

Clinton County Agricultural Society
Clinton County
Regular Audit
For the Years Ended November 30, 2018 and 2017



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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Clinton County Agricultural Society
6406 State Route 73 South
Wilmington, Ohio 45177

We have reviewed the *Independent Auditor's Report* of the Clinton County Agricultural Society, Clinton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2016 through November 30, 2018. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Clinton County Agricultural Society (the Society) held a National Tractor Pull on June 10, 2017. The Society contracted with Maurice Henry to be responsible for the collection of the admissions to the tractor pull. The Society ordered pre-numbered tickets that were specifically printed for this event stating the name of the event, date and cost of the ticket (\$20). The Society did not keep documentation regarding the number of tickets sold. The independent public accounting firm contracted to perform the audit calculated the number of tickets sold by subtracting the number of tickets remaining on hand after the event was held from the number of tickets printed and purchased by the Society. The firm calculated that 1,490 tickets were sold for the event. The amount that should have been collected and deposited should have been \$29,800 (1,490 tickets X \$20 per ticket). The amount deposited and recorded in the Society's ledger for this event was \$28,060. Therefore, \$1,740 was not deposited for this event.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies collected but unaccounted for is issued against Maurice Henry, contractor, in the amount of \$1,740, and in favor of the Clinton County Agricultural Society's General Fund.

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 Clinton County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2019

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Clinton County Agricultural Society
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For the Years Ended November 30, 2018 and 2017

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Independent Auditor's Report

Board of Directors
Clinton County Agricultural Society
6406 State Route 73 South
Wilmington, Ohio 45177

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements, and related notes of the Clinton County Agricultural Society, Clinton County, (the Society) as of and for the years ended November 30, 2018 and 2017.

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 such 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

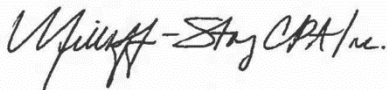
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2018 and 2017, 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, receipts and disbursements, and related notes of the Clinton County Agricultural Society, Clinton County, as of November 30, 2018 and 2017, and 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 17, 2019, 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 the effectiveness of 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 17, 2019

Clinton County Agricultural Society
*Statement of Receipts, Disbursements, and
 Changes in Fund Balance (Cash Basis)
 For the Year Ended November 30, 2018*

Operating Receipts:	
Admissions	\$196,804
Privilege Fees	36,323
Rentals	205,551
Sales During Other Activities	1,158
Racing Fees and Charges	26,238
Utilities	3,465
Fees	12,068
	481,607
Total Operating Receipts	
	481,607
Operating Disbursements:	
Wages and Benefits	45,786
Utilities	53,293
Administrative	8,943
Race Supplies and Materials	5,354
Supplies and Materials	24,216
Advertising and Communications	11,107
Insurance	16,225
Professional Services	82,374
Property Services	53,786
Racing	90,478
Repairs	15,368
Rent/Lease	7,882
Senior Fair	12,511
Junior Fair	9,165
Contests	41,782
Other Fair Expenses	2,924
Capital Outlay	246,253
Other Operating Disbursements	16,567
	744,014
Total Operating Disbursements	
	744,014
Deficiency of Operating Receipts	
Under Operating Disbursements	(262,407)
Non-Operating Receipts (Disbursements)	
State Support	77,621
Debt Proceeds	245,000
Local Government Grant-In-Aid	35,500
Restricted Support	12,150
Unrestricted Support	1,150
Investment Income	205
Other Non-Operating Receipts	60,000
Debt Service	(37,600)
	394,026
Net Non-Operating Receipts (Disbursements)	
	394,026
Excess of Receipts Over Disbursements	
	131,619
Fund Balance, Beginning of Year	
	99,775
Fund Balance, End of Year	
	\$231,394

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

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 1 – REPORTING ENTITY

The Agricultural Society of Clinton County (the Society), Clinton 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 1837 to operate an annual agricultural fair. The Society sponsors the week-long Clinton County Fair during July. During the fair, harness races are held. Clinton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 16 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of County and pay an annual membership fee to the Society.

