

HENRY COUNTY AGRICULTURAL SOCIETY
HENRY COUNTY, OHIO

Regular Audit

For the Years Ended November 30, 2019 and 2018





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Board Members
Henry County Agricultural Society
P.O. Box 387
Napoleon, Ohio 43545

We have reviewed the *Independent Auditor's Report* of the Henry County Agricultural Society, Henry County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2017 through November 30, 2019. 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 Henry County Agricultural Society is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

June 12, 2020

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**HENRY COUNTY AGRICULTURAL SOCIETY
HENRY COUNTY**

For the years ended November 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Henry County Agricultural Society
Henry County
P.O. Box 387
Napoleon, OH 43545

To the Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Henry County Agricultural Society, Henry County, Ohio (the Society), as of and for the years ended November 30, 2019 and 2018.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as our evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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, 2019 and 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

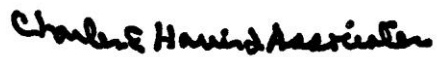
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Henry County Agricultural Society, Henry County as of November 30, 2019 and 2018, for the years the ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2020, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.



Charles E. Harris & Associates, Inc.
May 26, 2020

Henry County Ag Society
Henry County
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balance - (Regulatory Cash Basis)
For the Year Ended November 30, 2019

	2019
Operating Receipts:	
Admissions	\$ 216,548
Privilege Fees	58,550
Rentals	107,031
Sustaining and Entry Fees	14,276
Pari-mutuel Wagering Commission	2,770
Other Racing Receipts	87,004
Other Operating Receipts	9,269
<i>Total Operating Receipts</i>	495,448
Operating Disbursements:	
Wages and Benefits	43,437
Utilities	46,213
Professional Services	90,914
Equipment and Grounds Maintenance	26,903
Race Purse	87,806
Other Racing Expenses	8,544
Senior Fair	44,917
Junior Fair	22,619
Capital Outlay	30,461
Other Operating Disbursements	96,505
<i>Total Operating Disbursements</i>	498,319
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	(2,871)
Non-Operating Receipts (Disbursements):	
State Support	14,219
County Support	10,300
Donations/Contributions	51,983
Investment Income	123
Debt Service	(55,856)
<i>Net Non-Operating Receipts (Disbursements)</i>	20,769
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	17,898
Cash Balance, Beginning of Year	149,108
Cash Balance, End of Year	\$ 167,006

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

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 1 – Reporting Entity

The Henry County Agricultural Society (the Society), Henry County, Ohio, 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Henry County Fair during August. During the fair, harness races are held. Henry County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Henry County, 18 years of age or older, 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. The reporting entity does not include any other activities or entities of Henry County, Ohio.

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

Public Entity Risk Pool

The Society participates in a public entity risk pool (PEP Ohio). Note 7 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.

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

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.

Budgetary Process

The Board of Directors prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form in November for each fiscal year. The Board review the budget throughout the year and compares it with actual results.

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.

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

Harness races are held during the Henry 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 Harness Horseman's Association pay fees to the Society to qualify horses for entry into harness races. They must make payment before a horse can participate in a harness race. The accompanying financial statement reports these fees as part of the total racing receipts. For 2019, the Horsemen's fees were paid out to the Horsemen.

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.

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 2 – Summary of Significant Accounting Policies – (continued)

Pari-mutuel wagering commission (the commission) is the Society’s share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

Note 3 – Deposits and Investments

The 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:

	<u>2019</u>
Demand deposits	\$167,006

Deposits

Deposits are insured by the Federal Deposit 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, 2019, was \$3,772, and is included within racing receipts on the accompanying financial statement.

State Support Portion of Non Stake

The financial statements report Ohio Fairs Fund money, received to supplement non stake for the year ended November 30, 2019, was \$3,772, and is included within racing receipts on the accompanying financial statement.

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.

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 4 – Horse Racing (continued)

	<u>2019</u>
Total Amount Bet (Handle)	\$ 12,796
Less: Payoff to Bettors	<u>(10,026)</u>
Parimutuel Wagering Commission	2,770
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(932)
State Tax	<u>(363)</u>
Society Portion	<u>\$ 475</u>

Note 5 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Block Restroom Loan	\$ 95,815	4.65%
Ag Hall Loan	<u>23,795</u>	5.60%
Total	<u>\$ 119,610</u>	

The Block Restroom loan bears an interest rate of 4.65% and is due to the Henry County Bank. The loan was entered into on June 3, 2020 and matures on October 3, 2025. Proceeds of the loan were used to purchase a block restroom and are collateralized by the block restroom.

