



**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) – For the Year Ended November 30, 2018	5
Notes to the Financial Statement For the Year Ended November 30, 2018	7
Statement of Receipts, Disbursements, and Change in Fund Balance (Regulatory Cash Basis) – For the Year Ended November 30, 2017	13
Notes to the Financial Statement For the Year Ended November 30, 2017	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Summary Schedule of Prior Audit Findings (Prepared by Management)	27

THIS PAGE INTENTIONALLY LEFT BLANK.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Union County Agricultural Society
Union County
PO Box 678
Marysville, Ohio 43040

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 Union County Agricultural Society, Union County, Ohio (the Society) as of and for the years ended November 30, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our adverse and qualified 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 *Additional Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Admission receipts are reported at \$112,395 and \$112,821 for the years ended November 30, 2018 and 2017, respectively, which are 22 percent of receipts for the year ended November 30, 2018 and 21 percent of receipts for the year ended November 30, 2017. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admissions. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

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 Union County Agricultural Society, Union County as of November 30, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2020, 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 "Keith Faber". The signature is written in a cursive style with a large, stylized 'K' and 'F'.

Keith Faber
Auditor of State

Columbus, Ohio

January 28, 2020

THIS PAGE INTENTIONALLY LEFT BLANK.

Union County Agricultural Society
Union County

*Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2018*

Operating Receipts	
Taxes	\$ 1,153
Admissions	112,395
Privilege Fees	42,032
Sales During Fair	6,290
Racing Fees & Charges	22,867
Sales During Other Activities	1,611
Fees	4,120
Rentals	98,835
	<u>289,303</u>
<i>Total Operating Receipts</i>	<u>289,303</u>
Operating Disbursements	
Administrative Expense	3,146
Race Supplies	2,279
Supplies (resale)	2,683
Supplies & Materials	14,074
Utilities	36,415
Racing	93,369
Professional Services	184,699
Property Services	58,000
Advertising & Communication	19,698
Repairs	7,840
Insurance	16,576
Rent/Lease Expenses	22,950
Capital Outlay	4,552
Debt Service	51,131
Senior Fair Expenses	5,078
Junior Fair Expenses	29,219
Other Fair Expenses	5,884
Miscellaneous Expenses	593
	<u>558,186</u>
<i>Total Operating Disbursements</i>	<u>558,186</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(268,883)</u>
Non-Operating Receipts (Disbursements)	
State Support	80,131
Local Government Support	16,000
Restricted Support	123,676
Unrestricted Support	350
Interest (CD's, Checking)	182
	<u>220,339</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>220,339</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(48,544)</u>
Cash Balance, Beginning of Year	<u>106,981</u>
<i>Cash Balance, End of Year</i>	<u>\$ 58,437</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 1 – Reporting Entity

The Union County Agricultural Society (the Society), Union County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the week – long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union 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 including facility rental, track and stall rental, and community events including flea markets, and Rockin' Ribs Fest. The reporting entity does not include any other activities or entities of Union County, Ohio.

Note 7 summarizes the Junior Livestock Sale Committee's financial activity. The Junior Fair's financial activity is reported in the Society's financial statements.

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.

The Society had no investments.

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Stake races are held during the Union 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 stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report 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.

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:

	2018
Demand deposits	<u>50,169</u>
Certificates of deposit	<u>8,268</u>
Total deposits	<u>58,437</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2018

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 \$72,457, 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.

	<u>2018</u>
Total Amount Bet (Handle)	\$ 8,641
Less: Payoff to Bettors	<u>(6,866)</u>
Parimutuel Wagering Commission	1,775
Tote Service Set Up Fee	(1,100)
Tote Service Commission	(305)
State Tax	<u>(257)</u>
Society Portion	<u><u>\$ 113</u></u>

Note 5 – Risk Management

The Union County Commissioners provide general insurance coverage for all the buildings on the Union County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's fair manager is bonded with coverage of \$50,000.

