



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 24, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY
NOVEMBER 30, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jackson County Agricultural Society
Jackson County
P.O. Box 382
Wellston, Ohio 45692

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 Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2017 and 2016.

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 § 117.38 and Ohio Administrative Code § 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 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Society received Donations/Contributions in the amount of \$69,622 and \$42,613, Admissions Receipts in the amount of \$42,223 and \$34,455 and Rental Receipts in the amount of \$51,072 and \$47,340 for the years ended November 30, 2017 and 2016, respectively, for which there was no supporting documentation. The Society also received Sustaining and Entry Fees in the amount of \$29,820 for the year ended November 30, 2016, for which there was no supporting documentation. We were unable to obtain sufficient appropriate audit evidence supporting the aforementioned amounts recorded as receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Jackson County Agricultural Society, Jackson County, as of November 30, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 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 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 8, 2019

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Jackson County Agricultural Society
Jackson County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2017

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Operating Receipts	
Admissions	\$110,189
Privilege Fees	14,410
Sales by Fairboard	12,463
Rentals	79,277
Sustaining and Entry Fees	13,721
Pari-mutuel Wagering Commission	37
	<hr/>
<i>Total Operating Receipts</i>	<i>230,097</i>
	<hr/>
Operating Disbursements	
Utilities	43,482
Professional Services	151,878
Equipment and Grounds Maintenance	31,756
Insurance and Bonding	10,795
Race Purse & Race Expenses	93,920
Junior Fair	9,444
Capital Outlay	130,364
Other Operating Disbursements	50,749
	<hr/>
<i>Total Operating Disbursements</i>	<i>522,388</i>
	<hr/>
<i>(Deficiency) of Operating Receipts (Under) Operating Disbursements</i>	<i>(292,291)</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
State Support	132,048
County Support	10,026
Donations/Contributions	160,841
Interest Income	87
Debt Proceeds	160,000
Debt Service	(134,210)
	<hr/>
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>328,792</i>
	<hr/>
<i>Excess of Receipts Over Disbursements</i>	<i>36,501</i>
	<hr/>
Cash Balance, Beginning of Year	67,145
	<hr/>
Cash Balance, End of Year	<u><u>\$103,646</u></u>

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

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**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson County Agricultural Society, Jackson County (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1986 to operate an annual agricultural fair. The Society sponsors the week-long Jackson County Fair during July. During the fair, harness races are held. Jackson County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggering three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Jackson County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week as well as other year round activities at the fairgrounds, including facility rental, track and stall rental and community events. The reporting entity does not include other activities or entities of Jackson County, Ohio.

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

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

B. Accounting Basis

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) permit.

C. Deposits

All cash assets of the Society are maintained in interest bearing checking accounts.

D. Property, Plant and Equipment

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

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)(vi). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

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

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the “handle”), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

The 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 3 for additional information.

2. DEPOSITS

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

	<u>2017</u>
Demand deposits	<u>\$103,646</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year as State Support in the amount of \$10,002.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

3. HORSE RACING (Continued)

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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)	\$	5,961
Less: Payoff to Bettors		<u>(4,813)</u>
Pari-mutuel Wagering Commission		1,148
Tote Service Set Up Fee		(800)
Tote Service Commission		(138)
State Tax		<u>(118)</u>
Society Portion	\$	<u>92</u>

4. DEBT

Debt outstanding at the end of the year was as follows:

5.5% Note Payable for Playground Improvements	\$	34,876
5.05% Note Payable for Lighting Improvements		<u>5,405</u>
	\$	<u>40,281</u>

Both notes are due to Wesbanco Bank, Inc. (Wesbanco).

The Wesbanco loan for playground improvements was negotiated in May 2017 and included repayment of an existing note for restroom repairs for \$6,806. The note bears interest at 5.5% and requires payments of \$500 principal plus interest each month until paid. The note matures in May 2022.

The Society borrowed \$100,000 from Wesbanco for improvements to the lighting system at the fairgrounds. That note bore interest at 5.05% and required intermittent principal payments with interest settled monthly. The maturity date for that loan was January 7, 2018 and was repaid in December 2017.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

4. DEBT (Continued)

Amortization of the above debt, excluding interest, was scheduled at as follows:

Year Ending November 30:	Playground Improvement Note
2018	\$ 6,000
2019	6,000
2020	6,000
2021	6,000
2022	10,876
	\$ 34,876

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.

	2017
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

5. RISK MANAGEMENT (Continued)

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 \$7,000.

