



Dave Yost • Auditor of State



**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Henry County Agricultural Society  
Henry County  
P.O. Box 387  
Napoleon, Ohio 43545-0387

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Henry County Agricultural Society, Henry County, Ohio (the Society) as of and for the years ended November 30, 2013 and 2012.

### ***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 opinion.

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

As described in Note 1 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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***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, 2013 and 2012, or changes in financial position or cash flows 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 Henry County Agricultural Society, Henry County, (the Society) as of November 30, 2013 and 2012, 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2014, 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 31, 2014

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE (CASH BASIS)  
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Operating Receipts:</b>		
Admissions	\$209,413	\$189,346
Privilege Fees	62,141	59,697
Rentals	80,554	86,795
Sustaining and Entry Fees	8,100	9,790
Pari-mutuel Wagering Commission	2,038	2,623
Other Operating Receipts	35,108	39,361
 Total Operating Receipts	 397,354	 387,612
<b>Operating Disbursements:</b>		
Wages and Benefits	33,398	31,577
Utilities	35,115	30,557
Professional Services	78,210	77,232
Equipment and Grounds Maintenance	90,937	92,732
Race Purse	36,622	27,127
Senior Fair	49,341	42,648
Junior Fair	20,636	16,950
Capital Outlay	50,396	45,340
Other Operating Disbursements	53,550	54,630
 Total Operating Disbursements	 448,205	 418,793
 Excess of Operating Disbursements Over Operating Receipts	 (50,851)	 (31,181)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	32,474	18,729
County Support	10,300	10,300
Sale of Capital Assets	1,860	1,795
Donations/Contributions	65,320	76,023
Investment Income	98	139
Debt Service	(53,142)	(43,654)
 Net Non-Operating Receipts (Disbursements)	 56,910	 63,332
 Net Change in Cash Balance	 6,059	 32,151
 Cash Balance, Beginning of Year	 103,204	 71,053
 <b>Cash Balance, End of Year</b>	 <b>\$109,263</b>	 <b>\$103,204</b>

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

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**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012**

**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 Henry County Agricultural Society, Henry 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Henry County Fair during August. During the fair, harness races are held. Henry County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Henry 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. The reporting entity does not include any other activities or entities of Henry County, Ohio.

Notes 6 and 7, 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**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. 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.

**D. 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.

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Race Purse**

Harness races are held during the Henry 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 Northwestern Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into harness races. They must make payment before a horse can participate in a harness race. The accompanying financial statements report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

**F. 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.

**2. DEPOSITS**

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, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Total deposits	<u>\$109,263</u>	<u>\$103,204</u>

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

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**3. 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, 2013 and 2012 was \$18,432 and \$8,064. Respectively and is included within State Support on the accompanying financial statements.

State Support Portion of Non Stake

The financial statements report Ohio Fairs Fund money, received to supplement non stake for the years ended November 30, 2013 and 2012, was \$4,000 each year and is included within State Support on the accompanying financial statements.

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.

	2013	2012
Total Amount Bet (Handle)	\$ 10,040	\$ 12,933
Less: Payoff to Bettors	(8,002)	(10,310)
Parimutuel Wagering Commission	2,038	2,623
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(868)	(1,248)
State Tax	(280)	(359)
Society Portion	\$ 290	\$ 416

**4. DEBT**

Debt outstanding at November 30, 2013 was as follows:

	Principal	Interest Rate
Note Payable for Block Restroom	\$169,452	4.65%

The Block Restroom loan bears an interest rate of 4.65 percent and is due to the Henry County Bank. The loan was entered into June 3, 2010 and matures October 3, 2025. Proceeds of the loan were used to purchase a block restroom.

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**4. DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

Year ending <u>November 30:</u>	Block <u>Restroom</u>
2014	\$10,897
2015	11,414
2016	11,937
2017	12,524
2018	13,118
2019-2023	<u>109,562</u>
Total	<u><u>\$169,452</u></u>

**5. RISK MANAGEMENT**

The Henry County Commissioners provide general insurance coverage for all the buildings on the Henry County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's Secretary and Treasurer are bonded through Auto-Owners (Mutual) Insurance Company with coverage of \$50,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member 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, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Assets	\$34,389,569	\$34,411,883
Liabilities	<u>(14,208,353)</u>	<u>(12,760,194)</u>
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Society's share of these unpaid claims collectible in future years is approximately \$11,000.

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

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2013</u>
\$7,104	\$15,175

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.

**HENRY COUNTY AGRICULTURAL SOCIETY  
HENRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2013 AND 2012  
(Continued)**

**6. 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 Henry County Fair. For the years ended November 30, 2013 and 2012 the Society disbursed \$4,438 and \$4,213 respectively directly to the Junior Fair Board and \$14,340 and \$11,371 respectively directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Henry County paid the Society \$500 each fiscal year 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 years ended November 30, 2013 and 2012 follows:

	2013	2012
Beginning Cash Balance	\$ 3,144	\$ 1,545
Receipts	11,593	7,557
Disbursements	(7,028)	(5,958)
Ending Cash Balance	\$ 7,709	\$ 3,144

**7. 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 Henry County's auction. Monies to cover the cost of an auction are generated through a \$9.00 per head fee. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2013 and 2012 follows:

	2013	2012
Beginning Cash Balance	\$ 8,415	\$ 8,967
Receipts	201,696	187,551
Disbursements	(204,399)	(188,103)
Ending Cash Balance	\$ 5,712	\$ 8,415



# 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

Henry County Agricultural Society  
Henry County  
P.O. Box 387  
Napoleon, Ohio 43545-0387

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 Henry County Agricultural Society, Henry County, Ohio (the Society) as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated July 31, 2014 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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 initial "D".

**Dave Yost**  
Auditor of State

Columbus, Ohio

July 31, 2014



# Dave Yost • Auditor of State

**HENRY COUNTY AGRICULTURAL SOCIETY**

**HENRY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 19, 2014**