

Fayette County Agricultural Society
Fayette County
Regular Audit
For the Years Ended November 30, 2014 and 2013



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Dave Yost • Auditor of State

Board of Directors
Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, OH 43160

We have reviewed the *Independent Auditor's Report* of the Fayette County Agricultural Society, Fayette County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2012 through November 30, 2014. 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 Fayette 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

December 15, 2015

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Fayette County Agricultural Society
Table of Contents
For the Years Ended November 30, 2014 and 2013

Title	Page
Independent Auditor's Report.....	1
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) –For the Years Ended November 30, 2014 and 2013.....	3
Notes to the Financial Statements	4
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>	9
Schedule of Findings and Responses	11

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Independent Auditor's Report

Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, OH 43160

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Fayette County Agricultural Society, Fayette County, (the Society) as of and for the years ended November 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 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, 2014 and 2013, 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 balance of the Fayette County Agricultural Society, Fayette County, as of November 30, 2014 and 2013, 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 October 9, 2015, 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 9, 2015

Fayette County Agricultural Society
Statement of Receipts, Disbursements and
Changes in Fund Balance (Cash Basis)
For the Years Ended November 30, 2014 and 2013

	2014	2013
Operating Receipts:		
Admission	\$198,290	\$189,489
Privilege Fees	243,063	203,494
Sales by Fair Board	0	1,072
Racing Receipts	27,078	14,796
Utilities	0	45
Fees	8,403	8,195
Rentals	158,407	162,698
Total Operating Receipts	635,241	579,789
Operating Disbursements:		
Wages and Benefits	85,003	69,833
Utilities	67,009	61,131
Professional Services	150,548	157,947
Equipment and Grounds Maintenance	54,333	61,064
Race Expense	75,668	50,523
Senior Fair	8,415	6,417
Junior Fair	17,421	15,617
Capital Outlay	22,359	187,612
Other Operating Disbursements	207,436	167,545
Total Operating Disbursements	688,192	777,689
Deficiency of Operating Receipts Under Operating Disbursements	(52,951)	(197,900)
Non-Operating Receipts (Disbursements):		
State Support	42,307	32,474
Local Government	2,800	2,800
Donations/Contributions	653,094	55,476
Interest Receipts	50	14
Asset Sales	0	70
Proceeds from Debt	45,000	260,000
Debt Service	(163,607)	(149,388)
Total Non-Operating Receipts (Disbursements)	579,644	201,446
Excess of Receipts Over Disbursements	526,693	3,546
Fund Cash Balance, Beginning of Year	12,013	8,467
Fund Cash Balance, End of Year	\$538,706	\$12,013

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

Fayette County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 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 Fayette County Agricultural Society, Fayette County, Ohio (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 1881 to operate an annual agricultural fair. The Society sponsors the week-long Fayette County Fair during July. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fourteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

Reporting Entity

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

Notes 7 and 8, respectively, summarize the 4-H Committee's and Junior Livestock Sale Committee's financial activity.

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

B. Basis of Accounting

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

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific items.

Fayette County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

F. 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.

G. Race Purse

Stake races are conducted during the Fayette 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 Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. The accompanying financial statement reports these fees as racing receipts.

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.

H. 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 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 statements as pari-mutuel wagering commission. See note 3 for additional information.

Note 2 – Cash and Investments

The carrying amount of cash and investments at year end is as follows:

	<u>2014</u>	<u>2013</u>
Demand Deposits	\$ 23,315	\$ 12,013
Merrill Lynch Trust	<u>515,391</u>	<u>-</u>
Total	\$ 538,706	\$ 12,013

Deposits: The Federal Depository Insurance Corporation insures up to \$250,000 of the Society's bank balance in 2013 and 2014.

Investments: The Merrill Lynch trust fund was a donation the Society received in July 2014. This account is comprised of money market funds, municipal bonds, and mutual funds. Merrill Lynch's trust department holds the Society's bonds in book entry form in the Society's name. Investments in money markets and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Fayette County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 3 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2014 and 2013 were \$13,567 and \$13,133 respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the total amount bet or the payoff to bettors in the accompanying financial statements, rather, it records the pari-mutuel wagering commission (commission) which is the Society's share 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.

Note 4 – Debt Agreement

The Society renewed a \$200,000 line of credit from Merchants National Bank on October 20, 2014 for operating funds. The line of credit has an interest rate of prime plus one half percent. There was activity on the line of credit in 2014, the Society had draws of \$45,000 and payments of \$151,261 with a remaining balance of \$13,739 outstanding as of November 30, 2014. In 2013, the Society had draws of \$260,000 and payments of \$140,000 with a remaining outstanding balance of \$120,000 as of November 30, 2013.

Note 5 – Retirement System

All employees contribute to Social Security. This plan provides for retirement benefits, including survivor and disability benefits to participants. For the years ending November 30, 2014 and 2013 employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of the participant's gross salaries through November 30, 2014.

Note 6 - 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. 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, 2014, 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.

Fayette County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 6 - 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, 2013 and 2014):

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	<u>(12,760,194)</u>	<u>(12,363,257)</u>
Net Position	\$21,651,689	\$23,038,920

At December 31, 2013 and 2014, respectively, the liabilities above include approximately \$11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Society's share of these unpaid claims collectible in future years is approximately \$12,000.

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>2013</u>	<u>2014</u>
\$17,133	\$17,517

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 7 – 4-H Council

The Fayette County 4-H Council, 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 Fayette County Fair. The Society disbursed \$17,421 for the year ended November 30, 2014, and \$15,617 for the year ended November 30, 2013 directly to vendors to support Junior Fair activities. These expenses are reflected in the accompanying financial statements as Junior Fair disbursements. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's total receipts and disbursements the years ended November 30, 2014 and November 30, 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$ 3,547	\$ 1,550
Receipts	2,567	4,753
Disbursements	<u>(2,539)</u>	<u>(2,756)</u>
Ending Cash Balance	\$ 3,575	\$ 3,547

Fayette County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 8 – Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Fayette County's auction. Monies to cover auction costs are generated through a 5% commission assessed on the auction price and are retained by the Junior Livestock Sale Committee. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$ 16,643	\$ 15,847
Receipts	362,440	304,192
Disbursements	<u>(362,546)</u>	<u>(303,396)</u>
Ending Cash Balance	\$ 16,537	\$ 16,643

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*

Independent Auditor's Report

Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Fayette County Agricultural Society, Fayette County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2015, wherein we noted the Society followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 opinion 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 entity'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2014-001, that we consider to be a material weakness.

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*.

Society's Response to Finding

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 9, 2015

Fayette County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2014 and 2013

Finding 2014-001 – Material Weakness – Financial Reporting

A monitoring system by the Society should be in place to prevent or detect misstatements for the fair presentation of the Society's financial statements. During testing, we noted errors with debt-related transactions and improper classifications of State support. Correction of the financial statements was made for these errors. Failure to properly classify or recognize transactions could result in errors in future accounting records and financial statements. The Society should implement additional monitoring procedures to ensure that items are properly recorded in the financial records and financial statements.

Client Response:

The Society chose not to respond.

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Dave Yost • Auditor of State

FAYETTE COUNTY AGRICULTURAL SOCIETY

FAYETTE 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
DECEMBER 29, 2015