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>2017 Contributions to PEP</u>
<u>\$10,477</u>

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.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Jackson County Fair. In 2017 the Society disbursed \$0- directly to the Junior Fair Board and \$9,444 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. In 2017 Jackson County paid the Society \$1,100 to support Junior Fair Board work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2017 is as follows:

Beginning Cash Balance	\$	2,256
Receipts		1,580
Disbursements		<u>(1,809)</u>
Ending Cash Balance	\$	<u>2,027</u>

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Jackson County auction. A commission, as a percent of selling price, on auction sales of 2% for steers, 6% for rabbits, poultry and turkeys and 4% for all other market animals is retained by the Junior Livestock Sale Committee to cover auction costs. 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, 2017 is as follows:

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2017**

7. JUNIOR LIVESTOCK SALE COMMITTEE (Continued)

Beginning Cash Balance	\$	52,483
Receipts		309,947
Disbursements		<u>(303,569)</u>
Ending Cash Balance	<u>\$</u>	<u>58,861</u>

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

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Operating Receipts	
Admissions	\$119,392
Privilege Fees	18,755
Sales by Fairboard	2,940
Rentals	75,213
Sustaining and Entry Fees	29,820
Pari-mutuel Wagering Commission	10,989
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<i>Total Operating Receipts</i>	<i>257,109</i>
	<hr/>
Operating Disbursements	
Utilities	65,751
Professional Services	132,468
Equipment and Grounds Maintenance	39,355
Insurance and Bonding	9,851
Race Purse & Race Expenses	85,592
Junior Fair	9,207
Capital Outlay	19,024
Other Operating Disbursements	42,358
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<i>Total Operating Disbursements</i>	<i>403,606</i>
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<i>(Deficiency) of Operating Receipts (Under) Operating Disbursements</i>	<i>(146,497)</i>
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Non-Operating Receipts (Disbursements)	
State Support	72,120
County Support	16,220
Donations/Contributions	43,162
Debt Service	(6,619)
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<i>Net Non-Operating Receipts (Disbursements)</i>	<i>124,883</i>
	<hr/>
<i>(Deficiency) of Receipts (Under) Disbursements</i>	<i>(21,614)</i>
	<hr/>
Cash Balance, Beginning of Year	88,759
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Cash Balance, End of Year	<u><u>\$67,145</u></u>

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

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**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Jackson County Agricultural Society, Jackson County (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1986 to operate an annual agricultural fair. The Society sponsors the week-long Jackson County Fair during July. During the fair, harness races are held. Jackson County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggering three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Jackson County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week as well as other year round activities at the fairgrounds, including facility rental, track and stall rental and community events. The reporting entity does not include other activities or entities of Jackson County, Ohio.

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

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

B. Accounting Basis

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) permit.

C. Deposits

All cash assets of the Society are maintained in interest bearing checking accounts.

D. Property, Plant and Equipment

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

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)(vi). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Race Purse

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

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the “handle”), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

The 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 3 for additional information.

2. DEPOSITS

The Society maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30, 2016 was as follows:

	<u>2016</u>
Demand deposits	<u>\$67,145</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

3. HORSE RACING

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year as State Support in the amount of \$10,463.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

3. HORSE RACING (Continued)

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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)	\$ 8,352
Less: Payoff to Bettors	<u>(6,717)</u>
Pari-mutuel Wagering Commission	1,635
Tote Service Set Up Fee	(600)
Tote Service Commission	(510)
State Tax	<u>(186)</u>
Society Portion	<u>\$ 339</u>

4. DEBT

Debt outstanding at the end of the year was as follows:

5.5% Note Payable for Restroom Repairs	<u>\$9,580</u>
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The \$26,200 note bears an interest rate of 5.5% and is due to Wesbanco Bank, Inc. (Wesbanco). The note was entered into on July 10, 2013 and matures July 10, 2018. Proceeds of the note were used for restroom repairs and are collateralized by the real property held by the Society.

Amortization of the above debt, including interest, was scheduled at as follows:

Year Ending November 30:	Restroom Repair Note
2017	\$ 6,018
2018	<u>4,012</u>
	<u>\$ 10,030</u>

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.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

5. RISK MANAGEMENT (Continued)

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 \$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.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

5. RISK MANAGEMENT (Continued)

<u>2016 Contributions to PEP</u>
<u>\$8,948</u>

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.

