### FINANCIAL STATEMENT (AUDITED)

FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014



Board of Directors Warren County Agricultural Society PO Box 58 Lebanon, Ohio 45036

We have reviewed the *Independent Auditor's Report* of the Warren County Agricultural Society, Warren County, prepared by Julian & Grube, Inc., for the audit period December 1, 2013 through November 30, 2015. 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 Warren County Agricultural Society is responsible for compliance with these laws and regulations.

Dave Yost Auditor of State

October 9, 2016



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### Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

#### Independent Auditor's Report

Warren County Agricultural Society Warren County P.O. Box 58 Lebanon, Ohio 45036

To the Board of Directors:

#### Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements and related notes of the Warren County Agricultural Society, Warren County, Ohio, as of and for the fiscal years ended November 30, 2015 and 2014.

#### Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 Warren County Agricultural Society's preparation and fair presentation of the financial statement 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 Warren County Agricultural Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statement, the Warren County Agricultural Society prepared this financial statement 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.

Warren County Agricultural Society Page Two

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

Though the Warren County Agricultural Society does not intend this statement 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 statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Warren County Agricultural Society as of November 30, 2015 and 2014, or changes in financial position or cash flows thereof for the fiscal years then ended.

#### Opinion on Regulatory Basis of Accounting

Julian & Sube, the

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Warren County Agricultural Society, Warren County, Ohio, as of November 30, 2015 and 2014, and its cash receipts and disbursements for the fiscal years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2016, on our consideration of the Warren County Agricultural 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 Warren County Agricultural Society's internal control over financial reporting and compliance.

Julian & Grube, Inc. July 12, 2016

# STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE (CASH BASIS) FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

	2015	2014
Operating Receipts:	 	
Admissions	\$ 199,444	\$ 174,619
Privilege Fees	57,466	50,332
Sales by Board	6,225	40,191
Utilities	13,055	9,180
Fees	12,414	9,958
Rentals	650,128	552,891
Racing	317	3,577
Restricted	34,227	41,457
Unrestricted	10,285	55,014
Interest	 131	79
Total Operating Receipts	 983,692	 937,298
Operating Disbursements:		
Wages and Benefits	256,794	214,230
Administrative	11,402	12,672
Racing Supplies	7,364	4,926
Supplies	100,031	85,679
Utilities	248,456	245,665
Race Purse	69,960	43,241
Professional Services	65,899	46,195
Property Services	157,724	153,201
Advertising	34,672	22,471
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Repairs	31,946	33,169
Insurance	20,635	21,208
Rent and Leases	11,749	944
Capital Outlay	49,967	65,761
Senior Fair	12,981	10,639
Contest Expenses	5,486	8,374
Junior Fair	28,785	24,372
Other Operating Disbursements	 19,317	 15,676
Total Operating Disbursements	 1,133,168	 1,008,423
Excess (Deficiency) of Operating Receipts		
Over (Under) Operating Disbursements	 (149,476)	 (71,125)
Non-Operating Receipts (Disbursements):		
State Support	69,274	51,139
Local Government Support	83,433	39,518
Sale of Assets	-	11,189
Other	 (2,522)	 (78)
Net Non-Operating Receipts (Disbursements)	 150,185	 101,768
Excess (Deficiency) of Receipts Over (Under) Disbursements	709	30,643
Cash Balance, Beginning of Year	 \$141,648	 111,005
Cash Balance, End of Year	\$142,357	\$141,648

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

NOTES TO THE FINANCIAL STATEMENT FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

#### 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 Warren County Agricultural Society, Warren County, (the "Society") as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1853 to operate an annual agricultural fair. The Society sponsors the week-long Warren County Fair during July. During the fair, harness races are held. Warren County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twelve directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Warren County and pay an annual membership fee to the Society.

#### **Reporting Entity**

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including 4-H Horse Shows and 4-H Horse Camp. The reporting entity does not include any other activities or entities of Warren County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

#### **B.** Accounting Basis

The financial statement follows 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).

The statement includes 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.

#### C. 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.

#### D. Property, Plant, and Equipment

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

NOTES TO THE FINANCIAL STATEMENT FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

#### E. 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.

#### F. Race Purse

Stake races are held during the Warren 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 Horseman's Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

#### Ohio Fairs Fund

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

#### G. 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 Parimutuel Wagering Commission. See Note 3 for additional information.

