



Dave Yost • Auditor of State

HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Hardin County Agricultural Society
Hardin County
P.O. Box 317
14134 Fairground Road
Kenton, Ohio 43326

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Hardin County Agricultural Society, Hardin 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 opinion.

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 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 permitted 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 Hardin County Agricultural Society, Hardin 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 May 28, 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.



Dave Yost
Auditor of State
Columbus, Ohio

May 28, 2015

**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
Operating Receipts:		
Taxes	\$181	\$176
Admissions	206,040	214,723
Privilege Fees	88,871	93,200
Sales by Fair Board	9,799	3,409
Racing	17,444	14,497
Sales Activity	3,877	2,118
Utilities	98	324
Fees	23,688	24,023
Rentals	31,380	32,416
Total Operating Receipts	381,378	384,886
Operating Disbursements:		
Wages	50,727	57,206
Benefits	7,151	8,030
Administrative Expenses	8,896	8,028
Race Expenses	479	479
Supplies (Resale)	3,977	1,449
Racing	53,077	46,668
Supplies	45,269	30,789
Utilities	68,252	67,018
Service Expense	29,869	45,683
Property Expenses	45,386	37,131
Advertising	17,478	15,696
Repairs	7,466	9,232
Insurance	21,707	18,541
Rent/Lease Expense	14,436	13,672
Contests	1,977	2,220
Senior Fair	23,136	23,380
Junior Fair	26,834	28,165
Capital Outlay	2,681	58,233
Miscellaneous	15,910	3,324
Other Fair Expenses	13,078	5,020
Total Operating Disbursements	457,786	479,964
Excess of Operating Receipts (Under) Operating Disbursements	(76,408)	(95,078)
Non-Operating Receipts:		
State Support	44,307	32,474
County Support	3,300	6,600
Restricted	28,077	30,110
Unrestricted	45,505	47,123
Asset Sales	77	4,551
Investment Income	150	165
Total Non-Operating Receipts	121,416	121,023
Excess of Receipts Over Disbursements	45,008	25,945
Cash Balance, Beginning of Year	170,050	144,105
Cash Balance, End of Year	\$215,058	\$170,050

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

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**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN 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 Hardin County Agricultural Society, Hardin 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 1852 to operate an annual agricultural fair. The Society sponsors the week-long Hardin County Fair during September. During the fair, harness races are held. Hardin County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 21 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Hardin County and pay an annual membership fee to the Society.

Reporting Entity

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

Notes 5 and 6, 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.

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'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 maintained all money in deposit 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.

**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN 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

Stake races are held during the Hardin 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.

1. Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing 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 Racing receipts.

2. 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 within the Racing Receipts line item. See Note 3 for additional information.

2. 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, 2014 and 2013 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$164,338	\$90,025
Certificates of deposit	17,611	17,611
Other time deposits (savings and money market accounts)	33,109	62,414
Total deposits	<u>\$215,058</u>	<u>\$170,050</u>

**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY**

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

2. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At November 30, 2014, \$209,044 of the balance was insured by the Federal Depository Insurance Corporation (FDIC) and \$6,014 was covered by the National Credit Union Share Insurance Fund (NCUSIF). At November 30, 2013, \$163,600 of the balance was insured by the Federal Depository Insurance Corporation (FDIC) and \$6,450 was covered by the National Credit Union Share Insurance Fund (NCUSIF).

3. HORSE RACING

A. State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2014 and 2013 were \$1,143 and \$1,354 respectively, and is included within State Support on the accompanying financial statements.

B. 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 Racing disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Racing disbursements, and the amount remaining is the Society's net portion.

	2014	2013
Total Amount Bet (Handle)	\$6,343	\$6,285
Less: Payoff to Bettors	(5,050)	(5,008)
Parimutuel Wagering Commission	1,293	1,277
Tote Service Commission	(747)	(740)
State Tax	(181)	(176)
Society Portion	\$365	\$361

4. RISK MANAGEMENT

The Hardin County Commissioners provide general insurance coverage for all the buildings on the Hardin County Fairgrounds pursuant to Ohio Revised Code § 1711.24. General liability and automobile coverage is provided by the public entities Pool of Ohio with limit of \$2,000,000, This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's Secretary / Treasurer is bonded with cover of \$100,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2015.

