

ASHLAND COUNTY AGRICULTURAL SOCIETY

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended November 30, 2013 & 2012





Dave Yost • Auditor of State

Board of Directors
Ashland County Agricultural Society
2042 Claremont Avenue
Ashland, Ohio 44805

We have reviewed the *Independent Auditor's Report* of the Ashland County Agricultural Society, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2011 through November 30, 2013. 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 Ashland County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 29, 2014

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**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Ashland County Agricultural Society
Ashland County
2042 Claremont Avenue
Ashland, Ohio 44805

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Ashland County Agricultural Society, Ashland County, Ohio (the Society) as of and for the years ended November 30, 2013 and 2012.

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, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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, 2013 and 2012, 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 Ashland County Agricultural Society, Ashland County as of November 30, 2013 and 2012, 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 August 8, 2014, 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

Charles E. Harris & Associates, Inc.
August 8, 2014

Ashland County Agricultural Society
Ashland County

*Statement of Receipts, Disbursements, and
Change in Fund Balance
For the Years Ended November 30, 2013 and 2012*

	2013	2012
Operating Receipts:		
Admissions	\$244,339	\$235,374
Taxes	259	300
Privilege Fees	164,748	151,476
Sales	76,416	48,793
Rentals	173,048	160,941
Sustaining and Entry Fees	17,438	16,078
Pari-mutuel Wagering Commission	1,088	1,210
Fees	23,906	26,137
Utilities	11,309	15,547
<i>Total Operating Receipts</i>	<u>712,551</u>	<u>655,856</u>
Operating Disbursements:		
Wages and Benefits	205,330	222,300
Administrative	12,106	10,090
Supplies	22,110	17,561
Utilities	50,644	43,212
Professional Services	104,177	97,637
Property Services	54,327	52,128
Equipment and Grounds Maintenance	35,544	34,437
Race Purse	46,341	33,083
Advertising	10,683	10,103
Repairs	27,803	25,130
Insurance	19,220	16,331
Rent and Leases	28,077	23,397
Senior Fair	29,953	36,194
Junior Fair	24,064	27,880
Contests	27,151	21,031
Capital Outlay	48,425	34,712
Other Operating Disbursements	55,542	16,449
<i>Total Operating Disbursements</i>	<u>801,497</u>	<u>721,675</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(88,946)</u>	<u>(65,819)</u>
Non-Operating Receipts (Disbursements):		
State Support	32,474	18,729
County Support	3,300	3,300
Restricted Support	50,595	24,952
Unrestricted Support	35,869	27,976
Investment Income	105	112
Sale of Assets	4,820	2,982
Other Financing Sources	-	12,372
Debt Service	(27,866)	(26,198)
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>99,297</u>	<u>64,225</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>10,351</u>	<u>(1,594)</u>
Cash Balance, Beginning of Year	<u>105,284</u>	<u>106,878</u>
Cash Balance, End of Year	<u><u>\$115,635</u></u>	<u><u>\$105,284</u></u>

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

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

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 Ashland County Agricultural Society, Ashland County, Ohio, (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 1851 to operate an annual agricultural fair. The Society sponsors the week-long Ashland County Fair during September. During the fair, harness races are held, culminating in the running of the Home Talent Colt Stakes. Ashland County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 30 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Ashland 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 Junior Fair Board Activities. Other year round activities at the fairgrounds include facility rental, track and stall rental, community events and horse shows. The reporting entity does not include any other activities or entities of Ashland County, Ohio.

Note 7 summarizes the Junior Livestock Sale Committee's financial activity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society 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 Auditor of State prescribes or permits.

C. Cash and Investments

The Society had no investments as of November 30, 2013 and 2012.

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.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Race Purse

Home Talent Stake races are held during the Ashland 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. In addition the Society contributes approximately \$500 to each Race Purse.

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 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.

H. 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.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

2. CASH

The carrying amount of cash at November 30, 2013 and 2012 follows:

	2013	2012
Demand deposits	\$115,440	\$105,089
Cash on hand	195	195
Total deposits and cash on hand	\$115,635	\$105,284

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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, 2013 and 2012, was \$21,932 and \$8,064, respectively, and is included 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.