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

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

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

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

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 5 – Risk Management (Continued)

During 2018 the Society made no payments for casualty claims that exceeded the limits of the casualty policy and no payments for property claims that exceeded the limits of the property policy.

During 2018, the Society did not make any significant changes to coverage from prior year.

Note 6 – Debt

Debt outstanding at November 30, 2018, was as follows:

	Principal	Interest Rate
Note Payable for Rabbit/Poultry Barn	\$75,605	5.00%

The \$100,000 Rabbit/Poultry Barn Note bears an interest rate of 5.0 percent and is due to Richwood Bank. The note was entered into on June 25, 2015, and matures September 1, 2025. Proceeds of the note were used for construction of a new barn. The barn is collateral for the Rabbit/Poultry Barn loan.

Amortization of the above debt is scheduled as follows:

Year Ending November 30:	Rabbit/Poultry Barn
2019	\$9,288
2020	9,743
2021	10,239
2022	10,751
2023	11,289
2024-2025	24,295
	\$75,605

Note 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 Union County Fair's auction. A commission of 4 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, 2018, follows:

	2018
Beginning Cash Balance	\$ 27,151
Receipts	28,865
Disbursements	(24,789)
Ending Cash Balance	\$ 31,227

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2018

Note 8 – Related Party Transactions

A Board Member is the owner of BLT Livestock, which performs auction services and auctions miscellaneous items the Society no longer has need of. BLT Livestock does charge the Society for these services.

Note 9 – Subsequent Events

The Society took out a line of credit for \$50,000 on July 25, 2019 for one year. \$8,000 was drawn from the line of credit, but was repaid with interest on November 4, 2019. No debt is currently outstanding for the line of credit.

THIS PAGE INTENTIONALLY LEFT BLANK

Union County Agricultural Society
Union County

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

Operating Receipts	
Taxes	\$ 1,296
Admissions	112,821
Privilege Fees	31,605
Sales During Fair	4,792
Racing Fees & Charges	24,418
Sales During Other Activities	396
Fees	4,617
Rentals	93,616
	<u>273,561</u>
<i>Total Operating Receipts</i>	
	<u>273,561</u>
Operating Disbursements	
Administrative Expense	3,572
Race Supplies	3,215
Supplies (resale)	2,100
Supplies & Materials	12,642
Utilities	29,557
Racing	91,955
Professional Services	144,984
Property Services	52,311
Advertising & Communication	15,832
Repairs	18,909
Insurance	16,948
Rent/Lease Expenses	14,512
Capital Outlay	57,148
Debt Service	21,623
Senior Fair Expenses	2,902
Junior Fair Expenses	27,234
Other Fair Expenses	6,839
Miscellaneous Expenses	1,024
	<u>523,307</u>
<i>Total Operating Disbursements</i>	
	<u>523,307</u>
<i>Excess (Deficiency) of Operating Receipts</i>	
	<u>(249,746)</u>
Non-Operating Receipts (Disbursements)	
State Support	128,380
Local Government Support	16,000
Restricted Support	112,666
Unrestricted Support	4,835
Interest (CD's, Checking)	323
	<u>262,204</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	
	<u>262,204</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	
	12,458
Cash Balance, Beginning of Year	<u>94,523</u>
<i>Cash Balance, End of Year</i>	<u>\$ 106,981</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 1 – Reporting Entity

The Union County Agricultural Society (the Society), Union County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the week – long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty-one directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union County and pay an annual membership fee to the Society.

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

Note 7 summarizes the Junior Livestock Sale Committee’s financial activity. The Junior Fair Board’s financial activity is reported in the Society’s financial statement.

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.

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

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.

The Society had no investments.

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

Stake races are held during the Union 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 stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report 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.

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

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>2017</u>
Demand deposits	60,993
Certificates of deposit	45,988
	<u>106,981</u>

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, 2017, was \$70,602 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.

	<u>2017</u>
Total Amount Bet (Handle)	\$ 8,121
Less: Payoff to Bettors	<u>(6,500)</u>
Parimutuel Wagering Commission	1,621
Tote Service Set Up Fee	(1,100)
Tote Service Commission	(158)
State Tax	<u>(205)</u>
Society Portion	<u>\$ 158</u>

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 5 – Risk Management

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

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 judgements, 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.

