



Dave Yost • Auditor of State

**DARKE COUNTY AGRICULTURAL SOCIETY
DARKE COUNTY
NOVEMBER 30, 2016 AND 2015**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

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 the Darke County Agricultural Society, Darke 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 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, 2016 and 2015, or the changes in financial position or cash flow 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 Darke County Agricultural Society, Darke County as of November 30, 2016 and 2015, 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 July 10, 2018, 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

July 10, 2018

Darke County Agricultural Society
Darke County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2016

Operating Receipts	
Admissions	\$1,011,485
Privilege Fees	329,657
Rentals	303,425
Sustaining and Entry Fees	189,367
Pari-mutuel Wagering Commission	10,108
Other Operating Receipts	<u>47,039</u>
<i>Total Operating Receipts</i>	<u>1,891,081</u>
Operating Disbursements	
Wages and Benefits	195,516
Utilities	190,266
Professional Services	380,808
Equipment and Grounds Maintenance	552,659
Race Purse	236,631
Senior Fair	108,548
Junior Fair	66,764
Capital Outlay	115,587
Other Operating Disbursements	<u>1,148,611</u>
<i>Total Operating Disbursements</i>	<u>2,995,390</u>
<i>Excess of Operating Disbursements Over Operating Receipts</i>	<u>(1,104,309)</u>
Non-Operating Receipts (Disbursements)	
State Support	64,738
County Support	2,000
Debt Proceeds	100,000
Restricted Support	888,028
Unrestricted Support	8,192
Investment Income	95
Debt Service	<u>(101,245)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>961,808</u>
<i>Excess of Disbursements Over Receipts</i>	(142,501)
Cash Balance, Beginning of Year	<u>217,414</u>
<i>Cash Balance, End of Year</i>	<u><u>\$74,913</u></u>

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

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Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 1 – Reporting Entity

The Darke County Agricultural Society (the Society), Darke 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 on November 24, 1852 to operate an annual agricultural fair. The Society sponsors the nine day-long Great Darke County Fair during August. During the fair, harness races are held, culminating in the running of the speed races. Darke County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eleven directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Darke 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 and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Darke County, Ohio.

Notes 9 and 10, respectively; summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

The Society participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity. 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.

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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

The Society values certificates of deposits at cost.

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.

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 Great Darke 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 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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

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 was as follows:

	2016
Demand deposits	\$73,413
Certificates of deposit	1,500
Total deposits	\$74,913

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

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, 2016 was \$4,400 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)	\$ 99,765
Less: Payoff to Bettors	(79,111)
Parimutuel Wagering Commission	20,654
Tote Service Set Up Fee	(1,250)
Tote Service Commission	(9,296)
State Tax	(3,095)
Society Portion	\$ 7,013

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

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, 2016, 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, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately 12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool’s membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Society’s share of these unpaid claims collectible in future years is approximately \$23,000.

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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 5 – Risk Management (Continued)

2016 Contributions to PEP \$ 36,140

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, 2016.

Note 7 – Debt

During 2016, the Society purchased a parcel of land in the amount of \$100,000 with their available line of credit through Second National Bank. The full amount was repaid with interest in the same year.

Note 8 – Lines of Credit

The Society maintains two lines of credit through Second National Bank. The first is a \$500,000 line of credit for a cattle barn project with an interest rate of 2.875% which expires September 10, 2019. The Society did not draw on this line of credit during fiscal year 2016. The second is \$100,000 line of credit for operating purposes with an interest rate of 3.5% available on demand. The Society drew the full \$100,000 on this line of credit during fiscal year 2016 and repaid the draw in full during the year.

Note 9 – 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 Darke County Fair. The Society disbursed \$66,764 directly to the Junior Fair Board and did not disburse money directly to vendors 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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2016

Note 9 – Junior Fair Board (Continued)

The Junior Fair Board’s financial activity for the year ended November 30, 2016, follows:

	2016
Beginning Cash Balance	\$ 4,472
Receipts	13,639
Disbursements	(12,390)
Ending Cash Balance	\$ 5,721

Note 10 – 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 Darke County’s auction. A commission of one percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee’s activities. The Junior Livestock Committee’s financial activity for the year ended November 30, 2016, follows:

	2016
Beginning Cash Balance	\$ 823
Receipts	3,115.00
Disbursements	(1,827)
Ending Cash Balance	\$ 2,111

Darke County Agricultural Society
Darke County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2015

