

CARROLL COUNTY AGRICULTURAL SOCIETY

Carroll County

Audit Report

For the Years Ended November 30, 2016 and 2015





Dave Yost • Auditor of State

Board of Directors
Carroll County Agricultural Society
P. O. Box 263
160 Kensington Rd NE
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, 2014 through November 30, 2016. 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

June 19, 2017

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Carroll County Agricultural Society
Carroll County
For the Years Ended November 30, 2016 and 2015

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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 of the cash balances, receipts and disbursements and related notes of the Carroll County Agricultural Society, Carroll County, (the Society) as of and for the years ended November 30, 2016 and 2015.

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 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 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, 2016 and 2015, 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, 2016 and 2015, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017, 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.
May 24, 2017

Carroll County Agricultural Society
Carroll County
Statement of Receipts, Disbursements and
Changes in Fund Balance
For the Years Ended November 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Receipts:		
Admissions	\$ 142,067	\$ 210,194
Taxes	26	126
Privilege Fees	46,091	72,824
Sales	1,635	9,322
Rentals	30,681	33,315
Sustaining and Entry Fees	8,282	10,200
Pari-mutuel Wagering Commission	111	252
Fees	20,647	15,420
Utilities	3,987	2,674
Total Operating Receipts	<u>253,527</u>	<u>354,327</u>
Operating Disbursements:		
Current:		
Wages and Benefits	47,066	49,007
Administrative	4,189	3,833
Supplies	20,346	21,485
Utilities	37,445	37,544
Professional Services	107,481	164,755
Equipment and Grounds Maintenance	8,228	25,442
Property Services	39,779	21,222
Race Purse	81,216	75,353
Advertising	10,568	15,568
Insurance	7,889	10,888
Rent and Leases	3,531	6,798
Senior Fair	5,358	8,845
Junior Fair	8,707	15,820
Contests	17,898	16,152
Other	32,883	34,742
Capital Outlay	72,253	35,414
Total Operating Disbursements	<u>504,837</u>	<u>542,868</u>
<i>Excess (Deficiency) of Operating Receipts</i>		
<i>Over (Under) Operating Disbursements</i>	(251,310)	(188,541)
Non-Operating Receipts (Disbursements):		
State Support	89,596	80,895
County Support	25,000	25,000
Debt Proceeds	-	15,000
Restricted Support	130,015	38,450
Unrestricted Support	63,201	45,149
Interest Income	23	19
Debt Service	(22,949)	(9,450)
Total Non-Operating Receipts (Disbursements)	<u>284,886</u>	<u>195,063</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	33,576	6,522
Cash Balance, Beginning of Year	<u>49,327</u>	<u>42,805</u>
Cash Balance, End of Year	<u>\$ 82,903</u>	<u>\$ 49,327</u>

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

Carroll County Agricultural Society
Carroll County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 1 – Reporting Entity

The Carroll County Agricultural Society (the Society), Carroll 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 Carroll County Fair during July. During the fair, harness races are held, culminating in the running of the Home Talent Colt 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 and harness racing during fair week. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Carroll County, Ohio.

Note 9 summarizes the Junior Livestock Sale Committee’s financial activity. The Junior Fair Board’s financial activity is reported in the Society’s financial statements.

The Society’s management believes these financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements 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.

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.

Carroll County Agricultural Society
Carroll County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

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

Home Talent Colt 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 as Race Purse to winning horses.

Sustaining and Entry Fees Horse owners and the 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 statement reports 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.

Carroll County Agricultural Society
Carroll County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

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:

	2016	2015
Demand deposits	\$ 82,903	\$ 49,327

Deposits

Deposits are insured by the Federal Depository 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 years ended November 30, 2016 and 2015 was \$10,463 and \$10,225, 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 statement. Rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2016	2015
Total Amount Bet (Handle)	\$ 3,738	\$ 4,441
Less: Payoff to Bettors	(2,587)	(3,536)
Parimutuel Wagering Commission	1,151	905
Tote Service Set Up Fee	(700)	(350)
Tote Service Commission	(314)	(180)
State Tax	(26)	(123)
Society Portion	\$ 111	\$ 252

Note 5 – Risk Management

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.

Carroll County Agricultural Society
Carroll County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 5 – Risk Management (continued)

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 and vehicle insurance, with limits of \$2,000,000 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 the past three years in excess of insurance coverage nor has coverage been significantly reduced.

Note 6 – Social Security

Society employees contribute 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, 2016.

Note 7 – Debt

Debt outstanding at November 30, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Business Line of Credit	\$ 4,181	4.00%

The Society opened a business line of credit in September 2011. The property of the Carroll County Fair Grounds was used as collateral for this line of credit. The purpose of the line of credit was to make improvements to buildings on the property. The line of credit is renewable on a yearly basis in September. There is no set amortization schedule available for the line of credit. A minimum payment of \$20 is due monthly.

Note 8 – Contingent Liabilities

The Society may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Society's financial condition.

Amounts grantor agencies pay to the Society are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Carroll County Agricultural Society
Carroll County
Notes to the Financial Statements
For the Years Ended November 30, 2016 and 2015

Note 9 – 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 Carroll County Fair’s auction. A commission of 2% 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 years ended November 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Beginning Cash Balance	\$ 9,120	\$ 5,964
Receipts	412,276	425,216
Disbursements	<u>(411,518)</u>	<u>(422,060)</u>
Ending Cash Balance	<u>\$ 9,878</u>	<u>\$ 9,120</u>

**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 cash balances, receipts and disbursements of the Carroll County Agricultural Society, Carroll County (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 24, 2017, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 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 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 2016-001.


We also noted certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated May 24, 2017.

Entity's Response to Finding

The Society's response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit the Society's response and, accordingly, we express no opinion on it.

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.
May 24, 2017

Carroll County Agricultural Society
Carroll County
Schedule of Findings
December 31, 2016 and 2015

Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS
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Finding Number: 2016-001 – 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 Receipts and Expenses 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.

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

Additionally, we also noted that no duplicate receipt books are being maintained by the Society. Amounts received are being posted by total deposit amount and individual amounts received from vendors, renters, etc. could not be tied to the amounts posted in the General Ledger.

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. We also recommend the use of duplicate receipt books and individual posting of amounts received. 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:

See Corrective Action Plan on page 13.

Carroll County Agricultural Society
Carroll County
Schedule of Prior Audit Findings
For the Fiscal Years Ended November 30, 2016 and 2015

Finding Number	Finding Summary	Status	Additional Information
2014-001	Audit Adjustments and Reclassifications	Not Corrected	Management did not fully understand the corrective actions necessary to prevent financial statement mistakes after the prior audit was completed. Management plans to use more care in completing the financial statements in the future and will use duplicate receipt books to ensure proper posting and documentation for receipts.
2014-002	Cash Reconciliations/Outstanding Checks	Corrective Action Taken and Finding Is Fully Corrected	

Carroll County Agricultural Society
Carroll County
Corrective Action Plan
November 30, 2016 and 2015

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Management plans to use more care in completing the financial statements in the future and will use duplicate receipt books to ensure proper posting and documentation for receipts.	June 1, 2017	Margaret Mesler, Treasurer

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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
JUNE 29, 2017**