

**HARTFORD INDEPENDENT  
AGRICULTURAL SOCIETY**  
LICKING COUNTY, OHIO

**REGULAR AUDIT**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2020 AND 2019**



OHIO AUDITOR OF STATE  
KEITH FABER



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Columbus, Ohio 43215  
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(800) 282-0370

Board of Directors  
Hartford Independent Agricultural Society  
14028 Fairground Road  
PO Box 317  
Croton, Ohio 43013

We have reviewed the *Independent Auditor's Report* of Hartford Independent Agricultural Society, Licking County, prepared by Julian & Grube, Inc., for the audit period December 1, 2018 through November 30, 2020. 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.

The Auditor of State is currently conducting an investigation at the Society. The investigation is ongoing and control and compliance issues, if any, related to this investigation will be addressed in future audit reports.

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. Hartford Independent Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

October 05, 2021

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**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY  
LICKING COUNTY, OHIO**

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## Independent Auditor's Report

Hartford Independent Agricultural Society  
Licking County  
14028 Fairground Road  
P.O. Box 317  
Croton, Ohio 43013

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and the related notes of the Hartford Independent Agricultural Society, Licking County, Ohio.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hartford Independent Agricultural Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hartford Independent Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2, the financial statements are prepared by the Hartford Independent Agricultural Society, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Hartford Independent Agricultural 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 "Unmodified 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 Hartford Independent Agricultural Society, as of November 30, 2020 and November 30, 2019, or changes in net position, or cash flows thereof for the fiscal years then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and related notes of the Hartford Independent Agricultural Society in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2.

***Emphasis of Matters***

As described in Note 11 to the financial statements for the fiscal year ended November 30, 2019, the beginning cash balance was restated to account for previously unreported activity related to the issuance and principal payments of the Mortgage Note for the Hondros Beef Barn. Furthermore, as described in Notes 12 to the financial statements for the fiscal years ended November 30, 2020 and 2019, a former employee of the Hartford Independent Agricultural Society used monies for personal gains and the Society is in the process of reacquiring those improperly spent funds. These items are reported as Special Items in the financial statements. As described in Note 13 to the financial statements for the fiscal year ended November 30, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Hartford Independent Agricultural Society. Our opinions are not modified with respect to these matters.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, on our consideration of the Hartford Independent Agricultural Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hartford Independent Agricultural Society's 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 Hartford Independent Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
August 27, 2021



**Hartford Independent Agricultural Society**  
*Licking County*  
*Statement of Receipts, Disbursements and*  
*Change in Fund Balance (Regulatory Cash Basis)*  
*For the Fiscal Year Ended November 30, 2020*

---

**Operating Receipts**

|                           |               |
|---------------------------|---------------|
| Taxes                     | \$48          |
| Admissions                | 8,229         |
| Privilege Fees            | 32,216        |
| Rentals                   | 267,163       |
| Sustaining and Entry Fees | 21,535        |
| Other Operating Receipts  | <u>23,249</u> |

*Total Operating Receipts* 352,440

**Operating Disbursements**

|                                   |               |
|-----------------------------------|---------------|
| Wages and Benefits                | 118,513       |
| Utilities                         | 68,119        |
| Professional Services             | 71,493        |
| Equipment and Grounds Maintenance | 36,732        |
| Property and Rent Services        | 81,624        |
| Race Purse                        | 86,907        |
| Senior Fair                       | 4,033         |
| Junior Fair                       | 89,143        |
| Capital Outlay                    | 356,762       |
| Other Operating Disbursements     | <u>48,828</u> |

*Total Operating Disbursements* 962,154

*Excess (Deficiency) of Operating Receipts  
Over (Under) Operating Disbursements* (609,714)

**Non-Operating Receipts (Disbursements)**

|                         |                |
|-------------------------|----------------|
| State Support           | 63,805         |
| Local Support           | 47,620         |
| Donations/Contributions | 499,012        |
| Investment Income       | 8,378          |
| Debt Service            | <u>(1,052)</u> |

*Net Non-Operating Receipts (Disbursements)* 617,763

Special Item (3,315)