The Ag Hall loan bears a interest rate of 5.60% and is due to Ag Credit. The loan was entered into on April 3, 2017 and matures on April 1, 2027. Proceeds of the loan were used to repay a non-revolving note for construction of the new Ag Hall in 2016/2017 and are collateralized by the Ag Hall building. In FY2019, Ag Hall loan principal payments included extra quarterly payments totaling \$20,962. An early payoff is anticipated in 2022.

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

Year ending	Block Restroom	
December 31:	<u>Loan</u>	<u>Ag Hall Loan</u>
2020	\$ 18,544	\$ 16,340
2021	18,544	16,340
2022	18,544	1,362
2023	18,544	-
2024	18,544	-
2025	<u>15,454</u>	<u>-</u>
Total	<u>\$ 108,174</u>	<u>\$ 34,042</u>

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 6 – Retirement System

All employees contribute to Social Security. The plan provides retirement benefits, including survivor and disability benefits to participants. Employees contribute 6.2% of gross salaries. The Society contributed an amount equal to 6.2% of participant’s gross salaries through November 30, 2019.

Note 7 – 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 Workers’ Compensation.

Risk Pool Membership

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 Society’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 (latest information available):

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

Note 8 – Contingent Liabilities

The Society may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Society’s financial condition.

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the Year Ended November 30, 2019

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 Henry County Fair. For the year ended November 30, 2019, the Society disbursed \$7,000 directly to the Junior Fair Board and \$17,468 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Henry County Commissioners provided the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2019, follows:

	2019
Beginning Cash Balance	\$ 10,909
Receipts	12,440
Disbursements	(16,125)
Ending Cash Balance	\$ 7,224

Note 10 – Junior Livestock Sale Committee

The Junior Livestock Sale Committee is a separate committee charged with running the Junior Fair Livestock Auction. This auction is held during fair week. Exhibitors may sell their animals directly to market or through Henry County's Junior Fair Auction. Monies to cover the cost of an auction are generated through a \$9 per head fee. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Sale Committee's activities. The Junior Livestock Sale Committee's financial activity for the year ended November 30, 2019 follows:

	2019
Beginning Cash Balance	\$ 23,973
Receipts	301,984
Disbursements	(321,159)
Ending Cash Balance	\$ 4,798

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society. The impact on the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Henry County Ag Society
Henry County
Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Balance - (Regulatory Cash Basis)
For the Year Ended November 30, 2018

	2018
Operating Receipts:	
Admissions	\$ 202,340
Privilege Fees	55,853
Rentals	109,859
Sustaining and Entry Fees	13,245
Pari-mutuel Wagering Commission	3,083
Other Racing Receipts	86,910
Other Operating Receipts	10,517
<i>Total Operating Receipts</i>	481,807
Operating Disbursements:	
Wages and Benefits	40,832
Utilities	45,652
Professional Services	87,523
Equipment and Grounds Maintenance	41,337
Race Purse	85,396
Other Racing Expenses	11,188
Senior Fair	46,803
Junior Fair	16,391
Capital Outlay	19,646
Other Operating Disbursements	97,658
<i>Total Operating Disbursements</i>	492,426
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	(10,619)
Non-Operating Receipts (Disbursements):	
State Support	13,610
County Support	10,300
Donations/Contributions	44,111
Investment Income	114
Debt Service	(49,970)
<i>Net Non-Operating Receipts (Disbursements)</i>	18,165
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	7,546
Cash Balance, Beginning of Year	141,562
Cash Balance, End of Year	\$ 149,108

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

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

Note 1 – Reporting Entity

The Henry County Agricultural Society (the Society), Henry County, Ohio, 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Henry County Fair during August. During the fair, harness races are held. Henry County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Henry County, 18 years of age or older, 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. The reporting entity does not include any other activities or entities of Henry County, Ohio.

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

Public Entity Risk Pool

The Society participates in a public entity risk pool (PEP Ohio). Note 7 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.

Henry County Agricultural Society
Henry County
Notes to the Financial Statements
For the 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.

Budgetary Process

The Board of Directors prepares an operating budget, including estimated receipts and disbursements. The Board approves the budget in its final form in November for each fiscal year. The Board review the budget throughout the year and compares it with actual results.

