



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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MORROW COUNTY AGRICULTURAL SOCIETY  
MORROW COUNTY

REGULAR AUDIT

For the Years Ended November 30, 2018 and 2017  
Fiscal Years Audited Under GAGAS: 2018 and 2017



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Morrow County Agricultural Society  
PO Box 168  
Mt. Gilead, Ohio 43338

We have reviewed the *Independent Auditor's Report* of the Morrow County Agricultural Society, prepared by BHM CPA Group, Inc., for the audit period December 1, 2016 through November 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

July 30, 2019

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**MORROW COUNTY AGRICULTURAL SOCIETY**  
**MORROW COUNTY**  
*Basic Financial Statements*  
*For the Fiscal Years Ended November 30, 2018 and 2017*  
*Table of Contents*

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Basic Financial Statements:	
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) For Fiscal Year Ended November 30, 2018.....	3
Notes to the Financial Statements For the Fiscal Year Ended November 30, 2018.....	4
Statement of Receipts, Disbursements and Changes in Fund Balance (Regulatory Cash Basis) For the Fiscal Year Ended November 30, 2017.....	10
Notes to the Financial Statements For the Fiscal Year Ended November 30, 2017.....	11
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	18
Schedule of Findings.....	20
Schedule of Prior Audit Findings.....	21

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**INDEPENDENT AUDITOR'S REPORT**

Morrow County Agricultural Society  
Morrow County  
PO Box 168  
Mt Gilead, Ohio 43338

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 Morrow County Agricultural Society, Morrow 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 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, 2018 and 2017, 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 by fund type, and related notes of the Morrow County Agricultural Society, Morrow County as of November 30, 2018 and 2017, 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 May 15, 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.



BHM CPA Group, Inc.  
Piketon, Ohio  
May 15, 2019



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

<b>Operating Receipts</b>	
Admissions	\$195,017
Privilege Fees	57,070
Sales	5,350
Sales - Non-Fair Activities	21,755
Rentals	58,321
Sustaining and Entry Fees	25,802
Utilities	4,415
	367,730
 <i>Total Operating Receipts</i>	
<b>Operating Disbursements</b>	
Wages and Benefits	69,538
Administrative Expenses	10,087
Supplies	33,362
Utilities	32,768
Racing Expenses	6,874
Professional Services	72,145
Equipment and Grounds Maintenance	68,972
Race Purse	84,506
Advertising	18,079
Insurance	26,963
Rent/Lease Expense	19,852
Senior Fair	50,273
Junior Fair	20,807
Capital Outlay	64,091
Other Operating Disbursements	2,291
	580,608
 <i>Total Operating Disbursements</i>	
 <i>Excess (Deficiency) of Operating Receipts</i>	
<i>Over (Under) Operating Disbursements</i>	
	(212,878)
 <b>Non-Operating Receipts (Disbursements)</b>	
State Support	76,631
County Support	25,000
Donations/Contributions	65,391
Investment Income	239
	167,261
 <i>Net Non-Operating Receipts (Disbursements)</i>	
 <i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	
	(45,617)
Cash Balance, Beginning of Year	272,288
 <i>Cash Balance, End of Year</i>	 \$226,671

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

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

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**Note 1 – Reporting Entity**

The Agricultural Society of Morrow County, (the Society), Morrow 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 1850 to operate an annual agricultural fair. The Society sponsors the week-long Morrow County Fair during August. During the fair, harness races are held. Morrow County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 22 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morrow County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including Morrow County July 3rd Celebration. The reporting entity does not include any other activities or entities of Morrow County, Ohio.

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

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 invests in certificates of deposit which are valued at cost.

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

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**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 Morrow 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 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.

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

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**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	\$31,843
Certificates of deposit	70,000
Other time deposits (savings and NOW accounts)	124,828
Total deposits	226,671

***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 as State Support. Also supplement purse for the year 2018 was received from the Ohio Harness Horsemen’s Association

***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. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society’s net portion.

	2018
Total Amount Bet (Handle)	\$ 5,920
Less: Payoff to Bettors	(4,750)
Parimutuel Wagering Commission	1,170
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(15)
State Tax	(140)
Society Portion	\$ 15

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

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**Note 5 – Risk Management**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society has entered into an agreement with the Morrow County Commissioners and Mary Weiler, Secretary/Treasurer whereby she is covered for health insurance. There is no cost to the Society for this health insurance.