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Jackson County Fair. In 2016 the Society disbursed \$0- directly to the Junior Fair Board and \$9,207 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. In 2016 Jackson County paid the Society \$500 to support Junior Fair Board work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 is as follows:

Beginning Cash Balance	\$	2,508
Receipts		1,430
Disbursements		<u>(1,682)</u>
Ending Cash Balance	\$	<u>2,256</u>

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Jackson County auction. A commission, as a percent of selling price, on auction sales of 2% for steers, 6% for rabbits, poultry and turkeys and 4% for all other market animals is retained by the Junior Livestock Sale Committee to cover auction costs. 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 is as follows:

Beginning Cash Balance	\$	34,398
Receipts		332,357
Disbursements		<u>(314,272)</u>
Ending Cash Balance	\$	<u>52,483</u>

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED NOVEMBER 30, 2016**

8. SUBSEQUENT EVENTS

The Wesbanco loan for restroom repairs was paid off in May 2017 with a new borrowing from Wesbanco for \$60,000. That new borrowing repaid the note for restroom repairs for \$6,806 with the balance going towards a project to improve the playgrounds at the fairgrounds. That new note bears interest at 5.5% and requires payments of \$500 principal plus interest each month until paid. The note matures in May 2022.

Also subsequent to November 30, 2016, in June 2017 the Society borrowed \$100,000 from Wesbanco for improvements to the lighting system at the fairgrounds. That note bore interest at 5.05% and required intermittent principal payments with interest settled monthly. The maturity date for that loan was January 7, 2018 and was repaid in December 2017.



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

Jackson County Agricultural Society
Jackson County
P.O. Box 382
Wellston, Ohio 45692

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 Jackson County Agricultural Society, Jackson County, Ohio (the Society), as of and for the years ended November 30, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated January 8, 2019, wherein we noted the Society followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also qualified our opinion due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as Donations/Contributions, Admissions, Rentals, and Sustaining and Entry Fees.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider Findings 2017-001 through 2017-003 described in the accompanying Schedule of Findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2017-004 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2017-001.

Society's Response to Findings

The Society's responses to the Findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Society's responses to the auditing procedures applied in the audit of the financial statements 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 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 report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 8, 2019

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Noncompliance and Material Weakness

Ohio Rev. Code § 149.351(A) states, in part, that “all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.... Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, destroyed, mutilated or transferred unlawfully.”

The Society maintained the invoices supporting the expenditures. However, in 2017 and 2016, 11 percent and 25 percent, respectively, of the transactions selected for testing had no invoice or other supporting documentation attached to the voucher package. We also noted two checks in each year wherein the amount of the check did not agree to the invoice amount.

Failure to maintain support for expenditures could result in a loss of accountability over the Society's finances, make it difficult to identify errors or irregularities which could go undetected, and possibly result in expenditures that are not for a proper public purpose.

Also, failure to maintain such documentation for items purchased may compromise the Society's ability to ensure expenditures are authorized and allowable, and may result in findings for recovery in future periods.

The Treasurer should maintain supporting documentation for all expenditures. The Board of Directors should not approve any expenditure without the appropriate documentation attached to each voucher package.

Officials' Response: I took office in December of 2017 not familiar with the procedures for record keeping. I had little instruction and have guessed for many things. In 2016 and 2017, I was not in this position and cannot comment on why the policies were not followed but I suspect the previous Treasurer was unfamiliar as well. I have learned thru this audit and have put procedures in place to resolve/correct these issues.

FINDING NUMBER 2017-002

Material Weakness

The Society should maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Society failed to maintain support pertaining to the following:

- Donations/Contributions Receipts totaling \$69,622 in 2017
- Donations/Contributions Receipts totaling \$42,613 in 2016
- Admissions Receipts totaling \$42,223 in 2017
- Admissions Receipts totaling \$34,455 in 2016
- Rental Receipts totaling \$51,072 in 2017
- Rental Receipts totaling \$47,340 in 2016
- Sustaining and Entry Fees totaling \$29,820 in 2016

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-002
(Continued)**

Material Weakness (Continued)

We could not determine that the proper rates were charged or proper amounts were collected due to the lack of support.

Lack of adequate supporting documentation eliminates a significant control point, obscures the audit trail, and provides for the opportunity for errors and/or irregularities to occur and remain undetected for an extended period.

In addition, failure to retain and/or obtain such documentation has resulted in the inability to determine that all receipts due were collected and accounted for on the Society's financial statements which has resulted in a qualified audit opinion regarding the Society's receipts.