*Excess (Deficiency) of Receipts Over (Under) Disbursements* 4,734

Cash Balance, Beginning of Year 730,966

*Cash Balance, End of Year* \$735,700

**Hartford Independent Agricultural Society  
Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**NOTE 1 - REPORTING ENTITY**

The Agricultural Society of Hartford Independent (the Society), Licking 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 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, culminating in the running of the Ohio Harness Horseman's Association. 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, Knox County (Hilliar, Centerburg, Milford & Miller Townships), Delaware County (Berkshire, Harlem, Porter & Trenton Township) and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year-round activities at the fairgrounds including facility rental, track and stall rental, and community events. This reporting entity does not include any other activities or entities of Licking County, Ohio.

Notes 10 & 11, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity. The Junior Fair Board's financial activity is reported in the Society's financial statement. The Junior Livestock Sale Committee's financial activity is not reported in the Society's financial statement.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Basis of Accounting**

This financial statement follows 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.

**Deposits and Investments**

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Society did not have any investments for the fiscal year ended November 30, 2020.

**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**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 statement does 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**

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 the Ohio Fair Racing Conference pay fees to the Society to qualify horses for entry into stake races. They must make payments 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. The Society did not report any Pari-mutuel Wagering Commission receipts for the fiscal year ended November 30, 2020. See Note 4 for additional information.

**NOTE 3 - DEPOSITS**

The Society maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30 was as follows:

|                         |                         |
|-------------------------|-------------------------|
|                         | 2020                    |
| Demand deposits         | <u>\$309,537</u>        |
| Certificates of deposit | 426,163                 |
| Total deposits          | <u><u>\$735,700</u></u> |

Deposits are insured by the Federal Deposit Insurance Corporation.

**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**NOTE 4 - HORSE RACING**

**State Support Portion of Purse**

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2020, in the amount of \$7,788 as State Support.

**Pari-mutuel Wagering**

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

In 2020, no wagering was allowed in the State of Ohio at the time of the Hartford Fair's Horse Racing.

**NOTE 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 Workers' Compensation.

**Risk Pool Membership**

The Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Society's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2020:

|                       | <u>2020</u>   |
|-----------------------|---------------|
| Cash and investments  | \$ 40,318,971 |
| Actuarial liabilities | \$ 14,111,510 |

**Hartford Independent Agricultural Society  
Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**NOTE 6 - SOCIAL SECURITY**

Society employees contributed 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, 2020.

**NOTE 7 - DEBT**

Debt outstanding at November 30, 2020 was as follows: \$60,000 Mortgage First Federal Savings and Loan.

|                                    | <u>Principal</u>       | <u>Interest Rate</u> |
|------------------------------------|------------------------|----------------------|
| Note Payable for Hondros Beef Barn | <u>\$60,000</u>        | 1.00%                |
| Total                              | <u><u>\$60,000</u></u> |                      |

The \$60,000 Hondros Beef Barn Note bears an interest rate of 1 % percent over average Certificate of Deposit current rates, payable to First Federal that varies with the Society's Certificate of Deposit Rates. The note was entered into on August 2, 2017, and matures at an undetermined time, as long as the Society has Certificate of Deposits at First Federal Savings & Loan. Proceeds of the note were used to build a barn and are collateralized by the Society's Certificate of Deposits. Since the note matures at an undetermined time, there is no future amortization schedule.

**NOTE 8 - CONTINGENCIES**

**Contingent Liabilities**

During the fiscal year ended November 30, 2020, the Society received \$162,830 in camping rental receipts (a component of the Rentals as presented on the financial statement). Of this amount, \$89,000 is considered a contingent liability due to COVID-19. Camping rental customers who were not allowed to camp in 2020 due to Ohio Mandates were given the choice of one of the following options: to receive a cash refund, to receive a credit to be applied to their 2021 Camping Application or to donate the Camping Application payment to the Society. Management cannot presently determine amounts camping rental customers will request to be refunded, credited or donated. As a result, 2021 rental receipts and associated disbursements could appear to be skewed when comparing financial statement amounts between fiscal years.

**Litigation**

The Society may be a plaintiff in a lawsuit. Although management cannot presently determine the outcome of the suit, management believes that the resolution of these matters will not materially adversely affect the Society's financial condition.