**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY**

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

5. 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 Hardin County Fair. The Society disbursed \$21,861 during 2014 and \$24,053 during 2013 directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair. Hardin County paid the Society \$500 during 2014 and 2013 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, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$8,476	\$5,287
Receipts	5,667	10,314
Disbursements	(9,658)	(7,125)
Ending Cash Balance	\$4,485	\$8,476

6. 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 Hardin County's auction. A deduction of two dollar per head for 2014 and one dollar per head for 2013 for market steers was made for the Ohio Beef Marketing program, a deduction of 0.0040 of the sale value of market hogs was made for the Ohio Pork Producers promotions, a deduction of 0.0050 of the sale value of market lambs was made for the Ohio Sheep check-off program, a deduction of 0.0050 per pound of market lambs were made for the American Lamb check-off program, and a deduction of one dollar per animal going through the sale was made to cover the cost of ear tags of ear tags during 2014 and 2013. 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, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$30,145	\$11,310
Receipts	477,665	449,269
Disbursements	(456,771)	(430,434)
Ending Cash Balance	\$51,039	\$30,145

7. CONSIGNMENT SALE

The Society sponsors an annual farm machinery consignment sale. The Society collects the proceeds of the sale, withholds commission form the sale based on amounts approved by the Board of Directors and disburses an amount equal to the sale price less the Society's commission to sellers. The activity of the consignment sale is accounted for in a separate account maintained by the Society specifically for that purpose. The Society earned \$20,000 during 2014 and \$35,222 during 2013 from the sale and is included in the Unrestricted revenue line item on the financial statements. The Consignment Sale account activity for the years ended November 30, 2014 and 2013 follows:

HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY

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

7. CONSIGNMENT SALE (Continued)

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$2,601	\$3,500
Receipts	509,291	715,986
Disbursements	<u>(509,003)</u>	<u>(716,885)</u>
Ending Cash Balance	<u>\$2,889</u>	<u>\$2,601</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

Hardin County Agricultural Society
Hardin County
P.O. Box 317
14134 Fairground Road
Kenton, Ohio 43326

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 Hardin County Agricultural Society, Hardin 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 May 28, 2015 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Sect 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.

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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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 communication is not suitable for any other purpose.

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

Dave Yost
Auditor of State
Columbus, Ohio

May 28, 2015

**HARDIN COUNTY AGRICULTURAL SOCIETY
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 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 - Accuracy of Financial Reporting

The Society should have procedures and controls in place to help prevent and detect errors in the financial statements and/or accounting records. The following errors were identified in the financial statements and/or accounting records:

2014

- Bank fees of \$1,212 were recorded as debt service instead of other fair expenses.
- A restricted grant in the amount of \$6,000 was recorded as unrestricted receipts instead of restricted receipts.
- A negative receipt in the amount of \$1,000 was recorded for the purchase of chairs instead of recording it as other fair expenses.
- Funding provided by the Ohio State Racing Commission and the Ohio Department of Agriculture, in the amount of \$28,740, was recorded as racing receipts instead of State support.
- Pari-mutuel betting tax receipts of \$181 were recorded as racing receipts instead of taxes.
- An adjustment of \$10,840 was necessary to remove the Junior Fair Livestock bank account from the ending fund balance in the financial statement.
- Outstanding checks of \$2,696 were removed from the beginning fund balance so that the beginning fund balance in the financial statement would agree to prior year ending fund balance.

2013

- A restricted receipt in the amount of \$2,500 was recorded as unrestricted receipts instead of restricted receipts.
- Bank fees of \$294 were recorded as debt service instead of other fair expenses.
- A receipt in the amount of \$2,509 from the company providing amusements rides that was to be allocated \$275 to admissions, \$500 to sales by fair board, and \$1,734 to unrestricted receipts was recorded as privilege fees.
- An unrestricted receipt in the amount of \$7,500 was recorded as restricted receipts.
- Funding provided by the Ohio State Racing Commission and the Ohio Department of Agriculture, in the amount of \$15,100, was recorded as racing receipts instead of State support.
- Pari-mutuel receipts of \$460 were recorded as tax receipts.
- A net adjustment of \$15,674 was made to the opening balance in the financial statement, to remove outstanding checks and to record deposits in transit, so that the opening balance would agree to the prior year ending balance.
- The details of the Race Expense and Service Expense line items did not foot which resulted in the financial statement line items being incorrect, in the total amount of \$5,000 and \$300, respectively.

Errors in the financial statements and supporting ledgers inhibit the ability of the Secretary/Treasurer and the Board to monitor financial activity and to make sound financial decisions. Also, financial recording errors can make it more difficult to detect irregularities in a timely manner.

The accompanying financial statements were adjusted to correct these recording errors.

**FINDING NUMBER 2014-001
(Continued)**

Periodically the accounting records should be reviewed by the Board and Secretary/Treasurer to help identify recording errors. The annual financial statements should be reviewed to help assure beginning and ending fund balances represent the reconciled fund balances, that receipt and disbursement line items foot, that only balances of the Society are presented, and that all activity is correctly classified. To help eliminate errors when preparing the annual financial statements and related notes, the Society should consider using the agricultural society example financial statement and notes which can be found at <https://ohioauditor.gov/references/shells/regulatory.html>. In addition, the Manual at [https://ohioauditor.gov/publications/uniform agricultural society accounting system user manual.pdf](https://ohioauditor.gov/publications/uniform_agricultural_society_accounting_system_user_manual.pdf), can be used for guidance in classifying financial transactions.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the finding reported above.



Dave Yost • Auditor of State

HARDIN COUNTY AGRICULTURAL SOCIETY

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 30, 2015**