Operating Receipts	
Admissions	\$939,543
Privilege Fees	357,005
Rentals	312,164
Sustaining and Entry Fees	77,804
Pari-mutuel Wagering Commission	40,215
Other Operating Receipts	<u>45,316</u>
<i>Total Operating Receipts</i>	<u>1,772,047</u>
Operating Disbursements	
Wages and Benefits	216,506
Utilities	186,295
Professional Services	327,807
Equipment and Grounds Maintenance	383,879
Race Purse	215,266
Senior Fair	76,279
Junior Fair	52,943
Capital Outlay	184,231
Other Operating Disbursements	<u>1,123,781</u>
<i>Total Operating Disbursements</i>	<u>2,766,987</u>
<i>Excess of Operating Disbursements Over</i> <i>Operating Receipts</i>	<u>(994,940)</u>
Non-Operating Receipts (Disbursements)	
State Support	68,695
County Support	2,000
Restricted Support	920,778
Unrestricted Support	6,079
Investment Income	78
Debt Service	<u>(220)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>997,410</u>
<i>Excess of Receipts Over Disbursements</i>	2,470
Cash Balance, Beginning of Year	<u>214,944</u>
<i>Cash Balance, End of Year</i>	<u><u>\$217,414</u></u>

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

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Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 1 – Reporting Entity

The Darke County Agricultural Society (the Society), Darke 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 on November 24, 1852 to operate an annual agricultural fair. The Society sponsors the nine day-long Great Darke County Fair during August. During the fair, harness races are held, culminating in the running of the speed races. Darke County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of eleven directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Darke 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 and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including trade shows and horse shows. The reporting entity does not include any other activities or entities of Darke County, Ohio.

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

The Society participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity. 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.

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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

The Society values certificates of deposit at cost.

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.

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 Great Darke 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 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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

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 was as follows:

	2015
Demand deposits	\$215,914
Certificates of deposit	1,500
Total deposits	\$217,414

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

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, 2015 was \$4,184 as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2015
Total Amount Bet (Handle)	\$ 132,124
Less: Payoff to Bettors	(104,700)
Parimutuel Wagering Commission	27,424
Tote Service Set Up Fee	(1,500)
Tote Service Commission	(12,409)
State Tax	(4,154)
Society Portion	\$ 9,361

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

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, 2015, 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, 2015

	<u>2015</u>
Assets	\$38,307,677
Liabilities	<u>(12,759,127)</u>
Net Position	<u>\$25,548,550</u>

At December 31, 2015, respectively, the liabilities above include approximately \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$11.0 million of unpaid claims to be billed. The Pool’s membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Society’s share of these unpaid claims collectible in future years is approximately \$25,000.

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.

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

Note 5 – Risk Management (Continued)

<u>2015 Contributions to PEP</u>
\$40,027

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, 2015.

Note 7 – Lines of Credit

The Society maintains two lines of credit through Second National Bank. The first is a \$500,000 line of credit for a cattle barn project with an interest rate of 2.875% which expires September 10, 2019. The second is \$100,000 line of credit for operating purposes with an interest rate of 3.5% available on demand. The Society did not draw on either line of credit during fiscal year 2015.

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 Darke County Fair. The Society disbursed \$52,943 directly to the Junior Fair Board and did not disburse money directly to vendors 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, 2015, follows:

	2015
Beginning Cash Balance	\$ 3,821
Receipts	9,814
Disbursements	(9,163)
Ending Cash Balance	\$ 4,472

Darke County Agricultural Society
Darke County
Notes to the Financial Statements
For the Year Ended November 30, 2015

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 Darke County's auction. A commission of one percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2015, follows:

	<u>2015</u>
Beginning Cash Balance	\$ 5,974
Receipts	-
Disbursements	<u>(5,151)</u>
Ending Cash Balance	<u>\$ 823</u>



Dave Yost • Auditor of State

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

Darke County Agricultural Society
Darke County
800 Sweitzer Street
Greenville, Ohio 45331

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 the Darke County Agricultural Society, Darke County, (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 July 10, 2018 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 opinion 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

July 10, 2018



Dave Yost • Auditor of State

DARKE COUNTY AGRICULTURAL SOCIETY

DARKE 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
JULY, 31 2018**