

***ALLEN COUNTY AGRICULTURAL SOCIETY***

**ALLEN COUNTY**

**AUDIT REPORT**

**FOR THE YEARS ENDED NOVEMBER 30, 2017 and 2016**







# Dave Yost • Auditor of State

Board of Directors  
Allen County Agricultural Society  
2750 Harding Highway  
Lima, Ohio 45804

We have reviewed the *Independent Auditor's Report* of the Allen County Agricultural Society, Allen County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2015 through November 30, 2017. 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 Allen 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 12, 2018

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**ALLEN COUNTY AGRICULTURAL SOCIETY**  
**ALLEN COUNTY**

TABLE OF CONTENTS

<u><b>Title</b></u>	<u><b>Page</b></u>
Independent Auditor's Report	1-2
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – For the Year Ended November 30, 2017	3
Notes to the Financial Statements – For the Year Ended November 30, 2017	4-10
Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – For the Year Ended November 30, 2016	11
Notes to the Financial Statements – For the Year Ended November 30, 2016	12-18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19-20

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

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## **INDEPENDENT AUDITOR'S REPORT**

Allen County Agricultural Society  
Allen County  
2750 Harding Highway  
Lima, Ohio 45804

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 Allen County Agricultural Society, Allen County, (the Society) as of and for the years ended November 30, 2017 and 2016.

### ***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***

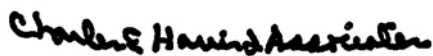
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2017 and 2016, 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 Allen County Agricultural Society, Allen County as of November 30, 2017 and 2016, 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 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.



***Charles E. Harris & Associates, Inc.***

May 21, 2018



**ALLEN COUNTY AGRICULTURAL SOCIETY**

*ALLEN COUNTY*

*Statement of Receipts, Disbursements and  
Change in Fund Balance (Regulatory Cash Basis)  
For the Year Ended November 30, 2017*

	<b>General Operating Fund</b>
	<u>          </u>
<b>Operating Receipts</b>	
Admissions	\$ 523,128
Privilege Fees	299,336
Rentals	382,182
Sustaining and Entry Fees	82,424
Pari-mutuel Wagering Commission	3,657
Utilities	127,658
Other Operating Receipts	<u>3,015</u>
<i>Total Operating Receipts</i>	<u>1,421,400</u>
<b>Operating Disbursements</b>	
Wages and Benefits	409,609
Utilities	184,162
Professional Services	254,819
Equipment and Grounds Maintenance	213,737
Property Expense	96,241
Advertising Expense	44,685
Race Purse	113,832
Senior Fair	25,698
Junior Fair	584,054
Capital Outlay	278,701
Other Operating Disbursements	<u>66,693</u>
<i>Total Operating Disbursements</i>	<u>2,272,231</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(850,831)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
State Support	68,027
County Support	102,800
Donations/Contributions - Restricted	178,069
Donations/Contributions - Unrestricted	602,017
Investment Income	899
Sale of Asset	67,851
Other Financing Uses	(6,224)
Debt Service	<u>(19,662)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>993,777</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	142,946
Cash Balance, Beginning of Year	<u>427,366</u>
<i>Cash Balance, End of Year</i>	<u><u>\$ 570,312</u></u>

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

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**Note 1 – Reporting Entity**

The Allen County Agricultural Society, a non-profit corporation (the Society), Allen 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 1851 to operate an annual agricultural fair. The Society sponsors the nine day – long Allen County Fair during August. During the fair, harness races are held, culminating in the running of the Allen County Super Trot, Signature Series Race. Allen County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Allen County, 18 years of age and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, swap meets and many other events. The reporting entity does not include any other activities or entities of Allen County, Ohio.

Note 9 summarizes the Junior Fair Board’s financial activity.

The Junior Livestock Sale Committee’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.

**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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**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.

***Restricted Support***

Restricted support includes amounts that donors restrict for specific uses.