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**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**NOTE 9 - RELATED PARTY TRANSACTIONS**

Darl Evan, Director Sheriff, is the Sheriff for Licking County. The Society hired security in the amount of \$8,715.

Richard Fisher, Director, is associated with D&D Agri Hauling Inc. The Society hired D&D Agri Hauling Inc. to haul gravel, limestone, and other stones in the amount of \$20,659.

Bill Jacks, Director, is the owner of BJ's Electrical Service. The Society hired him to perform upgrades to the Hay Barn for an amount of \$38,550.

Dan Small, Director, who is associated with Utica Feed & Hardware, was hired by the Society to perform ground maintenance for an amount of \$2,973.

Ed Hoskinson, Director, owner of Hoskinson Co. Inc., was hired for screenings and limestone for an amount of \$4,682.

**NOTE 10 - JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scouts, Girl Scouts, and Farm Bureau Youth 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 account records of the Society and are reflected in the accompanying financial statement. The Society subsidizes the Junior Fair Division to the extent necessary each year.

**NOTE 11 - 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 Hartford Independent Junior Livestock auction. A commission of 2 percent 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 fiscal year ended November 30, 2020 follows:

|                        |                  |
|------------------------|------------------|
|                        | <u>2020</u>      |
| Beginning Cash Balance | \$ 31,664        |
| Receipts               | 882,838          |
| Disbursements          | <u>(885,183)</u> |
| Ending Cash Balance    | <u>\$ 29,319</u> |

**NOTE 12 – SPECIAL ITEM**

Special Items are transactions or events that are within the control of the Society and are either unusual in nature or infrequent in occurrence. For the year ended November 30, 2020, the Society identified \$3,315 in which a previous employee of the Society used Society funds for personal uses. The Society is in the process of reacquiring these funds. These items are identified as Special Item on the financial statement.

**Hartford Independent Agricultural Society  
Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2020

**NOTE 13 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. In addition, the impact on the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**NOTE 14 – ACCOUNTABILITY AND COMPLIANCE**

The Society was in noncompliance with Ohio Administrative Code Section 117-2-01 (B) and Section 117-2-01(D)(4).

**Hartford Independent Agricultural Society**  
*Licking County*  
*Statement of Receipts, Disbursements and*  
*Change in Fund Balance (Regulatory Cash Basis)*  
*For the Fiscal Year Ended November 30, 2019*

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|   |                         |
|---|-------------------------|
| <b>Operating Receipts</b>   |                         |
| Taxes   | \$127                   |
| Admissions  | 425,757                 |
| Privilege Fees  | 140,556                 |
| Rentals   | 262,408                 |
| Sustaining and Entry Fees   | 13,902                  |
| Pari-mutuel Wagering Commission   | 391                     |
| Other Operating Receipts  | <u>52,639</u>           |
| <i>Total Operating Receipts</i>   | <u>895,780</u>          |
| <b>Operating Disbursements</b>  |                         |
| Wages and Benefits  | 163,007                 |
| Utilities   | 90,128                  |
| Professional Services   | 204,448                 |
| Equipment and Grounds Maintenance   | 34,172                  |
| Property and Rent Services  | 134,519                 |
| Race Purse  | 83,000                  |
| Senior Fair   | 41,427                  |
| Junior Fair   | 74,587                  |
| Capital Outlay  | 80,227                  |
| Other Operating Disbursements   | <u>163,448</u>          |
| <i>Total Operating Disbursements</i>  | <u>1,068,963</u>        |
| <i>Excess (Deficiency) of Operating Receipts</i><br><i>Over (Under) Operating Disbursements</i> | <u>(173,183)</u>        |
| <b>Non-Operating Receipts (Disbursements)</b>   |                         |
| State Support   | 14,101                  |
| Local Support   | 51,420                  |
| Donations/Contributions   | 201,544                 |
| Investment Income   | 3,320                   |
| Sale of Assets  | 50                      |
| Debt Service  | <u>(61,534)</u>         |
| <i>Net Non-Operating Receipts (Disbursements)</i>   | <u>208,901</u>          |
| Special Item  | (14,227)                |
| <i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>                               | 21,491                  |
| Cash Balance, Beginning of Year (Restated)  | <u>709,475</u>          |
| <i>Cash Balance, End of Year</i>  | <u><u>\$730,966</u></u> |