	2013	2012
Total Amount Bet (Handle)	\$ 6,181	\$ 6,876
Less: Payoff to Bettors	(4,901)	(5,454)
Pari-mutuel Wagering Commission	1,280	1,422
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(552)	(637)
State Tax	(192)	(212)
Society Portion	\$ 236	\$ 273

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

4. DEBT

Debt outstanding at November 30, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sutton Bank Note	\$49,473	6.00%
Sheffield Financial Note	\$515	0.00%

The Sutton Bank Note was originally issued on November 17, 2006 for \$137,660 and bears an interest rate of 6%. The note proceeds were used to consolidate the Society's existing debt. This unsecured note matures November 17, 2016.

The Sheffield Financial note was issued December 5, 2011 for \$12,371 for the purchase of a new mower. While there is no interest on the note, a processing fee of \$125 was charged. The note will be paid off in 24 monthly payments concluding December 5, 2013.

Amortization of the above debt is scheduled as follows:

Sutton Bank Note

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>November 30:</u>			
2014	\$15,543	\$3,012	\$18,555
2015	16,488	2,067	18,555
2016	<u>17,442</u>	<u>1,067</u>	<u>18,509</u>
Total	<u>\$49,473</u>	<u>\$6,146</u>	<u>\$55,619</u>

Sheffield Financial Note

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>November 30:</u>			
2014	<u>\$515</u>	<u>\$0</u>	<u>\$515</u>
Total	<u>\$515</u>	<u>\$0</u>	<u>\$515</u>

In addition to the above debt, during 2006, the Society obtained a \$100,000 (maximum), 6.0 percent interest rate revolving bank line-of-credit. No money was borrowed during 2012 or 2013 from this account. There was no outstanding line-of-credit balance at November 30, 2013.

5. RISK MANAGEMENT

The Ashland County Commissioners provide general insurance coverage for all the buildings on the Ashland County Fairgrounds pursuant to Ohio Revised Code § 1711.24. The Society's Secretary/Manager and Treasurer are bonded with coverage of \$60,000 each. The Society is exposed to various risks of property and casualty losses, and injuries to employees. The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. York functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

5. RISK MANAGEMENT (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013:

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Society's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2012	2013
\$10,411	\$13,173

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

**ASHLAND COUNTY AGRICULTURAL SOCIETY
ASHLAND COUNTY**

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

6. RELATED PARTY TRANSACTIONS

The Society rented tents and chairs from Rafeld Stover Variety Parties in the amounts of \$825 and \$1,003 during 2013 and 2012, respectively. Mark Rafeld is a Society board member and a partner in the Rafeld Stover business. The Society also hired Mark Wertz Construction in the amount of \$3,220 during 2013. Mark Wertz is a Society board member and the owner of Mark Wertz Construction.

7. JUNIOR LIVESTOCK SALE COMMITTEE

During 2012, the Junior Livestock Sale Committee consisted of seven separate subcommittees charged with running the Junior Livestock Auction. These subcommittees organized auctions for sheep and swine, dairy cattle, baby beef, rabbit and poultry, goat, market steer, and market steer born and raised. These auctions are held during fair week. Children may sell their animals directly to market or through the Ashland County's auction. The accompanying financial statements do not include the Junior Livestock Sale Committee's activities.

During 2013, the Society established the Junior Fair Sale and Market Committee charged with running the Junior Livestock Auction. The seven subcommittees previously utilized are now defunct, but each committee was allowed to spend its remaining cash balance to prepare animals for the 2013 fair. The auctions continue to be held during fair week. Children may sell their animals directly to market or through the Ashland County's auction. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Fair Sale and Market Committee's financial activity for the years ended November 30, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Beginning Cash Balance	\$0	\$16,723
Receipts	504,245	463,615
Disbursements	<u>490,000</u>	<u>(464,783)</u>
Ending Cash Balance	<u>\$14,245</u>	<u>\$15,555</u>

The remaining cash at the end of 2012 was held by the treasurers of each of the seven subcommittees.

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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

Ashland County Agricultural Society
Ashland County
2042 Claremont Avenue
Ashland, Ohio 44805

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 Ashland County Agricultural Society, Ashland County, Ohio (the Society) as of and for the years ended November 30, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated August 8, 2014, 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. Given these limitations, we did not identify any 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 did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated August 8, 2014.

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 & Associates, Inc.
August 8, 2014



Dave Yost • Auditor of State

ASHLAND COUNTY AGRICULTURAL SOCIETY

ASHLAND 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
OCTOBER 21, 2014**