



Dave Yost • Auditor of State

FULTON AGRICULTURAL SOCIETY
FULTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Fulton County Agricultural Society
Fulton County
4793 County Road 2
Swanton, Ohio 43558

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 Fulton County Agricultural Society, Fulton County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38

and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Fulton County Agricultural Society, Fulton County, Ohio as of November 30, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2017

**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Operating Receipts		
Admissions	\$679,328	\$798,003
Privilege Fees	251,876	239,846
Rentals	308,690	317,921
Sustaining and Entry Fees	13,020	10,980
Pari-mutuel Wagering Commission	991	827
Other Operating Receipts	<u>43,053</u>	<u>171,214</u>
<i>Total Operating Receipts</i>	<u>1,296,958</u>	<u>1,538,791</u>
Operating Disbursements		
Wages and Benefits	118,572	125,274
Utilities	119,501	118,804
Professional Services	318,428	303,776
Equipment and Grounds Maintenance	256,034	266,930
Race Purse	99,315	83,728
Senior Fair	30,218	32,458
Junior Fair	30,608	26,690
Capital Outlay	142,776	131,654
Other Operating Disbursements	<u>451,167</u>	<u>438,345</u>
<i>Total Operating Disbursements</i>	<u>1,566,619</u>	<u>1,527,659</u>
<i>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</i>	<u>(269,661)</u>	<u>11,132</u>
Non-Operating Receipts		
State Support	89,254	74,735
County Support	3,300	3,300
Donations/Contributions	132,658	147,003
Investment Income	1,124	739
Sale of Assets	<u>9,705</u>	<u>15,223</u>
<i>Net Non-Operating Receipts</i>	<u>236,041</u>	<u>241,000</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(33,620)	252,132
Cash Balance, Beginning of Year	<u>897,921</u>	<u>645,789</u>
<i>Cash Balance, End of Year</i>	<u><u>\$864,301</u></u>	<u><u>\$897,921</u></u>

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

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**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2016 AND 2015**

Note 1 – Reporting Entity

The Fulton County Agricultural Society of Fulton County (the Society), Fulton 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 1858 to operate an annual agricultural fair. The Society sponsors the week – long Fulton Fair during September. During the fair, harness races are held and called the Fulton County Harness Racing Speed Program. Fulton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fulton County and pay an annual membership fee to the Society.

The Society's report includes all activities occurring on the fairgrounds including the annual fair, Junior and Senior fair Board activities, fair week harness racing and other year-round activities at the fairgrounds including facility rental, track and community events and animal shows. The Society's report does not include any other activities or entities of Fulton County, Ohio.

Notes 7 and 8, respectively; summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity. The Junior Fair Board and Junior Livestock Sale Committee's financial activity are not 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.

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.

**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016 AND 2015
(Continued)**

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

Two and three year old Colt Pace, two and three year old Filly Pace, two and three year old Colt Trot, two and three year old Filly Trot stake races are held during the Fulton 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 Northwest 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 statements report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

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 Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

	2016	2015
Demand deposits	\$755,362	\$789,342
Certificates of deposit	108,939	108,579
Total deposits	<u>\$864,301</u>	<u>\$897,921</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Society.

**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016 AND 2015
(Continued)**

Note 4 – 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, 2016 and 2015 was \$72,915 and \$66,608 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.

	2016	2015
Total Amount Bet (Handle)	\$ 14,981	\$ 12,694
Less: Payoff to Bettors	(13,990)	(11,867)
Parimutuel Wagering Commission	991	827
Tote Service Set Up Fee	(1,000)	(800)
Tote Service Commission	(3,046)	(2,548)
State Tax	(422)	(331)
Society Portion	\$ (3,477)	\$ (2,852)

Note 5 – Risk Management

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 Fulton County Commissioners provide general insurance coverage for all the buildings on the Fulton 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 \$2,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$300,000. The Society's has no general manager.

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.

**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016 AND 2015
(Continued)**

Note 7 – 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 Fulton County Fair. The Society disbursed no dollars directly to the Junior Fair Board and \$30,608 in 2016 and \$26,690 in 2015 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Fulton County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 and 2015 follows:

	2016	2015
Beginning Cash Balance	\$ 13,174	\$ 19,337
Receipts	19,055	17,295
Disbursements	(15,307)	(23,458)
Ending Cash Balance	\$ 16,922	\$ 13,174

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 Fulton County's auction. A commission of 8.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2016 and 2015 follows:

	2016	2015
Beginning Cash Balance	\$ 41,463	\$ 37,477
Receipts	304,173	336,166
Disbursements	(306,450)	(332,180)
Ending Cash Balance	\$ 39,186	\$ 41,463

Note 9 – Other Operating Receipts

The Society received \$132,858 from Toledo Edison due overcharges for electricity for the period 2009 through 2015. This amount was recorded as miscellaneous revenue in 2015.



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

Fulton County Agricultural Society
Fulton County
4793 County Road 2
Swanton, Ohio 43558

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 Fulton County Agricultural Society, Fulton County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated June 6, 2017 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit..

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2017

**FULTON COUNTY AGRICULTURAL SOCIETY
FULTON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Significant Deficiency - Accounting for Change Fund Transactions

The Societies management is responsible for the fair presentation of the financial statements.

Change funds are set up at the various entry gates to the fairgrounds. These change funds are established by checks written to the custodian from the Society's bank account in the total amount of \$72,100 for 2016 and 2015. These checks are recorded as "Other Operating Disbursements" on the Society's financial statements.

The custodian will prepare the change funds for the entry gates. At the end of the fair, the custodian will deposit the monies back into the Society's bank account. Receipts are written for the return of the cash and recorded as "Donations/Contributions" on the Society's financial statements.

This accounting inflates the Society's receipts and disbursements for 2016 and 2015 by \$72,100. This error was a result of inadequate policies and procedures in reviewing the financial statements. The failure to present accurate financial statements could affect the ability of the financial statement user to properly assess the Societies financial condition.

The Society should record the deposits which return these monies as a negative disbursement. This will offset the initial transaction and eliminate the increase to receipts and disbursements.

Officials' Response

We did not receive a response from Officials to this finding.

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FULTON COUNTY AGRICULTURAL SOCIETY

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 22, 2017**