**Hartford Independent Agricultural Society  
Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2019

**NOTE 1 - REPORTING ENTITY**

The Agricultural Society of Hartford Independent (the Society), Licking 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 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, culminating in the running of the Ohio Harness Horseman's Association. 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, Knox County (Hilliar, Centerburg, Milford & Miller Townships), Delaware County (Berkshire, Harlem, Porter & Trenton Township) and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. This includes the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year-round activities at the fairgrounds including facility rental, track and stall rental, and community events. This reporting entity does not include any other activities or entities of Licking County, Ohio.

Notes 9 & 10, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity. The Junior Fair Board's financial activity is reported in the Society's financial statement. The Junior Livestock Sale Committee's financial activity is not reported in the Society's financial statement.

The Society's management believes this financial statement presents all activities for which the Society is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Basis of Accounting**

This financial statement follows 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.

**Deposits and Investments**

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Society did not have any investments for the fiscal year ended November 30, 2019.

**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2019

**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 statement does 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**

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 the Ohio Fair Racing Conference pay fees to the Society to qualify horses for entry into stake races. They must make payments 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.

**NOTE 3 - DEPOSITS**

The Society maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at November 30 was as follows:

|                         |                         |
|-------------------------|-------------------------|
|                         | 2019                    |
| Demand deposits         | <u>\$311,649</u>        |
| Certificates of deposit | 419,317                 |
| Total deposits          | <u><u>\$730,966</u></u> |

Deposits are insured by the Federal Deposit Insurance Corporation.

**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2019

**NOTE 4 - HORSE RACING**

**State Support Portion of Purse**

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2019, in the amount of \$7,543 as State Support.

**Pari-mutuel Wagering**

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, rather, it records the Pari-mutuel Wagering 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 the Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

|                                |                     |
|--------------------------------|---------------------|
|                                | <u>2019</u>         |
| Total Amount Bet (Handle)      | \$ 12,441           |
| Less: Payoff to Bettors        | <u>(9,881)</u>      |
| Parimutuel Wagering Commission | 2,560               |
| Tote Service Set Up Fee        | (600)               |
| Tote Service Commission        | (1,569)             |
| State Tax                      | <u>(292)</u>        |
| Society Portion                | <u><u>\$ 99</u></u> |

**NOTE 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 Workers' Compensation.

**Risk Pool Membership**

The Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Society's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Hartford Independent Agricultural Society  
Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2019

**NOTE 5 - RISK MANAGEMENT – (Continued)**

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31, 2019:

|                       | <u>2019</u>   |
|-----------------------|---------------|
| Cash and investments  | \$ 38,432,610 |
| Actuarial liabilities | \$ 14,705,917 |

**NOTE 6 - SOCIAL SECURITY**

Society employees contributed 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, 2019.

**NOTE 7 - DEBT**

Debt outstanding at November 30, 2019 was as follows: \$60,000 Mortgage First Federal Savings and Loan.

|                                    | <u>Principal</u> | <u>Interest Rate</u> |
|------------------------------------|------------------|----------------------|
| Note Payable for Hondros Beef Barn | \$60,000         | 1.00%                |
| Total                              | \$60,000         |                      |

The \$60,000 Hondros Beef Barn Note bears an interest rate of 1 % percent over average Certificate of Deposit current rates, payable to First Federal that varies with the Society's Certificate of Deposit Rates. The note was entered into on August 2, 2017, and matures at an undetermined time, as long as the Society has Certificate of Deposits at First Federal Savings & Loan. Proceeds of the note were used to build a barn and are collateralized by the Society's Certificate of Deposits. Since the note matures at an undetermined time, there is no future amortization schedule.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

Darl Evan, Director Sheriff, is the Sheriff for Licking County. The Society hired security in the amount of \$35,038 for the 7-day event of the 2019 Fair.

Richard Fisher, Director, is associated with D&D Agri Hauling Inc. The Society hired D&D Agri Hauling Inc. to haul gravel, limestone, and other stones for the fair in the amount of \$4,621.

