

STARK COUNTY AGRICULTURAL SOCIETY

STARK COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Board of Directors
Stark County Agricultural Society
PO Box 80279
Canton, Ohio 44708

We have reviewed the *Independent Auditor's Report* of the Stark County Agricultural Society, Stark 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 Stark 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

June 9, 2015

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STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY

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INDEPENDENT AUDITOR'S REPORT

Stark County Agricultural Society
Stark County
PO Box 80279
Canton, Ohio 44708-0279

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Stark County Agricultural Society, Stark 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

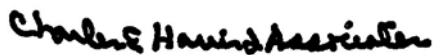
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United 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 Stark County Agricultural Society, Stark 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 April 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.
April 24, 2015

**STARK COUNTY AGRICULTURAL SOCIETY
STARK 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:		
Admissions	\$ 436,669	\$ 585,582
Taxes	1,975	2,140
Privilege Fees	214,742	169,882
Sales	4,949	5,990
Rentals	182,292	179,508
Sustaining and Entry Fees	15,216	13,760
Pari-mutuel Wagering Commission	970	573
Fees	23,581	23,158
Other	20,623	22,067
Total Operating Receipts	901,017	1,002,660
Operating Disbursements:		
Wages and Benefits	235,616	194,202
Administrative	22,696	16,573
Supplies	15,520	16,783
Utilities	127,426	110,109
Professional Services	107,309	205,280
Equipment and Grounds Maintenance	45,757	23,573
Property Services	87,864	65,922
Race Purse	50,240	39,942
Advertising	49,464	42,948
Insurance	41,668	40,722
Rent and Leases	12,405	33,925
Senior Fair	53,994	39,205
Junior Fair	20,693	22,599
Contests	64,574	66,798
Capital Outlay	64,639	87,400
Other Operating Disbursements	74,904	75,727
Total Operating Disbursements	1,074,769	1,081,708
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(173,752)	(79,048)
Non-Operating Receipts (Disbursements):		
State Support	45,107	32,474
County Support	48,000	48,000
Debt Proceeds	-	60,000
Restricted Support	146,903	20,750
Unrestricted Support	20,248	20,853
Sale of Assets	-	200
Debt Service	(2,663)	(65,322)
Net Non-Operating Receipts (Disbursements)	257,595	116,955
Excess (Deficiency) of Receipts Over (Under) Disbursements	83,843	37,907
Cash Balance, Beginning of Year	102,476	64,569
Cash Balance, End of Year	\$ 186,319	\$ 102,476

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

**STARK COUNTY AGRICULTURAL SOCIETY
STARK 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 Stark County Agricultural Society, Stark 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 1849 to operate an annual agricultural fair. The Society sponsors the week-long Stark County Fair during August/September. Stark County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 20 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Stark County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year round activities at the fairgrounds including facility rental and community events including the Stark County Italian-American Festival and the Pro Football Hall of Fame Ribs Burn Off. The reporting entity does not include any other activities or entities of Stark County, Ohio.

Notes 7 and 8, 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.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2013 AND 2012
(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

Home Talent Colt stake races are held during the Stark 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 Home Talent Colt 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 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	\$ 186,319	\$ 102,476

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

At November 30, 2014 and 2013, all of the Society's deposits were insured or collateralized.

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2013 AND 2012
(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 \$11,287 and 13,333, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany 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)	\$ 11,347	\$ 10,214
Less: Payoff to Bettors	(9,009)	(8,090)
Parimutuel Wagering Commission	2,338	2,124
Tote Service Set Up Fee	(300)	(250)
Tote Service Commission	(1,068)	(976)
State Tax	(343)	(324)
Society Portion	\$ 627	\$ 574

4. Debt

During 2013, the Society took out a short term loan for \$60,000. The loan was repaid during 2013. Proceeds of the loan were used for general operating expenses related to the Stark County Fair and were payable from the proceeds of that fair.

The Society did not have any debt transactions during 2014.

5. Risk Management

The Stark County Commissioners provide general insurance coverage for all the buildings on the Stark County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability insurance, with limits of \$5,000,000 in the aggregate and \$1,000,000 per occurrence. This policy includes crime coverage for employee dishonesty with limits of liability of \$2,000,000. The Society's Treasurer and Secretary are bonded with coverage of \$20,000 each. The Society also carries a blanket bond for all employees with coverage of \$10,000.

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

**STARK COUNTY AGRICULTURAL SOCIETY
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2013 AND 2012
(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. Related Party Transactions

During 2014, the Society purchased 36 livestock and gate panels from the Grounds Caretaker for which he received \$1,300.

7. 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 Stark County Fair. During 2014 and 2013, the Society disbursed no monies directly to the Junior Fair Board and \$20,693 and \$22,599, 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. Stark County paid the Society \$500 each year 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 years ended November 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 16,898	\$ 19,951
Receipts	49,994	44,275
Disbursements	(43,750)	(47,328)
Ending Cash Balance	\$ 23,142	\$ 16,898

8. 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 Stark County's auction. 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 years ended November 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 51,263	\$ 42,793
Receipts	880,249	771,417
Disbursements	(864,819)	(762,947)
Ending Cash Balance	\$ 66,693	\$ 51,263

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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**

Stark County Agricultural Society
Stark County
P.O. Box 80279
Canton, Ohio 44708-0279

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 Stark County Agricultural Society, Stark 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 April 24, 2015.

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.

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.

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. Given these limitations, we did not identify an deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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*.

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

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.
April 24, 2015



Dave Yost • Auditor of State

STARK COUNTY AGRICULTURAL SOCIETY

STARK 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 23, 2015**