

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**FINANCIAL STATEMENT
(AUDITED)**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018



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

We have reviewed the *Independent Auditor's Report* of the Fayette County Agricultural Society, prepared by Julian & Grube, Inc., for the audit period December 1, 2017 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.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Fayette County Agricultural Society is responsible for compliance with these laws and regulations

Keith Faber
Auditor of State
Columbus, Ohio

September 25, 2019

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**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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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

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

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Fayette County Agricultural Society, Fayette County, Ohio, as of and for the fiscal year ended November 30, 2018.

Management's Responsibility for the Financial Statement

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 that are 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 Fayette 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 Fayette County Agricultural 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 opinion.

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

As described in Note 2 of the financial statement, the Fayette 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.

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 Fayette 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 Fayette County Agricultural Society as of November 30, 2018, and the respective change in financial position thereof for the fiscal year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Fayette County Agricultural Society, Fayette County, Ohio, as of November 30, 2018, for the fiscal year 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 24, 2019, on our consideration of the Fayette 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 Fayette County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 24, 2019

Fayette County Agricultural Society
Fayette County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Fiscal Year Ended November 30, 2018

Operating Receipts	
Admissions	\$206,751
Privilege Fees	87,415
Rentals	221,253
Sustaining and Entry Fees	44,439
Pari-mutuel Wagering Commission	1,648
Racing Receipts	<u>71,488</u>
<i>Total Operating Receipts</i>	<u>632,994</u>
Operating Disbursements	
Wages and Benefits	119,174
Utilities	56,339
Professional Services	137,044
Equipment and Grounds Maintenance	84,047
Race Purse	106,444
Senior Fair	5,609
Junior Fair	19,269
Capital Outlay	35,560
Other Operating Disbursements	<u>127,727</u>
<i>Total Operating Disbursements</i>	<u>691,213</u>
<i>Excess (Deficiency) of Operating Receipts</i>	
<i>Over (Under) Operating Disbursements</i>	<u>(58,219)</u>
Non-Operating Receipts (Disbursements)	
State Support	13,431
County Support	5,300
Donations/Contributions	91,688
Investment Income	2,049
Debt Proceeds	50,150
Debt Service	<u>(68,747)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>93,871</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	35,651
Cash Balance, Beginning of Year	<u>56,846</u>
<i>Cash Balance, End of Year</i>	<u><u>\$92,497</u></u>

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

Fayette County Agricultural Society
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 1 – Reporting Entity

The Agricultural Society of Fayette County (the Society), Fayette 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 1881 to operate an annual agricultural fair. The Society sponsors the week – long Fayette County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series and Fayette County Classic. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of thirteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 8 and 9, 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 statement.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and changes in fund balance (regulatory cash basis).

Basis of Accounting

This 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.

This 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.

Fayette County Agricultural Society
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Deposits and Investments

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

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

Stake races are held during the Fayette County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees - Horse owners and the Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Racing Receipts.

Ohio Fairs Fund - The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 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.

Fayette County Agricultural Society
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 3 – Deposits and Investments

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

	2018
Demand Deposits	\$46,768
Municipal Bonds	45,730
Total Deposits and Investments	\$92,498

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

Investments: The investments were a donation the Society received in July, 2014. Merrill Lynch’s trust department holds the Society’s bonds in book-entry form in the Society’s name. Investments in mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2018, was \$8,361, 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 (recorded net) are included in Pari-mutuel Wagering Commission Receipts, 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.

	2018
Total Amount Bet (Handle)	\$ 20,224
Less: Payoff to Bettors	(16,179)
Parimutuel Wagering Commission	4,045
Tote Service Set Up Fee	(700)
Tote Service Commission	(1,697)
State Tax	(517)
Society Portion	\$ 1,131

Fayette County Agricultural Society
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 5 – Debt

The Society renewed a \$200,000 line of credit from Merchants National Bank on October 20, 2014 for operating funds. The line of credit has an interest rate of prime plus one and a half percent. The line of credit had an outstanding balance of \$14,487 as of November 30, 2017. During 2018, the Society had draws of \$50,150 and principal payments of \$64,487 with a remaining balance of \$150 outstanding as of November 30, 2018.