Bill Jacks, Director, is the owner of BJ's Electrical Service. The Society hired him to perform upgrades to the Hay Barn for an amount of \$30,709.

Dan Small, Director, who is associated with Utica Feed & Hardware, was hired by the Society to perform ground maintenance for an amount of \$1,401.

**Hartford Independent Agricultural Society**  
**Licking County**

Notes to the Financial Statement  
For the Fiscal Year Ended November 30, 2019

**NOTE 9 - JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scouts, Girl Scouts, and Farm Bureau Youth 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 account records of the Society and are reflected in the accompanying financial statement. The Society subsidizes the Junior Fair Division to the extent necessary each year.

**NOTE 10 - 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 Hartford Independent Junior Livestock auction. A commission of 2 percent 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 fiscal year ended November 30, 2019 follows:

|                        | 2019               |
|------------------------|--------------------|
| Beginning Cash Balance | \$ 20,061          |
| Receipts               | 1,084,939          |
| Disbursements          | <u>(1,073,336)</u> |
| Ending Cash Balance    | <u>\$ 31,664</u>   |

**NOTE 11 – BEGINNING FUND BALANCE RESTATEMENT**

In August 2017, the Society issued a Mortgage Note with First Federal Savings and Loan for the construction of the Hondros Beef Barn. However, this issuance and subsequent principal payments were not properly reported for the fiscal years ended November 30, 2017 and November 30, 2018. The fund balance for the fiscal year ended November 30, 2018 has been restated from \$650,609 to \$709,475 to account for this previously unreported activity.

**NOTE 12 – SPECIAL ITEM**

Special Items are transactions or events that are within the control of the Society and are either unusual in nature or infrequent in occurrence. For the year ended November 30, 2019, the Society identified \$14,227 in which a previous employee of the Society used Society funds for personal uses. The Society is in the process of reacquiring these funds. These items are identified as Special Item on the financial statement.

**NOTE 13 – ACCOUNTABILITY AND COMPLIANCE**

The Society was in noncompliance with Ohio Administrative Code Section 117-2-01 (B) and Section 117-2-01(D)(4).

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Hartford Independent Agricultural Society  
Licking County  
14028 Fairground Road  
P.O. Box 317  
Croton, Ohio 43013

To the Board of Directors:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements of the Hartford Independent Agricultural Society, Licking County, Ohio, as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and the related notes to the financial statements and have issued our report thereon dated August 27, 2021, wherein we noted as described in Note 2 to the financial statements, the Hartford Independent Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as described in Note 11 to the financial statements for the fiscal year ended November 30, 2019, the beginning cash balance was restated to account for previously unreported activity related to the issuance and principal payments of the Mortgage Note for the Hondros Beef Barn. Additionally, as described in Notes 12 to the financial statements for the fiscal years ended November 30, 2020 and 2019, a former employee of the Hartford Independent Agricultural Society used monies for personal gains and the Society is in the process of reacquiring those improperly spent funds. These items are reported as Special Items in the financial statements. As described in Note 13 to the financial statements for the fiscal year ended November 30, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Hartford Independent Agricultural Society.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Hartford Independent Agricultural Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hartford Independent Agricultural Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hartford Independent Agricultural Society's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hartford Independent Agricultural Society's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 through 2020-003 that we consider to be material weaknesses.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Hartford Independent Agricultural Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-003.

***Hartford Independent Agricultural Society's Responses to Findings***

The Hartford Independent Agricultural Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Hartford Independent Agricultural Society's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hartford Independent Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hartford Independent Agricultural Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
August 27, 2021

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2020 AND 2019**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|--|----------|
| Finding Number   | 2020-001 |

Material Weakness - Admission Receipts

Strong internal control policies and procedures over admission receipts are an important aspect of the Society’s operation. All tickets for admittance to the fair and its events should be consecutively pre-numbered. Separate tickets should be used to account for each type of admission. The numbered sequence of tickets given to distribution locations should be recorded. All unsold tickets and cash for sold tickets should be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt should be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office should be reconciled against the pre-numbered tickets. Separate reconciliations should be performed for groups of tickets assigned to each local merchant for sale.