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

Notes 8 and 9, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

A. Basis of Presentation

The Society's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis).

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits

The Society's deposits are held in checking and savings accounts with a local financial institution. The Society has no investments.

D. 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.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 2 - SUMMARY OF SIGNFICANT 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 Clinton 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 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 Racing Fees and Charges.

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.

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 Racing Fees and Charges. See Note 4 for additional information.

NOTE 3 – DEPOSITS

The Society maintains a deposit pool. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2018 was as follows:

Demand deposits	\$63,605
Other time deposits (savings and NOW accounts)	167,789
Total deposits	<u>\$231,394</u>

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 4 – 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, 2018 in the amount of \$9,257 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.

Total Amount Bet (Handle)	\$ 5,220
Less: Payoff to Bettors	<u>(4,136)</u>
Parimutuel Wagering Commission	1,084
Tote Service Set Up Fee	(1,200)
Tote Service Commission	(28)
State Tax	<u>(144)</u>
Society Portion	<u>\$ (288)</u>

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, 2017, 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, 2017 (the latest information available).

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 5 – RISK MANAGEMENT (CONTINUED)

Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society's share of these unpaid claims collectible in future years is approximately \$5,000.

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>	
2018	\$8,539

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, 2018.

NOTE 7 – DEBT

In 2008, the Society's bond anticipation note was reissued as bonds in the amount of \$515,000 at variable interest payable to Clinton County. On April 23, 2018 the Society received an interest free advance from the County in the amount of \$245,000 for the necessary construction costs of improvements to be reimbursed by a grant awarded by the Ohio Department of Natural Resources. As of November 30, 2018, the Society had not yet received the grant funds necessary to pay back the advance.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 7 - DEBT (CONTINUED)

Debt outstanding at November 30, 2018 was as follows:

	Principal	Interest Rate
County Loan	\$300,000	3.50%
County Horse Barn Advance	245,000	N/A
Total	\$545,000	

NOTE 8 – 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 Clinton County Fair. The Society disbursed \$9,165 directly to vendors in 2018 to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. 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, 2018 follows:

Beginning Cash Balance	\$2,890
Receipts	5,818
Disbursements	(7,656)
Ending Cash Balance	\$1,052

NOTE 9 – 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 Clinton County’s auction. A commission of three and a half percent (3.5%) for general fund for all species and three percent (3%) for barn fund for dairy, one and a half percent (1.5%) of the barn fund are for swine, and 2% barn fund are for poultry, sheep, goats and rabbits, and three percent (3%) on cattle and feeder calves. The commission will be assessed on the total premium and re-sale amount. The Junior Livestock Committee retains this money. The total auction amount for the year ended November 30, 2018 was \$369,005, and the Junior Livestock Sale Committee received \$20,088. The accompanying financial statement does not include the Junior Livestock Committee’s activity for the year ended November 30, 2018.

NOTE 10 – SUBSEQUENT EVENTS

On April 23, 2018 the Society entered an agreement with the Clinton County Board of Commissioners to borrow and subsequently reimburse the Board \$245,000 for the necessary construction costs of various capital improvement projects. The Society shall repay the financial assistance at the first reasonable date available, in part, with funds received from a Capital Improvement Community Recreation Project Grant awarded to the Society by the Department of Natural Resources. The Grant provides up to \$245,000 to be used toward a project to develop new facilities and renovate existing facilities at the Clinton County Fairgrounds. The Society received the funds from the Department of Natural Resources on January 4, 2019 and subsequently repaid this debt to the County on January 7, 2019.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2018

NOTE 11 – CONTINGENT LIABILITIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The Society is not currently party to legal proceedings.