Note 6 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

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

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711.24.

The Society is a member of the Public Entities Pool of Ohio (the “Pool”). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$ 35,381,789
Actuarial liabilities	\$ 12,965,015

Note 7 – 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.

Fayette County Agricultural Society
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

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 Fayette County Fair. The Junior Fair Board, formerly referred to as the 4-H Council, was run by the County Extension office until December 31, 2016. The Junior Fair Board accounted for its activity separately. The accompanying financial statements does not include this activity.

Effective January 1, 2017, the Society became responsible for the activities of the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement.

	2018
Beginning Cash Balance	\$ 4,882
Receipts	-
Disbursements	(4,882)
Ending Cash Balance	\$ -

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 the Fayette County’s auction. A commission of five 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.

	2018
Beginning Cash Balance	\$ 22,825
Receipts	452,432
Disbursements	(461,854)
Ending Cash Balance	\$ 13,403



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 on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

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 Fayette County Agricultural Society, Fayette County, Ohio, as of and for the fiscal year ended November 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated June 24, 2019, wherein we noted the Fayette 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 Fayette 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 Fayette 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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Fayette 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Fayette County Agricultural Society's Responses to Findings

The Fayette County Agricultural Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not subject the Fayette County Agricultural Society's responses to the auditing procedures applied in the audit of the financial statement 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 Fayette 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 Fayette County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
June 24, 2019

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Certain adjustments were made to the financial statement and related notes.

The audited financial statement, related notes, and Society records have been adjusted for the misstatements identified during the audit.

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 present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Society consult with their auditors, an accounting firm specializing in governmental accounting or Local Government Services.

Client Response: The Society will implement monitoring procedures to ensure proper recording.

Finding Number	2018-002
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Material Weakness - ATM Account/ATM Machine

The Society owns an ATM that is located at the fairgrounds. The Society periodically stocks this ATM with cash from its ATM bank account. Funds are reimbursed to the ATM bank account from the accounts of those who withdraw from the ATM, and corresponding ATM usage fees are also deposited to this account. In addition, the Society occasionally withdraws cash from the operating account to stock the ATM to fund increased usage time periods.

During the course of testing, we noted that the Society does not reconcile this ATM account in conjunction with cash in the ATM machine. The cash balance at year end includes \$2,821 of unverified calculated amounts in the ATM machine and \$623 of over recorded ATM fees collected during the fiscal year 2018 and \$16 of miscellaneous general ledger transaction related to the ATM bank account. The beginning cash balance includes \$4,181 of unverified calculated amounts in the ATM machine and \$623 of over recorded ATM fees collected during fiscal year 2017.

Lack of internal controls over this ATM could enable misuse of Society funds.

We recommend the Society develop policies and procedures to both reconcile the ATM bank account and actual cash in the ATM machine on a regular basis. This will help ensure proper accountability of all Society funds.

Client Response: The Society is working on this issue. We have begun to record fees collected and will work to develop a system to substantiate amounts in the ATM and ensure properly included in financial reports.

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**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	<u>Material Weakness - Financial Statement Presentation</u> - In general, an accounting and information system should be designed to provide the Society board with accurate and timely information to enable well-informed business decisions to be made. Certain adjustments were made to the financial statements for the fiscal year ending November 30, 2017.	Not Corrected	Repeated as finding 2018-001
2017-002	<u>Material Weakness - ATM Account</u> - The Society owns and operates an ATM machine at the fairgrounds. It also has an ATM bank account that is linked to this machine. The Society does not reconcile this ATM account in conjunction with ATM cash in the machine.	Not Corrected	Repeated as finding 2018-002

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OHIO AUDITOR OF STATE KEITH FABER



FAYETTE COUNTY AGRICULTURAL SOCIETY

FRANKLIN 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
OCTOBER 8, 2019**