auction. A commission of 4 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	\$ 19,630
Receipts	20,584
Disbursements	(15,168)
Ending Cash Balance	\$ 25,046

Note 9 – Related Party Transactions

A Board member is the owner of BLT Livestock, which performs auction services and have auctioned miscellaneous items the Society is no longer in need. BLT Livestock does charge the Society for these services.

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

Operating Receipts	
Taxes	\$1,225
Admissions	113,921
Privilege Fees	35,340
Sales during fair	5,391
Racing Fees & Charges	15,876
Sales During Other Activities	1,429
Fees	1,335
Rentals	84,389
	84,389
<i>Total Operating Receipts</i>	<i>258,906</i>
Operating Disbursements	
Admin Expenses	4,858
Race Supplies	3,691
Supplies (resale)	3,413
Supplies & Materials	25,056
Utilities	27,341
Racing	74,315
Professional Services	107,868
Property Services	41,634
Advertising & Communication	11,826
Repairs	39,504
Insurance	14,154
Rent Lease Expenses	15,070
Capital Outlay	216,468
Debt Service	14,797
Senior Fair Expenses	3,142
Contest Expenses	1,146
Junior Fair Expenses	22,568
Other Fair Expenses	3,307
Misc. Expenses	931
	931
<i>Total Operating Disbursements</i>	<i>631,089</i>
<i>Excess (Deficiency) of Operating Receipts</i>	<i>(372,183)</i>
Non-Operating Receipts (Disbursements)	
State Support	68,695
Local Govt. Support	8,000
Restricted Support	129,586
Unrestricted Support	1,551
Interest	449
Mortgage	99,487
Asset Sales	96
	96
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>307,864</i>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>(64,319)</i>
Cash Balance, Beginning of Year	158,741
	158,741
<i>Cash Balance, End of Year</i>	<i>\$94,422</i>
	\$94,422

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

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

Note 1 – Reporting Entity

The Union County Agricultural Society (the Society), Union 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union 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 including the Union County Independence Celebration. The reporting entity does not include any other activities or entities of Union County, Ohio.

Notes 7 and 8, respectively; summarize the Junior Fair Board'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

Basis of Presentation

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. 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.

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

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 had no investments.

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 Union 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 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 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.

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

Note 3 – Deposits and Investments

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

	2015
Demand deposits	49,050
Certificates of deposit	45,370
	94,420

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, 2015 was \$53,425.00 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.

	2015
Total Amount Bet (Handle)	\$ 5,592
Less: Payoff to Bettors	(4,478)
Parimutuel Wagering Commission	1,114
Tote Service Set Up Fee	(900)
Tote Service Commission	(91)
State Tax	(139)
Society Portion	\$ (16)

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

Note 5 – Risk Management

The Union County Commissioners provide general insurance coverage for all the buildings on the Union County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

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, 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 auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2015:

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

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. As of December 31, 2015, the Society's share of these unpaid claims collectible in future years is approximately \$9,078.

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.

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

<u>Contributions to</u>
<u>PEP</u>
<u>2015</u>
13,754

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 – Debt

Debt outstanding at November 30, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Horse Barn	\$47,603	4.00%
Note Payable for Rabbit/Poultry Barn	\$100,000	5.00%
Total	<u>\$147,603</u>	

The \$60,000 Horse Barn note bears an interest rate of 4.00 percent and is due to Richwood Bank. The note was entered into on April 11, 2013 and matures December 10, 2023. Proceeds of the note were used for the construction of a new barn

The \$100,000 Rabbit/Poultry Barn note bears an interest rate of 5.00 percent and is due to Richwood Bank. The note was entered into on June 25, 2015 and matures on September 1, 2025. Proceeds of the note were used for the construction of a new barn. The Fairgrounds are collateral for the Rabbit/Poultry Barn Loan.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Horse Barn	Rabbity/poultry Barn	Total
2016	7,398	0	7,398
2017	7,398	13,068	20,466
2018	7,398	13,068	20,466
2019	7,398	13,068	20,466
2020	7,398	13,068	20,466
2021-2023	10,613	-	10,613
2021-2025	-	47,727	47,727
	<u>\$47,603</u>	<u>\$100,000</u>	<u>\$147,603</u>

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

Note 7 – 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 Union County Fair. The Society disbursed \$12,442 directly to the Junior Fair Board and \$10,947 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Union County paid the Society \$0.00 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2015 follows:

	<u>2015</u>
Beginning Cash Balance	1,465.00
Receipts	23,071.00
Disbursements	<u>(22,895.00)</u>
Ending Cash Balance	<u>\$ 1,641</u>

Note 8 – 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 Union County's auction. A commission of 4 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:

	<u>2015</u>
Beginning Cash Balance	\$ 25,827
Receipts	23,293
Disbursements	<u>(29,491)</u>
Ending Cash Balance	<u>\$ 19,629</u>

Note 9 – Related Party Transactions

A Board member is the owner of BLT Livestock, which performs auction services and have auctioned miscellaneous items the Society is no longer in need. BLT Livestock does charge the Society for these services.



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

Union County Agricultural Society
Union County
PO Box 678
Marysville, Ohio 43040-8931

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 Union County Agricultural Society, Union 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 August 21, 2018, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion for admission receipts for both years.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

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*.

Society's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

August 21, 2018

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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

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

FINDING NUMBER 2016-001

**Admission Receipts
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 encourage cashiers to report overages and shortages.
- Management should summarize cashiers' cumulative overages and shortages and use this information in evaluating employee performance.
- 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 use trend information regarding overages and shortages as part of the employee's evaluation and performance review.
- Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages.