Clinton County Agricultural Society
*Statement of Receipts, Disbursements, and
 Changes in Fund Balance (Cash Basis)
 For the Year Ended November 30, 2017*

Operating Receipts:	
Admissions	\$199,543
Privilege Fees	58,998
Rentals	133,373
Sales During the Fair	7,189
Sales During Other Activities	1,703
Racing Fees and Charges	26,402
Utilities	7,280
Fees	<u>12,639</u>
Total Operating Receipts	447,127
Operating Disbursements:	
Wages and Benefits	43,317
Utilities	50,433
Administrative	13,869
Race Supplies and Materials	4,580
Supplies and Materials	22,806
Advertising and Communications	12,225
Insurance	24,392
Professional Services	33,697
Property Services	57,331
Racing	89,703
Repairs	12,366
Rent/Lease	4,725
Senior Fair	6,981
Junior Fair	7,855
Contests	75,004
Other Fair Expenses	3,584
Capital Outlay	242,264
Other Operating Disbursements	<u>7,586</u>
Total Operating Disbursements	<u>712,718</u>
Deficiency of Operating Receipts Under Operating Disbursements	(265,591)
Non-Operating Receipts (Disbursements)	
State Support	75,279
Debt Proceeds	300,075
Local Government Grant-In-Aid	35,500
Restricted Support	260,500
Unrestricted Support	934
Other Non-Operating Receipts	20,000
Debt Service	<u>(357,764)</u>
Net Non-Operating Receipts (Disbursements)	<u>334,524</u>
Excess of Receipts Over Disbursements	68,933
Fund Balance, Beginning of Year	<u>30,842</u>
Fund Balance, End of Year	<u><u>\$99,775</u></u>

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

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2017

NOTE 1 – REPORTING ENTITY

The Agricultural Society of Clinton County (the Society), Clinton 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 1837 to operate an annual agricultural fair. The Society sponsors the week-long Clinton County Fair during July. During the fair, harness races are held. Clinton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing 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. The reporting entity does not include any other activities or entities of Clinton County, Ohio.

Notes 8 and 9, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

A. Basis of Presentation

The Society's financial statements consist of a statement of receipts, disbursements, and changes in fund balances (regulatory cash basis).

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Deposits

The Society's deposits are held in checking and savings accounts with a local financial institution. The Society has no investments.

D. 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.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2017

NOTE 2 - SUMMARY OF SIGNFICANT 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 Clinton 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 Clinton County Harness Horseman's Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Racing Fees and Charges.

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.

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 Racing Fees and Charges. See Note 4 for additional information.

NOTE 3 – DEPOSITS

The Society maintains a deposit pool. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2017 was as follows:

Demand deposits	\$24,190
Other time deposits (savings and NOW accounts)	75,585
Total deposits	<u>\$99,775</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2017

NOTE 4 – 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, 2017 in the amount of \$10,462 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.

Total Amount Bet (Handle)	\$ 7,054
Less: Payoff to Bettors	<u>(5,583)</u>
Parimutuel Wagering Commission	1,471
Tote Service Set Up Fee	(1,200)
Tote Service Commission	(205)
State Tax	<u>(209)</u>
Society Portion	<u>\$ (143)</u>

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, 2017, 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, 2017.

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2017

NOTE 5 – RISK MANAGEMENT (CONTINUED)

Assets	\$44,452,326
Liabilities	<u>(13,004,011)</u>
Net Position	<u>\$31,448,315</u>

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool’s membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Society’s share of these unpaid claims collectible in future years is approximately \$6,000.

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>	
2017	\$9,721

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, 2017.

NOTE 7 – DEBT

In 2008, the Society’s bond anticipation note was reissued as bonds in the amount of \$515,000 at variable interest payable to Clinton County. On March 6, 2017 the Society received an interest free advance from the County in the amount of \$300,000 for the necessary construction costs of improvements to be reimbursed by a grant awarded by the Ohio Department of Natural Resources. As of November 30, 2017, the Society had received the grant funds necessary to pay back the advance and paid back the debt in full.

Debt outstanding at November 30, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
County Loan	\$325,000	3.50%
Total	<u>\$325,000</u>	

Clinton County Agricultural Society
Notes to the Financial Statements
For the Year Ended November 30, 2017

NOTE 8 – 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 Clinton County Fair. The Society disbursed \$7,855 directly to vendors in 2017 to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. 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, 2017 follows:

Beginning Cash Balance*	\$2,649
Receipts	4,408
Disbursements	<u>(4,167)</u>
Ending Cash Balance	<u><u>\$2,890</u></u>

*Cash balances restated to remove activity that was not related to Junior Fair Board.