***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***

Signature Series stake races are held during the Allen 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 Western Ohio Colt Racing 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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**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:

	<u>2017</u>
Demand deposits	\$ 570,312

Deposits are insured by the federal Depository Insurance Corporation, (2) Collateralized by securities specifically pledged by the financial institution to the District or (3) 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 purse for the year ended November 30, 2017 was \$63,602, as State Support.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**Note 4 – Horse Racing – (Continued)**

***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.

	2017
Total Amount Bet (Handle)	\$ 18,196
Less: Payoff to Bettors	(14,539)
Parimutuel Wagering Commission	3,657
Tote Service Set Up Fee	(800)
Tote Service Commission	(1,474)
State Tax	(479)
Society Portion	\$ 904

**Note 5 – Risk Management**

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

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 30, 2018.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Allen County Commissioners provide general insurance coverage for all the buildings pursuant to Ohio Revised Code 1711.24. The Public Entities Pool of Ohio (PEP) provides general liability and vehicle insurance.

**Risk Pool Membership**

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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**Note 5 – Risk Management – (Continued)**

**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 government.

**Financial Position**

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

	<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 \$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.

**Contributions to PEP**

2017  
\$38,062

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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**Note 6 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2017.

**Note 7 – Debt**

On June 21, 2010, the Society obtained a loan from Superior Federal Credit Union in the amount of \$225,000. The loan bears an interest rate of 5.25% and is due to the Superior Federal Credit Union. The loan will mature on July 1, 2026. Proceeds were used to construct the Schmidthorst Pavilion.

Debt outstanding at November 30, 2017 was as follows:

	Principal	Interest Rate
Note Payable for Pavilion	\$121,636	5.25%

Amortization of the above debt is scheduled as follows:

Year ending November 30:	<b>Pavilion Loan</b>		
	Interest	Principal	Total
2018	\$ 6,229	\$ 12,076	\$ 18,305
2019	5,587	12,719	18,306
2020	4,911	13,395	18,306
2021	4,198	14,108	18,306
2022-2026	9,010	69,338	78,349
Total	\$ 29,935	\$ 121,636	\$ 151,572

**Note 8 – Construction and Contractual Commitments**

On November 30, 2017, the Society was accepting bids for roof restoration (painting and coating of roofs for several buildings) in the amount of at least \$26,339. The project was expected to be completed by Spring, 2018. Payment will be made following completion. The funds for this project have been encumbered.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2017*

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**Note 9 – Junior Fair Board**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Allen County Fair. The Society disbursed \$46,390 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Also included in the Junior Fair Disbursement is the Junior Livestock Committee's financial activity. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2017 follows:

	2017
Beginning Cash Balance	\$ 3,542
Receipts	3,013
Disbursements	<u>(1,798)</u>
Ending Cash Balance	<u>\$ 4,757</u>

**Note 10 – Jointly Governed Organization**

The Society appoints three members to the Allen County Society Foundation's board which is governed by twelve members.



**ALLEN COUNTY AGRICULTURAL SOCIETY**

*ALLEN COUNTY*

*Statement of Receipts, Disbursements and  
Change in Fund Balance (Regulatory Cash Basis)*

*For the Year Ended November 30, 2016*

	<b>General</b>
	<b><u>Operating Fund</u></b>
<b>Operating Receipts</b>	
Admissions	\$ 909,363
Privilege Fees	270,493
Rentals	313,981
Sustaining and Entry Fees	79,019
Pari-mutuel Wagering Commission	3,757
Utilities	112,640
Other Operating Receipts	<u>8,220</u>
<i>Total Operating Receipts</i>	<u>1,697,473</u>
<b>Operating Disbursements</b>	
Wages and Benefits	442,829
Utilities	154,709
Professional Services	541,350
Equipment and Grounds Maintenance	179,325
Property Expense	117,457
Advertising Expense	47,529
Race Purse	112,201
Senior Fair	25,471
Junior Fair	606,392
Capital Outlay	197,704
Other Operating Disbursements	<u>74,925</u>
<i>Total Operating Disbursements</i>	<u>2,499,892</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(802,419)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
State Support	116,908
County Support	102,800
Donations/Contributions - Restricted	171,735
Donations/Contributions - Unrestricted	580,158
Investment Income	85
Sale of Asset	58,270
Other Financing Uses	(14,902)
Debt Service	<u>(18,305)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>996,749</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	194,330
Cash Balance, Beginning of Year	<u>233,036</u>
<i>Cash Balance, End of Year</i>	<u><u>\$ 427,366</u></u>

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

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 1 – Reporting Entity**

The Allen County Agricultural Society, a non-profit corporation (the Society), Allen 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 1851 to operate an annual agricultural fair. The Society sponsors the week – long Allen County Fair during August. During the fair, harness races are held, culminating in the running of the Allen County Super Trot, Signature Series Race. Allen County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Allen County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows, swap meets and many other events. The reporting entity does not include any other activities or entities of Allen County, Ohio.