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

At December 31, 2017 the liabilities above include approximately 11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017 the Society's share of these unpaid claims collectible in future years is approximately \$10,440.

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.

2017 Contributions to PEP
\$ 16,572

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 5 – Risk Management (Continued)

Financial Position (Continued)

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 – Debt

Debt outstanding at November 30, 2017, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Note Payable for Horse Barn	\$36,383	4.00%
Note Payable for Rabbit/Poultry Barn	84,462	5.00%
Total	\$120,845	

The \$60,000 Horse Barn note bears an interest rate of 4.00 percent and is due to Richwood Bank. The note was entered into on April 11, 2013 and matures December 10, 2023. Proceeds of the note were used for the construction of a new barn. The Society's Certificate of Deposit is collateral for the Horse Barn.

The \$100,000 Rabbit/Poultry Barn note bears an interest rate of 5.00 percent and is due to Richwood Bank. The note was entered into on June 25, 2015 and matures on September 1, 2025. Proceeds of the note were used for the construction of a new barn. The barn is collateral for the Rabbit/Poultry Barn Loan.

Amortization of the above debt is scheduled as follows

Year Ending				
November 30:	Horse Barn	Rabbit/Poultry Barn		Total
2018	\$7,398	\$8,846	▶	\$16,244
2019	7,398	9,288	▶	16,686
2020	7,398	9,743	▶	17,141
2021	7,398	10,239	▶	17,637
2022	6,791	10,751	▶	17,542
2023-2025	0	35,595		35,595
	\$36,383	\$84,462		\$120,845

Union County Agricultural Society
Union County

Notes to the Financial Statements
For the Year Ended November 30, 2017

Note 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 Union County's auction. A commission of 4 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, 2017 follows:

	2017
Beginning Cash Balance	\$ 25,046
Receipts	18,005
Disbursements	<u>(15,900)</u>
Ending Cash Balance	<u>\$ 27,151</u>

Note 8 – Related Party Transactions

A Board Member is the owner of BLT Livestock, which performs auction services and auctions miscellaneous items the Society no longer has need of. BLT livestock does charge the Society for these services.

Note 9 – Subsequent Events

The Society took out a line of credit for \$50,000 on July 25, 2019 for one year. \$8,000 was drawn from the line of credit, but was repaid with interest on November 4, 2019. No debt is currently outstanding for the line of credit.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Union County Agricultural Society
Union County
PO Box 678
Marysville, Ohio 43040

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 Union County Agricultural Society, Union County, (the Society) as of and for the years ended November 30, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated January 28, 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 qualified our opinion for admission receipts for both years.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

January 28, 2020

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2018-001

**Admission Receipts
Material Weakness**

Implementing effective internal controls, both application and monitoring, is an important responsibility of management. Effective internal controls can help assure that transactions are complete, occurred, are accurately reported, properly cutoff, and properly classified. In addition, management should periodically monitor control procedures to verify they are functioning effectively. Safe cash handling controls include:

- Require daily verification of the starting balance by the responsible cashier to assign accountability.
- Require collections for each individual cash drawer be reconciled daily, documented, signed off by the responsible cashier and deposited in a timely manner.
- Segregate duties between collection, recordation, reconciliation and deposit processes.
- Overages should be recorded as other revenue and shortages should be recorded as other expenditures.
- Management should encourage cashiers to report overages and shortages.
- Require management to verify the daily receipt and reconciliation process.
- Require management to monitor and track daily overages and shortages for each cashier.
- Require management to use trend information regarding overages and shortages as part of the employee's evaluation and performance review.
- Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages.