The Morrow County Commissioners provide general insurance coverage for all the buildings on the Morrow County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's fiscal officer is bonded with coverage of \$25,000.

The Government 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 (Latest information available).

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

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

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**Note 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 (Latest information available). These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Government's share of these unpaid claims collectible in future years is approximately \$15,000.

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 (Latest information available).

2018 Contributions to PEP \$ 23,068
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 6 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2018.

**Note 7 – Debt**

The Society has a lease with MT Business Technologies dated October 13, 2016 for a Ricoh copy machine at the Sr. Fair office. The term of the lease is 5 years and the monthly payment is \$150.

**Note 8 – Related Party Transactions**

Stacy High, a Board member is an employee of R.B. Powers Company from which the Society acquired ribbons, awards, tickets and passes during the year. The Society paid \$3,696 for this acquisition.

Dale Bowersmith, a Board member is the spouse of Toni Bowersmith that the Society paid \$3,000 for services during the 2018 fair.

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

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**Note 8 – Related Party Transactions (Continued)**

Vice President Tim Weiler and Secretary/Treasurer Mary Weiler are spouses and Tim abstains from any vote regarding Mary’s wages.

There are various board members that receive premiums or awards for participation in events during the fair. For example, showing livestock, competing in a race or truck/tractor pull. There are also board members who volunteer their time and skills for the fair, such as auctioneering.

**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 Morrow County Fair County Fair. The Society disbursed \$7,594 directly to the Junior Fair Board and \$22,213 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Morrow County paid the Society \$100 to support Junior Club 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, 2018, follows:

	2018
Beginning Cash Balance	15,412
Receipts	41,410
Disbursements	(40,241)
Ending Cash Balance	\$ 16,581

**Note 10 – Junior Livestock Sale Committee**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Morrow County County’s auction. A commission of 2, 4, or 5 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	\$ 38,724
Receipts	746,622
Disbursements	(744,326)
Ending Cash Balance	\$ 41,020

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

<b>Operating Receipts</b>	
Admissions	\$214,473
Privilege Fees	55,343
Sales	5,640
Sales - Non-Fair Activities	14,774
Rentals	55,537
Sustaining and Entry Fees	27,739
Pari-mutuel Wagering Commission	500
Utilities	240
	374,246
 <i>Total Operating Receipts</i>	
<b>Operating Disbursements</b>	
Wages and Benefits	68,783
Administrative Expenses	9,300
Race Expenses	1,668
Supplies	27,884
Utilities	32,755
Racing Expenses	5,095
Professional Services	62,480
Property Expenses	55,139
Advertising	13,181
Equipment and Grounds Maintenance	5,236
Insurance	24,320
Race Purse	83,766
Rent/Lease Expense	20,536
Senior Fair Contest Expense	19,660
Senior Fair	13,422
Junior Fair	22,144
Capital Outlay	96,343
Other Operating Disbursements	10,888
	572,600
 <i>Total Operating Disbursements</i>	
 <i>Excess (Deficiency) of Operating Receipts</i>	
<i>Over (Under) Operating Disbursements</i>	
	(198,354)
 <b>Non-Operating Receipts (Disbursements)</b>	
State Support	74,880
County Support	25,000
Donations/Contributions	55,654
Investment Income	326
	155,860
 <i>Net Non-Operating Receipts (Disbursements)</i>	
 <i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	
	(42,494)
 Cash Balance, Beginning of Year	
	314,782
 Cash Balance, End of Year	
	\$272,288

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



**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**Note 1 – Reporting Entity**

The Agricultural Society of Morrow County, (the Society), Morrow 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 1850 to operate an annual agricultural fair. The Society sponsors the week-long Morrow County Fair during August. During the fair, harness races are held. Morrow County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 22 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morrow County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds include facility rental, track and stall rental, and community events including Morrow County July 3rd Celebration. The reporting entity does not include any other activities or entities of Morrow County, Ohio.

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

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 invests in certificates of deposit which are valued at cost.

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**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 Morrow 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 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.

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**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:

	2017
Demand deposits	\$77,698
Certificates of deposit	70,000
Other time deposits (savings and NOW accounts)	124,590
Total deposits	272,288

***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 \$3,983 as State Support. Also supplement purse for the year 2017 was received from the Ohio Harness Horsemen’s Association.

