



**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED NOVEMBER 30, 2014-2013



Dave Yost • Auditor of State

HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Change in Fund Balance (Cash Basis) - For the Years Ended November 30, 2014 and 2013.....	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

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INDEPENDENT AUDITOR'S REPORT

Hartford Independent Agricultural Society
Licking County
14028 Fairground Road
PO Box 317
Croton, Ohio 43013-0317

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement and related notes of Hartford Independent Agricultural Society, Licking 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 this financial statement 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 statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement, the Society prepared this financial statement 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 statement 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 this statement 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 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 statement referred to above does 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 statement referred to above presents fairly, in all material respects, the cash balance of Hartford Independent Agricultural Society, Licking County, Ohio 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 October 27, 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

October 27, 2015

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING 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	\$ 427,696	\$ 378,329
Privilege Fees	137,889	115,842
Rentals	167,639	164,003
Sustaining and Entry Fees	17,465	16,947
Pari-mutuel Wagering Commission	576	591
Other Operating Receipts	92,992	110,426
<i>Total Operating Receipts</i>	844,257	786,138
Operating Disbursements		
Wages and Benefits	137,753	133,250
Utilities	64,298	56,642
Professional Services	95,976	71,392
Equipment and Grounds Maintenance	173,679	122,201
Race Purse	62,340	52,508
Senior Fair	85,589	156,679
Junior Fair	63,669	75,236
Capital Outlay	158,275	135,775
Other Operating Disbursements	183,271	181,914
<i>Total Operating Disbursements</i>	1,024,850	985,597
<i>(Deficiency) of Operating Receipts</i>	(180,593)	(199,459)
Non-Operating Receipts (Disbursements)		
State Support	44,307	32,474
County Support	18,920	19,720
Donations/Contributions	106,030	111,193
Investment Income	3,009	4,675
Sale of Assets	11,235	883
Debt Service	(5,000)	(5,000)
<i>Net Non-Operating Receipts (Disbursements)</i>	178,501	163,945
<i>(Deficiency) of Receipts (Under) Disbursements</i>	(2,092)	(35,514)
Cash Balance, Beginning of Year	801,251	836,765
<i>Cash Balance, End of Year</i>	\$ 799,159	\$ 801,251

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

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**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING 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 Hartford Independent Agricultural Society, Licking County, Ohio (the Society) as a body corporate and politic. The Society is an independent agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1858 to operate an annual agricultural fair. The Society sponsors the week-long Hartford Independent Fair during August. During the fair, harness races are held. Licking County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 27 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Licking County or designated townships in Delaware and Knox Counties 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 and harness racing during fair week. Other year round activities at the fairgrounds including facility rental and track and stall rental. The reporting entity does not include any other activities or entities of Licking 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.

This statement includes 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

The Society maintains interest bearing checking accounts, money market savings accounts, and certificates of deposits at cost.

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.

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses. Restricted support for the Society included sponsorships of trophies and awards.

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

Hartford Independent Fair stake races are held during the Hartford Independent 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 Home Talent Colt Stakes 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.

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

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

2. Deposits

The carrying amount of deposits at November 30 was as follows:

	2014	2013
Demand deposits	\$234,314	\$242,411
Certificates of deposit and money market savings	564,845	558,840
Total deposits	\$799,159	\$801,251

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 year ended November 30, 2014 and 2013 was \$11,287 and \$13,133, 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.

	2014	2013
Total Amount Bet (Handle)	\$ 13,802	\$ 14,375
Less: Payoff to Bettors	(10,883)	(11,378)
Parimutuel Wagering Commission	2,919	2,997
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(1,362)	(1,432)
State Tax	(381)	(374)
Society Portion	\$ 576	\$ 591

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

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

4. Debt

Debt outstanding at November 30, 2014 was as follows:

	Principal	Interest Rate
Heartland Bank Digital Signs Loan	\$23,106	4.00%

During 2011, the Society entered into a loan agreement with Heartland Bank in the amount of \$41,106 for the purchase of two reader board signs for the fair entrances. The loan is a five year term with a minimum principal payment of \$5,000 each year. The loan will be paid off in 2016.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending November 30:	Digital Signs Loan Principal
2015	\$6,530
2016	17,106
	\$23,636

5. Risk Management

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.

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, 2014, 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.

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

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

5. Risk Management (Continued)

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, 2013 and 2014:

	<u>2013</u>	<u>2014</u>
Assets	\$34,411,883	\$35,402,177
Liabilities	(12,760,194)	(12,363,257)
Net Position	<u>\$21,651,689</u>	<u>\$23,038,920</u>

At December 31, 2013 and 2014, respectively, the liabilities above include approximately 11.6 million and \$11.1 million of estimated incurred claims payable. The assets above also include approximately \$11.1 million and \$10.8 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Society's share of these unpaid claims collectible in future years is approximately \$26,000.

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.

<u>Contributions to PEP</u>	
<u>2013</u>	<u>2014</u>
\$ 38,566	\$ 38,841

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.

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY
LICKING COUNTY**

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

6. Related Party Transactions

The following table summarizes related party transactions that occurred during the audit period:

<u>Related Party</u>	<u>Position</u>	<u>Vendor</u>	<u>Relationship</u>	<u>2013</u>	<u>2014</u>
Arter, Rodney	Director	Graybar Electric	Salesman	\$ 2,183	\$ 14,266
Donaldson, Mark	Director	Lowes	Supervisor/Sales	6,467	4,336
Evans, Darl	Director	Licking County Sheriff	Deputy	30,266	27,859
Fisher, Richard	Director	D&D Agri Hauling	Trucking/Farmer	51,110	39,990
Hall, Stan	Director	M&H Screen Printing	Partner	6,929	6,486
Jacks, Bill	Director	BJ Electric	Electrician	10,721	11,682
Small, Daniel	Director, President	D&L Grain/Hardware	Salesman	2,687	3,569

7. Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scouts, Girl Scouts, and FCCLA organization representatives, is responsible for the Junior Fair Division activities of the Hartford Independent Fair. The Junior Fair Board activity is accounted for within the accounting records of the Society and is reflected in the accompanying financial statement. The Society subsidizes the Junior Fair Division to the extent necessary each year.

8. Junior Fair Board 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 through the Hartford Independent Junior Livestock auction. A commission of two percent on exhibitor's gross sale 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 year ended November 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$ 23,464	\$ 7,359
Receipts	886,852	801,570
Disbursements	<u>(895,675)</u>	<u>(785,465)</u>
Ending Cash Balance	<u>\$ 14,641</u>	<u>\$ 23,464</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*

Hartford Independent Agricultural Society
Licking County
14028 Fairground Road
PO Box 317
Croton, Ohio 43013-0317

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 statement of Hartford Independent Agricultural Society, Licking County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statement and have issued our report thereon dated October 27, 2015 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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 statement is 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

October 27, 2015



Dave Yost • Auditor of State

HARTFORD INDEPENDENT AGRICULTURAL SOCIETY

LICKING 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
NOVEMBER 24, 2015**