During the 2018 and 2017 fair, the following internal control weaknesses were noted in the admission receipts process:

- Daily reconciliations between the amount deposited and actual daily receipts were not completed and therefore not reviewed and/or approved by management.
- During 2017, daily ticket recapitulation forms included the following sections: the gate number, date, start/end time, ticket start/end number, beginning change amount, amount received, change returned, change overage/shortage, and sign offs for the Treasurer and Gate Personal at the beginning of the day and end of the day. However, only the gate number, date, start/end time, ticket start/end number, beginning change amount (occasionally) and amount received were completed on each form. The daily ticket recapitulation forms did not support that the daily admission receipt collections were complete and the forms were not reviewed and approved by management.
- During 2018, daily ticket recapitulation forms included the gate number, date, ticket start/end number, amounts taken in and sign offs for the Treasurer and Gate Personal. For 2018, only the gate number, date, and ticket start/end number were completed. The daily ticket recapitulation forms did not support that the daily admission receipt collections were complete and the forms were not reviewed and approved by management.

Due to the absence of the aforementioned underlying supporting documentation and internal control procedures, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported admissions receipts for both 2018 and 2017 and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

Failure to establish and implement effective internal controls impairs management's ability to effectively monitor the Society's finances and could result in the theft or loss of property without management's detection.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
--

FINDING NUMBER 2018-001 (Continued)

**Admission Receipts
Material Weakness**

We recommend the Society implement written policies and procedures over admission receipts. These policies and procedures should, at a minimum, include procedures over daily ticket recapitulation sheets at each gate and daily reconciliations during fair week.

Officials' Response

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-002

**Financial Reporting
Material Weakness**

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. 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.

During fiscal year 2017, the Society's Rental and Privilege Fee receipts were understated by \$2,000 and \$1,625, respectively due to receivables. Also, beginning fund cash balance was understated by \$4,552 and did not agree to the prior audited report. Adjustments were made to the Society's financial statements to correct these errors.

During fiscal year 2018, the Society's Racing Fees & Charges and Privilege Fee receipts were understated by \$90 and \$125, respectively due to receivables. Also, beginning fund cash balance was understated by \$8,177 and did not agree to the prior year ending fund balance. Furthermore, Junior Fair expenses were understated by \$75 due to a check that was voided and subsequently cashed. Finally, adjustments totaling \$5 were made due to mathematical errors on the financial statement. Adjustments were made to the Society's financial statements to correct these errors.

Additionally, both the 2017 and 2018 notes to the financial statements required significant changes to be made to the Risk Management and Debt disclosures. Notes were also added for both years to properly disclose Related Parties and Subsequent Events.

By not properly recording transactions, inaccurate financial reports could be disseminated to the governing board and management as well as financial statement readers.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2018 AND 2017
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2018-002 (Continued)

**Financial Reporting
Material Weakness**

We recommend the Society implement internal control procedures over financial reporting to help ensure the completeness and accuracy of financial information reported within the Society's financial report. The adjustments identified during the audit should be reviewed by the Treasurer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Board of Directors should review the financial statements and note disclosures to identify and correct errors and omissions.

Officials' Response

We did not receive a response from Officials to this finding.

THIS PAGE INTENTIONALLY LEFT BLANK

Union County Agricultural Society
P.O. Box 678
Marysville, OH 43040-0678
Tel. (937) 644-8736 Fax (937) 644-1063

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness- Admission Receipts	Not Corrected	Reissued as Finding 2018-001. The UCAS has been working on its procedures and documentation on admission receipts and continues to re-evaluate the process after each fair.
2016-002	Material Weakness- Contributions and Donations	Partially Corrected	Reissued in the Management Letter. The UCAS has been diligent in making sure all contribution and donations have proper documentation going forward. Some issues which occurred during audit were from a director/contractor who is no longer with the UCAS. Directors are responsible for making sure they have proper documentation turned in after treasurer notifies them of the discrepancy.
2016-003	Material Weakness- Financial Reporting	Not Corrected	Reissued as Finding 2018-002. The UCAS has been working with the auditor in a timely manner and discussing areas that may have caused these differences. The balance issues have been corrected going forward.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



UNION COUNTY AGRICULTURAL SOCIETY

UNION 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
MARCH 19, 2020**