NOTE 9 – 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 Clinton County's auction. A commission of three and a half percent (3.5%) for general fund for all species and three percent (3%) for barn fund for dairy, one and a half percent (1.5%) of the barn fund are for swine, and 2% barn fund are for poultry, sheep, goats and rabbits, and three percent (3%) on cattle and feeder calves. The commission will be assessed on the total premium and re-sale amount. The Junior Livestock Committee retains this money. The total auction amount for the year ended November 30, 2017 was \$366,760, and the Junior Livestock Sale Committee received \$19,610. The accompanying financial statement does not include the Junior Livestock Committee's activity for the year ended November 30, 2017.

NOTE 10 – SUBSEQUENT EVENTS

On April 23, 2018 the Society entered an agreement with the Clinton County Board of Commissioners to borrow and subsequently reimburse the Board \$245,000 for the necessary construction costs of various capital improvement projects. The Society shall repay the financial assistance at the first reasonable date available, in part, with funds received from a Capital Improvement Community Recreation Project Grant awarded to the Society by the Department of Natural Resources. The Grant provides up to \$245,000 to be used toward a project to develop new facilities and renovate existing facilities at the Clinton County Fairgrounds.

NOTE 11 – CONTINGENT LIABILITIES

Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Litigation

The Society is not currently party to legal proceedings.

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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

Board of Directors
Clinton County Agricultural Society
6406 State Route 73 South
Wilmington, Ohio 45177

We have audited, in accordance with 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 Clinton County Agricultural Society, Clinton County, (the Society) as of and for the years ended November 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated May 17, 2019, 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 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

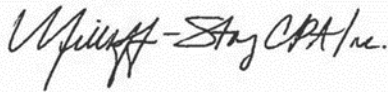
As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Findings

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

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

May 17, 2019

Clinton County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2018 and 2017

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2018-001

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. Various errors were identified during the course of testing, including misclassified receipts and loan proceeds. We also noted that the Society includes accruals within its cash basis accounting records, resulting in difficulties reconciling accounting records to regulatory cash basis financial statements. In addition, we noted that the Society's annual financial reports do not include cash balances at year end. Only receipts, disbursements, and change in fund balance are reported. Lastly, we also identified various errors within the financial statement disclosures that required correction. The Society should implement monitoring procedures to ensure that transactions are properly recorded and that financial information is properly presented. The Society should also consider including a cash balance within the annual reports filed with the State and submitted for audit.

Client Response:

Will work to correct.

FINDING NUMBER 2018-002

Material Weakness – Admissions

The Auditor of State's Uniform System of Accounting for Agricultural Society, November 2002 revision, outlines the procedures an agricultural society should take when accounting for fair admissions. The Society maintained ticket tally sheets for admission receipts; however, we noted for the 2017 Tractor Pull our recalculated total for ticket sales was \$1,740 more than what the Society deposited. Upon further inquiry it was noted that the Society discovered the shortage at the time of the event and did reach a conclusion as to the cause. The Society immediately implemented controls for all events requiring ticket sales at the gates including a cash reconciliation to be performed every two hours.

In order to strengthen internal controls over the annual fair admissions receipt process and ensure all receipts are properly deposited, we recommend the Society use due care when processing gate and season pass receipts. Supporting documentation should be maintained for all transactions. The amount received should be reconciled to the amount collected and deposited.

Client Response:

Will continue cash reconciliations every two hours and address issues as they come up.

Clinton County Agricultural Society
Schedule of Prior Audit Findings
For the Years Ended November 30, 2018 and 2017

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Take, or Finding No Longer Valid, Explain
2016-001	Material Weakness – Financial Reporting	No	Reissued as Finding 2018-001
2016-002	Material Weakness – Admissions	No	Partially corrected. Reissued, in part, as Finding 2018-002
2016-003	Material Weakness – Privilege Fees	Yes	

OHIO AUDITOR OF STATE KEITH FABER



CLINTON COUNTY AGRICULTURAL SOCIETY

CLINTON 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
NOVEMBER 21, 2019**