During the 2015 and 2016 fair, the following internal control weaknesses were noted in the admission receipts process:

- Daily reconciliations between the amount deposited and actual daily receipts were not completed and therefore not reviewed and/or approved by management in 2015.
- In 2015, the Society did not issue gate tickets and therefore determined the number of tickets sold based on dividing the total receipts collected by the admission price.
- Daily ticket recapitulation forms were not completed and therefore not reviewed and/or approved by management in 2015.
- Daily reconciliations between the amount deposited and actual daily receipts and daily ticket recapitulation sheets were not reviewed and/or approved by management in 2016.
- During 2016, daily ticket recapitulation forms were used and the forms included the following sections: the gate number, date, start/end time, ticket start/end number, beginning change amount, amount received, amount of change in/out, change overage/shortage, sign offs for the Treasurer and Gate Personal at the beginning of the day and end of the day, and sign off for the Director for the entire form. However, only the gate number, date, start time, ticket start number, and beginning change amount sections of the forms were completed. The daily ticket recapitulation forms did not support that the daily admission receipt collections were complete and the forms were not reviewed and approved by management.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015
(Continued)**

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

**Admission Receipts (Continued)
Material Weakness**

Due to the absence of the aforementioned underlying supporting documentation and internal control procedures, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported admissions receipts for both 2016 and 2015 and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

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 admission receipts. These policies and procedures should, at a minimum, include procedures over daily ticket recapitulation sheets at each gate and daily reconciliations during fair week.

Officials' Response

The Society is working on a process for the gate reconciliations during the week of fair.

FINDING NUMBER 2016-002

**Contributions and Donations
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.

For 2016 and 2015, the Society's process for contributions and donations was to provide "sponsorship" contracts for those participating in sponsorship during the fair and both parties sign the contracts. A receipt for monies donated is issued and attached to the Society's copy of the contract. The receipts are pre-numbered, and list who the monies were from, the amount of the donation, the line item in which the donation is to be posted to (restricted/unrestricted), and what the sponsorship is for (if applicable).

During 2015 the following issues were noted:

- Three of the eight sponsorship receipts tested did not have supporting documents (i.e. duplicate receipt, invoice or signed sponsorship agreement)
- One of the eight receipts tested had a duplicate receipt and invoice but did not have a signed sponsorship agreement.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-002 (Continued)

**Contributions and Donations (Continued)
Material Weakness**

Additionally, during 2016:

- One of nine sponsorship receipts tested did not have supporting documents (i.e. duplicate receipt, invoice or signed sponsorship agreement),
- Two of nine receipts tested had a duplicate receipt and invoice but did not have a signed sponsorship agreement, and
- Three of the nine receipts had a sponsorship form. However, it was not signed by both parties.

Alternative audit evidence was reviewed to ensure that contribution and donation receipts collected by the Society were complete for the years ended November 30, 2016 and November 30, 2015.

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 follow the procedures it has in place over contributions and donation receipts to ensure proper financial reporting.

Officials' Response

The Society has been diligent in requiring properly completed supporting documentation for any contributions and donations.

FINDING NUMBER 2016-003

**Financial Reporting
Material Weakness**

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015
(Continued)**

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

FINDING NUMBER 2016-003 (Continued)

**Financial Reporting
Material Weakness**

During fiscal year 2015, the Society incorrectly recorded \$17,092 and \$15,400 in petty cash withdrawals as transfers and advances. Additionally, the Society's rentals, restricted and privilege receipts were understated by \$151, \$320, and \$200, respectively due to receivables. Also, \$717 in receivables overstated Capital Outlay and cash was overstated by \$341 causing beginning cash fund balance to not agree to the prior audited report. Adjustments were made to the Society's financial statements to correct these errors. Additionally for fiscal year 2015, we noted \$2,000 in restricted support misclassified as privilege fees. This was not adjusted on the financial statements.

During fiscal year 2016, the Society incorrectly recorded \$3,000 and \$20,883 in petty cash withdrawals as transfers and advances. Additionally, the Society's Rentals and Privilege receipts were understated by \$3,201 and \$300, respectively due to receivables. Adjustments were made to the Society's financial statements to correct these errors. Additionally for fiscal year 2016, we noted \$1,210 in Supplies and Materials misclassified as Property Services, this was not adjusted on the financial statements.

The Society does not have internal controls in place to help ensure receipts and expenditures are properly reported on the financial statements. By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

We recommend the Society implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Society's financial report. The adjustment identified during the audit should be reviewed by the Treasurer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Directors should review the financial statements and note disclosures to identify and correct errors and omissions.

Officials' Response

The Society will have the Executive committee members meet with the Treasurer to review the Society's financial statements.

Union County Agricultural Society
P.O. Box 678
Marysville, OH 43040-0678
Tel. (937) 644-8736 Fax (937) 644-1063

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016 AND 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness- Admission Receipts	Not Corrected	Reissued as Finding 2016-001
2014-002	Material Weakness- Contributions and Donations	Not Corrected	Reissued as Finding 2016-002
2014-003	Significant Deficiency- Board Monitoring and Bank Reconciliations	Partially Corrected	Reissued in the Management Letter

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Dave Yost • Auditor of State

UNION COUNTY AGRICULTURAL SOCIETY

UNION 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 16, 2018**