#### **NOTE 2 - DEPOSITS AND INVESTMENTS**

The Society maintains a checking account at Lebanon Citizens Nation Bank. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2015 and 2014 was as follows:

	 2015		2014	
Demand Deposits	\$ 142,357	\$	141,648	

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

### NOTES TO THE FINANCIAL STATEMENT FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

#### **NOTE 3 - HORSE RACING**

#### State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2015 and 2014 was \$ 10,225 and \$11,287, 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 statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2015	2014
Total Amount Bet (Handle) Less: Payoff to Bettors	\$ 3,242 (2,609)	\$ 3,808 (3,042)
Parimutuel Wagering Commission Tote Service Set Up Fee Tote Service Commission State Tax	633 (450) (67) (71)	766 (250) (249) (101)
Society Portion	\$ 45	\$ 166

#### **NOTE 4 - RISK MANAGEMENT**

The Warren County Commissioners provide general insurance coverage for all the buildings on the Warren County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 and \$500,000 aggregate. A separate policy maintains crime coverage for employee dishonesty with limits of liability of \$15,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2017.

#### **NOTE 5 - CONTINGENT LIABILITIES**

The Society is not a Defendant in any pending or threatening litigations.

### NOTES TO THE FINANCIAL STATEMENT FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014

#### NOTE 6 - JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Warren County Fair. The Society did not disburse any funds directly to the Junior Fair Board; however the Society disbursed \$7,629 in 2015 and \$6,668 in 2014 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Warren County paid the Society \$2,800 and \$2,800 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the fiscal years ended November 30, 2015 and 2014 follows:

		2014		
Beginning Cash Balance	\$	3,425	\$	3,304
Receipts		12,294		11,997
Disbursements		(13,864)		(11,876)
Ending Cash Balance	\$	1,855	\$	3,425

#### 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 Warren County's auction. A commission of 2.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the fiscal years ended November 30, 2015 and 2014 follows:

	2015		 2014	
Beginning Cash Balance	\$	46,444	\$ 36,760	
Receipts		507,585	549,648	
Disbursements		(500,768)	 (539,964)	
Ending Cash Balance	\$	53,261	\$ 46,444	

#### **NOTE 8 - COMPLIANCE**

The Society is in noncompliance with Ohio Revised Code Section 9.38.



### Julian & Grube, Inc.

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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards

Warren County Agricultural Society Warren County P.O. Box 58 Lebanon, Ohio 45036

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 statement of the cash balances, receipts and disbursements of the Warren County Agricultural Society, Warren County, Ohio, as of and for the fiscal years ended November 30, 2015 and 2014 and the related notes to the financial statement and have issued our report thereon dated July 12, 2016, wherein we noted the Warren County Agricultural 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 Warren County Agricultural Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Warren County Agricultural 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 Warren County Agricultural Society's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2015-002 to be a material weakness.

Board of Directors Warren County Agricultural Society

#### Compliance and Other Matters

As part of reasonably assuring whether the Warren County Agricultural Society's financial statement is 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings and responses as item 2015-001.

#### Warren County Agricultural Society Response to Findings

Julian & Sube the

The Warren County Agricultural Society's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Warren County Agricultural Society's responses and, accordingly, we express no opinion on them.

#### Purpose of this Report

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

Julian & Grube, Inc.

July 12, 2016

#### SCHEDULE OF FINDINGS AND RESPONSES NOVEMBER 30, 2015 AND 2014

# Finding Number Finding Number Finding Number Finding Number Finding Number Finding Number Finding Number

Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner.

For the fiscal years ended November 30, 2015 and November 30, 2014, funds collected for the Society were held at the Fair Grounds Office for days longer than allowed. In addition, the Society has no depository policy.

As a result, there is a risk of loss from burglary, misplacement, or misappropriation, and the cash is not available for expenditures or investment.

We recommend the Society develop and adopt a depository policy and make an effort to deposit funds in the bank more timely.

<u>Client Response:</u> The Society Secretary will attempt to deposit more timely.

Finding Number	2015-002
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#### Material Weakness - Bank Reconciliations

Timely bank reconciliations are required in order to facilitate accurate financial reporting and to provide management and the Board of Directors with objective and timely information to enable well-informed decisions.

During and for the fiscal years ended November 30, 2015 and November 30, 2014, the Society's bank reconciliations were not accurately or timely completed and reconciled to a zero unidentified amount. This is primarily due to the Society not timely recording deposits into the QuickBooks accounting system. At the fiscal years ending November 30, 2015 and November 30, 2014, the Society had unidentified reconciling items in the amount of \$2,522 and \$78, respectfully. For both years, it was noted that the Society's fund balance was lower than their reconciling balances by the above noted amounts.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The accounting system used by the Society provides the capabilities to reconcile accurately, however procedures/controls were not implemented to ensure this is completed properly and timely.

We recommend the Society consider consulting with an outside accounting firm to regularly review bank reconciliations periodically to help ensure they are completed timely and accurately to a zero unidentified amount at the end of each month.

<u>Client Response:</u> The Society is now fully aware of the requirements and proper procedures, and will seek additional assistance or training as needed to resolve the issues noted in the current period.





#### **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.

**CLERK OF THE BUREAU** 

Susan Babbitt

CERTIFIED OCTOBER 25, 2016