

CARROLL COUNTY AGRICULTURAL SOCIETY

CARROLL COUNTY, OHIO

AUDIT REPORT

For the Years Ended November 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Directors
Carroll County Agricultural Society
PO Box 263
Carrollton, Ohio 44615

We have reviewed the *Independent Auditor's Report* of the Carroll County Agricultural Society, Carroll County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2012 through November 30, 2014. 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 Carroll County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 30, 2015

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**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Carroll County Agricultural Society
Carroll County
PO Box 263
Carrollton, Ohio 44615

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Carroll County Agricultural Society, Carroll County, (the Society) as of and for the years ended November 30, 2014 and 2013.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code 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 basis of accounting 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 State 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

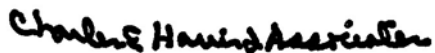
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2014 and 2013, or 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 of the Carroll County Agricultural Society, Carroll County as of November 30, 2014 and 2013, and its cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2015, 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.



Charles E. Harris & Associates, Inc.

July 24, 2015

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
Operating Receipts:		
Admissions	\$ 221,986	\$ 179,008
Taxes	1,489	840
Privilege Fees	90,410	59,561
Sales	240	1,252
Rentals	24,878	17,321
Sustaining and Entry Fees	2,417	8,588
Pari-mutuel Wagering Commission	164	216
Fees	16,889	12,313
 Total Operating Receipts	 358,473	 279,099
Operating Disbursements:		
Wages and Benefits	42,561	39,664
Administrative	3,658	4,599
Supplies	19,713	8,968
Utilities	36,828	36,773
Professional Services	142,414	180,631
Equipment and Grounds Maintenance	33,132	4,555
Property Services	31,177	23,413
Race Purse	38,539	36,174
Advertising	14,612	18,794
Insurance	7,462	15,028
Rent and Leases	7,669	6,396
Senior Fair	7,924	12,234
Junior Fair	14,384	11,111
Contests	43,102	12,826
Capital Outlay	24,138	73,841
Other Operating Disbursements	17,133	8,193
 Total Operating Disbursements	 484,446	 493,200
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (125,973)	 (214,101)
Non-Operating Receipts (Disbursements):		
State Support	46,922	37,304
County Support	15,000	12,000
Debt Proceeds	19,480	9,540
Restricted Support	82,629	75,446
Unrestricted Support	2,472	23,610
Interest Income	20	108
Sale of Assets	-	2,275
Debt Service	(21,049)	(10,441)
 Net Non-Operating Receipts (Disbursements)	 145,474	 149,842
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 19,501	 (64,259)
 Cash Balance, Beginning of Year	 23,304	 87,563
 Cash Balance, End of Year	 \$ 42,805	 \$ 23,304

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

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Carroll County Agricultural Society, Carroll County, (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1850 to operate an annual agricultural fair. The Society sponsors the week-long Carroll County Fair during July. During the fair, harness races are held, culminating in the running of the Buckeye Racing Consortium Stake Race. Carroll County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 14 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Carroll 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 include facility rental and community events. The reporting entity does not include any other activities or entities of Carroll County, Ohio.

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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.

C. Deposits and Investments

The Society maintains monies in multiple checking accounts.

D. Property, Plant, and Equipment

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

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies (continued)

E. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509(a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Buckeye Racing Consortium stake races are held during the Carroll County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund, and the Society also contributes an additional amount for the Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Buckeye Racing Consortium 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 statements 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 3 for additional information.

G. Pari-mutuel Wagering

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

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. Deposits

The carrying amount of deposits at November 30, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$ 42,805	\$ 23,304

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

3. Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2014 and 2013 was \$29,999 and \$23,262, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statements. 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.

	2014	2013
Total Amount Bet (Handle)	\$ 2,956	\$ 3,458
Less: Payoff to Bettors	(2,355)	(2,741)
Parimutuel Wagering Commission	601	717
Tote Service Set Up Fee	(250)	(250)
Tote Service Commission	(188)	(252)
State Tax	(83)	(108)
Society Portion	\$ 80	\$ 107

4. Debt

During 2014 and 2013, the Society took out a short term loans totaling \$19,480 and \$9,540, respectively. The loans were repaid in full during the respective years. Proceeds of the loans were used to fill ATM machines available to patrons for use during the fair and concert on the fair grounds and were payable from the proceeds of that fair and concert.

