

WAYNE COUNTY AGRICULTURAL SOCIETY

WAYNE COUNTY, OHIO

AUDIT REPORT

For the Years Ended November 30, 2016 and 2015





Dave Yost • Auditor of State

Board of Directors
Wayne County Agricultural Society
P.O. Box 3
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wayne County Agricultural Society, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2014 through November 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wayne County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

June 9, 2017

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**WAYNE COUNTY AGRICULTURAL SOCIETY
WAYNE COUNTY
Audit Report
For the years ended November 30, 2016 and 2015**

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INDEPENDENT AUDITOR'S REPORT

Wayne County Agricultural Society
Wayne County
P.O. Box 3
Wooster, Ohio 44691

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 the Wayne County Agricultural Society, Wayne 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 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

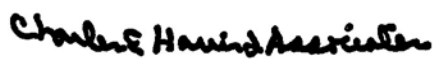
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2016 and 2015, or changes in financial position 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 the Wayne County Agricultural Society, Wayne County as of November 30, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 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.



Charles E. Harris & Associates, Inc.
May 12, 2017

Wayne County Agricultural Society
Wayne County
Statement of Receipts, Disbursements, and
Changes in Fund Balances
For the Years Ended November 30, 2016 and 2015

	2016	2015
Operating Receipts:		
Taxes	\$747	\$901
Admissions	642,751	671,091
Privilege Fees	441,850	450,219
Fees	24,761	25,864
Rentals	186,892	150,053
Sustaining and Entry Fees	32,237	27,150
Pari-mutuel Wagering Commission	1,388	1,934
Other Operating Receipts	5,884	423
<i>Total Operating Receipts</i>	<u>1,336,510</u>	<u>1,327,635</u>
Operating Disbursements:		
Wages and Benefits	133,798	106,585
Administrative	21,907	20,131
Supplies	40,800	83,633
Utilities	163,809	148,124
Professional Services	263,575	270,073
Property Services	184,610	146,328
Race Purse	119,942	107,469
Advertising	19,136	18,272
Repairs	3,948	1,174
Insurance	42,173	41,324
Rent and Leases	36,084	39,769
Senior Fair	70,701	61,669
Junior Fair	84,125	82,670
Contests	23,738	22,737
Capital Outlay	182,198	366,379
Other Operating Disbursements	25,772	22,308
<i>Total Operating Disbursements</i>	<u>1,416,316</u>	<u>1,538,645</u>
<i>Excess (Deficiency) of Operating Receipts</i>		
Over (Under) Operating Disbursements	(79,806)	(211,010)
Non-Operating Receipts (Disbursements):		
State Support	77,239	68,695
County Support	0	3,300
Restricted Support	36,833	5,060
Unrestricted Support	930	18,739
Investment Income	638	404
Sale of Assets	368	10,190
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>116,008</u>	<u>106,388</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	36,202	(104,622)
Cash Balance, Beginning of Year	774,353	878,975
Cash Balance, End of Year	<u><u>\$810,555</u></u>	<u><u>\$774,353</u></u>

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

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 1 – Reporting Entity

The Wayne County Agricultural Society (the Society), Wayne 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 1849 to operate an annual agricultural fair. The Society sponsors the week – long Wayne County Fair during September. During the fair, harness races are held. Wayne County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Wayne 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, and the Junior Fair Board during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including horse shows, flea markets, and auctions. The reporting entity does not include any other activities or entities of Wayne County, Ohio.

Note 7 summarizes the Junior Livestock Sale Committee’s financial activity. The Junior Fair Board’s financial activity is reported in the Society’s financial statements.

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

Public Entity Risk Pool

The Society belongs to the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 5 to the financial statements provides additional information for this entity.

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

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

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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.

Capital Assets

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

Accumulated Leave

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

Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b) (1) (A) (v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

Race Purse

Home Talent Colt stake races are held during the Wayne 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 the 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 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 4 for additional information.

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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	2015
Demand deposits	\$608,755	\$572,553
Certificates of deposit	201,800	201,800
Total deposits	<u>\$810,555</u>	<u>\$774,353</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purses for the years ended November 30, 2016 and 2015 was \$66,900 and \$58,384, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statements. Rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society’s share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society’s net portion.

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 4 – Horse Racing (continued)

Pari-mutuel Wagering (continued)

	2016	2015
Total Amount Bet (Handle)	\$ 26,664	\$ 30,972
Less: Payoff to Bettors	(21,247)	(24,637)
Parimutuel Wagering Commission	5,417	6,335
Tote Service Set Up Fee	(1,200)	(600)
Tote Service Commission	(2,082)	(2,900)
State Tax	(747)	(901)
Society Portion	\$ 1,388	\$ 1,934

Note 5 – Risk Management

The Wayne County Commissioners provide general insurance coverage for all the buildings on the Wayne County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability insurance, with limits of \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty. The Society’s general manager is bonded with coverage of \$30,000.

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

The Society insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local 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 coverage limits are the obligation of the respective government.

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 5 – Risk Management (continued)

Financial Position

PEP’s financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	(12,363,257)	(12,759,127)
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$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 \$26,000.

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>2014</u>	<u>2015</u>
\$41,238	\$40,965

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 – Related Party Transactions

A Board member is owner of a company from which the Society acquired painting supplies and services during both years. The Society paid \$6,550 and \$6,498 for these supplies and services in 2016 and 2015, respectively.

Wayne County Agricultural Society
Wayne County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 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 Wayne County's auction. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Beginning Cash Balance	\$ -	\$ -
Receipts	855,179	896,666
Disbursements	<u>(855,179)</u>	<u>(896,666)</u>
Ending Cash Balance	<u>\$ -</u>	<u>\$ -</u>

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Wayne County Agricultural Society
Wayne County
P.O. Box 3
Wooster, Ohio 44691

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 Wayne County Agricultural Society, Wayne 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 May 12, 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. 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated May 12, 2017.

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.



Charles E. Harris & Associates, Inc.
May 12, 2017

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Dave Yost • Auditor of State

WAYNE COUNTY AGRICULTURAL SOCIETY

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 22, 2017