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.

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

Harness races are held during the Henry 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 Harness Horseman's Association pay fees to the Society to qualify horses for entry into harness races. They must make payment before a horse can participate in a harness race. The accompanying financial statement reports these fees as part of the total racing receipts. For 2018, the Horsemen's fees were paid out to the Horsemen.

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.

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

Note 2 – Summary of Significant Accounting Policies – (continued)

Pari-mutuel wagering commission (the commission) is the Society’s share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 4 for additional information.

Note 3 – Deposits and Investments

The 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:

	<u>2018</u>
Demand deposits	\$149,108

Deposits

Deposits are insured by the Federal Deposit 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, 2018, was \$3,716, and is included within racing receipts on the accompanying financial statement.

State Support Portion of Non Stake

The financial statements report Ohio Fairs Fund money, received to supplement non stake for the year ended November 30, 2018, was \$3,645, and is included within racing receipts on the accompanying financial statement.

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.

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

Note 4 – Horse Racing (continued)

	2018
Total Amount Bet (Handle)	\$ 14,293
Less: Payoff to Bettors	(11,210)
Parimutuel Wagering Commission	3,083
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(1,128)
State Tax	(404)
Society Portion	\$ 551

Note 5 – Debt

Debt outstanding at December 31, 2018, was as follows:

	Principal	Interest Rate
Block Restroom Loan	\$ 109,558	4.65%
Ag Hall Loan	58,801	5.60%
Total	\$ 168,359	

The Block Restroom loan bears an interest rate of 4.65% and is due to the Henry County Bank. The loan was entered into on June 3, 2020 and matures on October 3, 2025. Proceeds of the loan were used to purchase a block restroom and are collateralized by the block restroom.

The Ag Hall loan bears a interest rate of 5.60% and is due to Ag Credit. The loan was entered into on April 3, 2017 and matures on April 1, 2027. Proceeds of the loan were used to repay a non-revolving note for construction of the new Ag Hall in 2016/2017 and are collateralized by the Ag Hall building. In FY2018, Ag Hall loan principal payments included extra quarterly payments totaling \$15,075. An early payoff is anticipated in 2022.

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

	Block Restroom	Ag Hall Loan
Year ending	Loan	
December 31:		
2019	\$ 18,544	\$ 16,340
2020	18,544	16,340
2021	18,544	16,340
2022	18,544	13,617
2023	18,544	-
2024-2025	33,998	-
Total	\$ 126,718	\$ 62,637

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

Note 6 – Retirement System

All employees contribute to Social Security. The plan provides retirement benefits, including survivor and disability benefits to participants. Employees contribute 6.2% of gross salaries. The Society contributed an amount equal to 6.2% of participant’s gross salaries through November 30, 2018.

Note 7 – 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 Workers’ Compensation.

Risk Pool Membership

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 Society’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 8 – Contingent Liabilities

The Society may be a defendant in lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Society’s financial condition.

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

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 Henry County Fair. For the year ended November 30, 2018, the Society disbursed \$5,500 directly to the Junior Fair Board and \$12,372 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Henry County Commissioners provided the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2018, follows:

	2018
Beginning Cash Balance	\$ 4,023
Receipts	13,171
Disbursements	(6,285)
Ending Cash Balance	\$ 10,909

Note 10 – Junior Livestock Sale Committee

The Junior Livestock Sale Committee is a separate committee charged with running the Junior Fair Livestock Auction. This auction is held during fair week. Exhibitors may sell their animals directly to market or through Henry County's Junior Fair Auction. Monies to cover the cost of an auction are generated through a \$9 per head fee. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Sale Committee's activities. The Junior Livestock Sale Committee's financial activity for the year ended November 30, 2018 follows:

	2019
Beginning Cash Balance	\$ 7,279
Receipts	299,181
Disbursements	(282,487)
Ending Cash Balance	\$ 23,973

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Henry County Agricultural Society
Henry County
P.O. Box 387
Napoleon, OH 43545

To the Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements of the Henry County Agricultural Society, Henry County, Ohio (the Society) as of and for the years ended November 30, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 26, 2020, 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. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Society.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

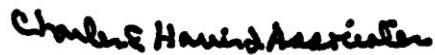
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated May 26, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
May 26, 2020

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OHIO AUDITOR OF STATE KEITH FABER



HENRY COUNTY AGRICULTURAL SOCIETY

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 25, 2020**