The Society Secretary and Treasurer should monitor receipts and ensure proper support is available and properly organized to allow for proper transparency and verification.

Officials' Response: Again, I took office in December of 2017 not familiar with the procedures for record keeping. I had little instruction and have guessed for many things. In 2016 and 2017, I was not in this position and cannot comment on why the policies were not followed but I suspect the previous Treasurer was unfamiliar as well. I have learned thru this audit and have put procedures in place to resolve/correct these issues for the future.

FINDING NUMBER 2017-003

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Uniform System of Accounting for Agricultural Societies (revised November 2002) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Society with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Society did not always record receipts into accurate classifications, or record all such transactions, based upon the source of the receipt.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-003
(Continued)**

Material Weakness (Continued)

We noted the following in 2017 and 2016:

- A grant from the Ohio Department of Agriculture was posted to Donations/Contributions instead of State Support in the amount of \$50,000 in 2017.
- Admissions Receipts of \$6,749 and Other Operating Disbursements of \$1,031 were posted in 2017 instead of 2016.

The adjustments noted above, with which management agrees, are reflected in the accompanying financial statements.

We also noted the following in 2017 and 2016:

- A grant from Jackson County was posted to Donations/Contributions instead of County Support in the amount of \$21,624 in 2017.
- Ohio Fairs money was posted to Paramutuel Wagering Commission instead of State Support in the amount of \$10,463 in 2016.

As these errors are not significant to the opinion units affected in 2017 or 2016, the adjustments noted above were agreed to by management but were not posted to the financial statements.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Society's financial position and operations.

The Society Treasurer should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. This guidance will help ensure the Treasurer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and nature of the expenditure.

Officials' Response: I became the Treasurer in December of 2017 with little to no training. I am learning as I go thru self-teaching and trial and error. This is this first audit I have been through, and now that I know what is required, I will see that the errors are corrected and policies are followed. I have learned a great deal in the past year as to where monies are posted. I review the Chart of Accounts frequently, but they are somewhat ambiguous.

FINDING NUMBER 2017-004

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Society's staff did not allow for an adequate segregation of duties; the Treasurer performed all accounting functions. It is therefore important that the Society Board function as a finance committee to monitor financial activity closely. There was limited documentation of the extent to which the Board reviewed bank reconciliations, financial reports and records to monitor financial activity of the Society. Financial reports were not approved on a consistent basis per review of the Board minutes.

**JACKSON COUNTY AGRICULTURAL SOCIETY
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2017 AND 2016
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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**FINDING NUMBER 2017-004
(Continued)**

Significant Deficiency (Continued)

This could result in the ledgers of the Society not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Society's annual report without the timely knowledge of the Board.

Financial information should be presented to the Board on a regular basis. This information should include reconciliations, as well as revenue and expenditure activity and budget versus actual reports. A periodic review should also be performed on the Society's ledgers to gain assurances that the records are posted up to date, in agreement with the presented reports and reflect authorized transactions. These reviews should be documented in the minutes of the Board meetings.

Officials' Response: I became the Treasurer in December of 2017 with little to no training. I am learning as I go thru self-teaching and trial and error. This is this first audit I have been through, and now that I know what is required, I will see that the errors are corrected and policies are followed. In regard to segregation of duties, the elected Secretary for 2016 and 2017 was not reliable in attendance or bookkeeping responsibilities. We as a Board are working to place depth within our team so duties are covered in the event of absence. There is a newly elected Secretary who took office in December of 2018.



JACKSON COUNTY FAIR

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS NOVEMBER 30, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Lack of support for Go Kart races admissions receipts.	Not Corrected	We no longer do Go Kart races; 2015 was the most recent year.
2015-002	Lack of support for season tickets and 4-H passes receipts.	Not Corrected	We are working on a better tracking system and have a better accountability process in place for the most recent year and the upcoming years (2018 and forward).
2015-003	Mispostings of receipts and disbursements.	Not Corrected	Becoming more familiar with the Chart of Accounts thru self-teaching and trial & error.
2015-004	Incomplete voucher packages.	Not Corrected	Working on putting a Purchase Orders System in place between board members, Secretary and Treasurer.
2015-005	Annual report errors.	Fully Corrected	n/a
2015-006	Lack of support for sponsorships and promotions receipts.	Not Corrected	Keeping better receipts of all deposits.

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OHIO AUDITOR OF STATE
KEITH FABER



JACKSON COUNTY AGRICULTURAL SOCIETY

JACKSON 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
JANUARY 29, 2019**