***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. 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.

	2017
Total Amount Bet (Handle)	\$ 9,094
Less: Payoff to Bettors	(7,252)
Parimutuel Wagering Commission	1,842
Tote Service Set Up Fee	(1,000)
Tote Service Commission	(296)
State Tax	(251)
Society Portion	\$ 295

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**Note 5 – Risk Management**

The Government is exposed to various risks of property and casualty losses, and injuries to employees.

The Government insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society has entered into an agreement with the Morrow County Commissioners and Mary Weiler, Secretary/Treasurer whereby she is covered for health insurance. There is no cost to the Society for this health insurance.

The Morrow County Commissioners provide general insurance coverage for all the buildings on the Morrow County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's fiscal officer is bonded with coverage of \$25,000.

The Government 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

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**Note 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 Government's share of these unpaid claims collectible in future years is approximately \$15,000.

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.

2017 Contributions to PEP \$ 23,068
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After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 6 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2017.

**Note 7 – Debt**

The Society has a lease with Gordon Flesch Leasing dated May 2, 2012 for a Canon copy machine at the Sr. Fair Office. The term of the lease is 5 years and the monthly payment is \$148 with tax. At the end for the lease the machine is the property of the Society and will be utilized at the Jr. Fair office.

The Society has a lease with MT Business Technologies dated October 13, 2016 for a Ricoh copy machine at the Sr. Fair office. The term of the least is 5 years and the monthly payment is \$150.

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**Note 8 – Related Party Transactions**

Stacy High, a Board member is an employee of R.B. Powers Company from which the Society acquired ribbons, awards, tickets and passes during the year. The Society paid \$3,124 for this acquisition.

Dale Bowersmith, a Board member is the spouse of Toni Bowersmith that the Society paid \$3,000 for services during the 2017 fair.

Vice President Tim Weiler and Secretary/Treasurer Mary Weiler are spouses and Tim abstains from any vote regarding Mary's wages.

There are various board members that receive premiums or awards for participation in events during the fair. For example, showing livestock, competing in a race or truck/tractor pull. There are also board members who volunteer their time and skills for the fair, such as auctioneering.

**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 Morrow County Fair County Fair. The Society disbursed \$8,983 directly to the Junior Fair Board and \$13,161 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Morrow County paid the Society \$100 to support Junior Club 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, follows:

	<u>2017</u>
Beginning Cash Balance	9,378
Receipts	27,156
Disbursements	<u>(25,584)</u>
Ending Cash Balance	<u>\$ 10,950</u>

**Morrow County Agricultural Society**  
*Morrow County*  
*Notes to the Financial Statements*  
*For the Year Ended November 30, 2017*

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**Note 10 – Junior Livestock Sale Committee**

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Morrow County County's auction. A commission of 2, 4, or 5 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:

	<u>2017</u>
Beginning Cash Balance	\$ 26,406
Receipts	754,265
Disbursements	<u>(741,947)</u>
Ending Cash Balance	<u>\$ 38,724</u>

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

Morrow County Agricultural Society  
Morrow County  
P.O. Box 168  
Mt. Gilead, Ohio 43338

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 by fund type of the Morrow County Agricultural Society, Morrow 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 May 15, 2019 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2018-001 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 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.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.  
Piketon, Ohio  
May 15, 2019

**Morrow County Agricultural Society  
Morrow County  
Schedule of Findings  
December 31, 2018 and 2017**

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**1. SUMMARY OF AUDITOR'S RESULTS**

**FINDING NUMBER 2018-001**

**Financial Reporting – Significant Deficiency**

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

Material misstatements were identified during the course of the audit which have not been prevented or detected by the Society's internal controls over financial reporting. Misstatements were identified in the following areas:

- Operating Expenditures
- Non-operating Expenditures

All of the above noted adjustments have been posted to the Society's financial statements and accounting system.

We recommend the Society's Fiscal Officer take steps to ensure the accurate posting of all transactions to the ledgers. By exercising accuracy in recording financial activity, the Society can reduce posting errors and increase the reliability of the financial data throughout the year.

**Officials' Response:** We did not receive a response to this finding.

**Morrow County Agricultural Society  
Morrow County  
Schedule of Prior Audit Findings  
November 30, 2018 and 2017**

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<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2016-001	Pit Gate Admissions- Material Weakness	Yes	

OHIO AUDITOR OF STATE  
**KEITH FABER**



**MORROW COUNTY AGRICULTURAL SOCIETY**

**MORROW 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  
AUGUST 13, 2019**