Note 9 summarizes the Junior Fair Board’s financial activity.

The Junior Livestock Sale Committee’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.

**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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 2 – Summary of Significant Accounting Policies**

***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.

***Restricted Support***

Restricted support includes amounts that donors restrict for specific uses.

***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***

Signature Series stake races are held during the Allen 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 Western Ohio Colt Racing 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.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**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:

	<u>2016</u>
Demand deposits	\$ 427,366

Deposits are insured by the federal Depository Insurance Corporation, (2) Collateralized by securities specifically pledged by the financial institution to the District or (3) 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 purse for the year ended November 30, 2016 was \$62,463, as State Support.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 4 – Horse Racing – (Continued)**

***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)	\$ 18,467
Less: Payoff to Bettors	(14,710)
Parimutuel Wagering Commission	3,757
Tote Service Set Up Fee	(800)
Tote Service Commission	(1,461)
State Tax	(522)
Society Portion	\$ 974

**Note 5 – Risk Management**

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, 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 government.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 5 – Risk Management – (Continued)**

**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.

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

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 \$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.

**Contributions to PEP**

**2016**  
**\$41,132**

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 6 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants’ gross salaries. The Society has paid all contributions required through November 30, 2016.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 7 – Debt**

On June 21, 2010, the Society obtained a loan from Superior Federal Credit Union in the amount of \$225,000. The loan bears an interest rate of 5.25% and is due to the Superior Federal Credit Union. The loan will mature on July 1, 2026. Proceeds were used to construct the Schmidthorst Pavilion.

Debt outstanding at November 30, 2016 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Note Payable for Pavilion	\$133,103	5.25%

Amortization of the above debt is scheduled as follows:

Year ending November 30:	<b>Pavilion Loan</b>		
	Interest	Principal	Total
2017	\$ 6,839	\$ 11,466	\$ 18,306
2018	6,229	12,076	18,306
2019	5,587	12,719	18,306
2020	4,911	13,395	18,306
2021	4,198	14,108	18,306
2022-2026	8,910	69,339	78,249
<b>Total</b>	<b>\$ 36,675</b>	<b>\$ 133,103</b>	<b>\$ 169,777</b>

**Note 8 – Construction and Contractual Commitments**

On September 9, 2016, the Society entered into a contract with Brian Bros. Painting and Restoration for refurbishing the grandstands in the amount of \$187,500. The project was expected to be completed by May 1, 2017. Payment will be made following completion. The funds for this project have been encumbered.

**Allen County Agricultural Society**  
*Allen County*  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 9 – Junior Fair Board**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Allen County Fair. The Society disbursed \$52,268 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Also included in the Junior Fair Disbursement is the Junior Livestock Committee's financial activity. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 follows:

	<u>2016</u>
Beginning Cash Balance	\$ 2,043
Receipts	6,251
Disbursements	<u>(4,752)</u>
Ending Cash Balance	<u>\$ 3,542</u>

**Note 10 – Jointly Governed Organization**

The Society appoints three members to the Allen County Society Foundation's board which is governed by twelve members.



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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Allen County Agricultural Society  
Allen County  
2750 Harding Highway  
Lima, Ohio 45804

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 Allen County Agricultural Society, Allen County, (the Society) as of and for the years ended November 30, 2017 and 2016 and the related notes to the financial statements and have issued our report thereon dated May 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

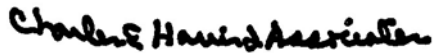
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 21, 2018



# Dave Yost • Auditor of State

**ALLEN COUNTY AGRICULTURAL SOCIETY**

**ALLEN 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 26, 2018**