The Society also took out a short term line of credit through Consumer's National Bank during 2012. The Society has an outstanding balance of \$7,327 as of November 30, 2014 and is only required to pay the interest accrued on a monthly basis. The Society plans to repay this outstanding amount from fair proceeds in the future.

5. Risk Management

The Carroll County Commissioners provide general insurance coverage for all the buildings on the Carroll County Fairgrounds pursuant to Ohio Revised Code §1711.24. A private company provides general liability insurance, with limits of \$1,000,000 in the aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000.

There have been no settlements paid in excess of insurance coverage nor has insurance coverage been significantly reduced in the past three years.

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2014 AND 2013
(Continued)**

5. Risk Management (continued)

The Society pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

6. Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Carroll County Fair. During 2014 and 2013, the Society disbursed no monies directly to the Junior Fair Board and \$14,384 and \$11,111, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Carroll County paid the Society \$500 each year to support Junior Club work. The Junior Fair Board activity is accounted for within the accounting records of the Society and is reflected in the accompanying financial statements.

7. Junior Livestock Sales Committee

The Junior Livestock Committee is 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 Carroll County's auction. A commission of 2 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended December 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 8,730	\$ 3,519
Receipts	406,222	309,425
Disbursements	(408,988)	(304,214)
Ending Cash Balance	\$ 5,964	\$ 8,730

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Carroll County Agricultural Society
Carroll County
PO Box 263
Carrollton, Ohio 44615

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 Carroll County Agricultural Society, Carroll County (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated July 24, 2015, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statements. 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. We consider findings 2014-001 and 2014-002 described in the accompanying schedule of findings 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated July 24, 2015.

Entity's Responses to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
July 24, 2015

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2014-001 – Material Weakness and Noncompliance

Audit Adjustments and Reclassifications

Ohio Administrative Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

During audit procedures performed, errors were noted in the Society's financial statements that required audit adjustments and reclassifications as follows:

- Transfers of cash between the Society's bank accounts were incorrectly recorded as Transfers In and Advances In on the Society's financial statements.
- Various errors were made when the financial statements were compiled. The general ledger amounts were not properly reflected in the annually filed financial statements. Amounts in the statements did not add correctly.
- Debt proceeds received in 2012 were recorded as revenues in the current period.
- Debt proceeds and corresponding debt service payments for short term loans were not properly recorded.

The accompanying financial statements and the Society's records have been adjusted to properly reflect these transactions.

Sound financial reporting is the responsibility of the Society and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Society adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use the Ohio Fairs Redbook and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements.

Management's Response:

Management will carefully post all transactions and complete reports in the future.

Finding Number: 2014-002 – Material Weakness

Cash Reconciliations/Outstanding Checks

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. This process involves accounting for the differences between the balance on the bank statements and the cash and investment balances according to the Society's records. The Society did not resolve various differences between the adjusted bank balance and the cash balance reflected in the Society's accounting records and did not maintain an accurate listing of outstanding items. These differences and inaccuracies were the result of various recording errors and omissions. The financial statements and the Society's records have been adjusted accordingly.

**CARROLL COUNTY AGRICULTURAL SOCIETY
CARROLL COUNTY**

**SCHEDULE OF FINDINGS - Continued
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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Finding Number: 2014-002 – Material Weakness (continued)

Without complete and accurate monthly bank reconciliations, the Society's internal control is weakened, which could hinder the detection of errors or irregularities by the Society's management in a timely manner.

We recommend that the Society complete formal bank reconciliations for their banking accounts. If there are reconciling items, the Treasurer should determine the accuracy of these items and update the accounting system and records timely. The Board should then monitor the Society's monthly financial activity, determine their respective cash position and make sound decisions. Reconciliations should be reviewed by the governing body on a monthly basis and formally approved attesting to their accuracy and completeness and noted in the monthly minute meeting.

Management's Response:

Management will complete accurate bank reconciliations and investigate all reconciling items in the future.



Dave Yost • Auditor of State

CARROLL COUNTY AGRICULTURAL SOCIETY

CARROLL 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
DECEMBER 8, 2015**