The Society did not complete a ticket summary sheet or adequately track daily admission receipts for one gate for one particular day during the 2019 fair. The amount deposited for this gate was \$2,189.

By not completing ticket summary sheets along with maintaining adequate support, the Society could allow errors and/or irregularities to occur and remain undetected for an extended period of time. This also creates the opportunity for money to be misplaced, or even theft.

We recommend the Society’s Management and Board of Directors take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Hartford Independent Agricultural Society regarding admission receipts. We also recommend the Society maintain a reconciliation form with the first and last ticket sold attached, counted and signed by at least two people, which should agree to the admission ticket deposit. Further, discrepancies on the reconciliation should be investigated.

*Client Response:* The Society has implemented new policies regarding Admission Tickets. The Society’s Treasurer, Director and Office Manager review the Admission Tickets daily. The funds and tickets are individually balanced and reconciled by each person mentioned above. This process was implemented for the 2021 Hartford Fair. The recommended step of attaching the first and last ticket sold to the ticket reconciliation, along with a double signature on the reconciliation form will be added to the policy for the 2022 Hartford Fair.

|                |          |
|----------------|----------|
| Finding Number | 2020-002 |
|----------------|----------|

Material Weakness - Financial Statement Presentation

Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Control and monitoring activities typically associated with the period-end financial reporting process include reviewing and approving manual journal entries, consolidating entries, and any entries that are recorded directly to the financial statement. For the Society, this could also include reviewing the fiscal year-end QuickBooks detailed reports to ensure activity is reported in the correct line items.

Certain adjustments were made to the financial statements and note disclosures to properly state amounts for the fiscal years ended November 30, 2020 and 2019. The audited financial statements and note disclosures have been adjusted for the misstatements identified during the audit.



**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2020 AND 2019**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b> |                        |
|--|------------------------|
| Finding Number   | 2020-002 - (Continued) |

A lack of proper policies and procedures for control and monitoring activities associated with the period-end financial reporting process could lead to financial statement and note disclosure adjustments, which if uncorrected, could lead to a misrepresentation of the Society’s activity.

We recommend the Society design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Society should consider having an outside third-party, or board member with financial experience, perform a second review of the financial report prior to filing in the Hinkle System. Further, the Society should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements. Further, we recommend the Society incorporate the adjustments from this audit into its future unaudited financial statements submitted via the Hinkle System.

*Client Response:* The Fair Secretary is required to review monthly: a detailed activity report, reconciliations, adjusting journal entry reports and bank statements. The reports are available to all 27 Directors for review at any time during the year. Reconciliations are now completed the first week of the following month for all accounts with activity. The Executive Committee will review Financial Reports prior to filing in the Hinkle System. The Society will contact the auditor with any questions or unfamiliar situations that arise regarding proper cash basis accounting. The Society will incorporate adjustments from this audit into its future unaudited financial statements submitted via the Hinkle System.

|                |          |
|----------------|----------|
| Finding Number | 2020-003 |
|----------------|----------|

Material Weakness/Noncompliance – Control Design and Segregation of Duties

Ohio Administrative Code (OAC) § 117-2-01(B) states that “internal control” means a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) reliability of financial reporting; (2) effectiveness and efficiency of operations; (3) compliance with applicable laws and regulations; and (4) safeguarding of assets against unauthorized acquisition, use or disposition. Furthermore, Ohio Administrative Code (OAC) § 117-2-01(D)(4) states that when designing the public office’s system of internal control and the specific control activities, management should consider adequate segregation of duties or compensating controls.

There is insufficient segregation of duties within the Society, specifically over disbursements. The Society had two circumstances in which segregation of duties and the controls in place were not properly executed. The Society received a proper, official invoice from a vendor. When attempting to pay this vendor, a former Society employee wrote and signed a check that should have been intended to pay the vendor; however, the employee wrote and signed the check to herself instead of the vendor. The check was then signed by another Society employee, through the use of a signature stamp, without proper review by the supervising employee.

Secondly, the same former Society employee was creating and endorsing her own timesheet without a second review.

With the lack of segregation of duties, and the lack of effectiveness and efficiency of controls in place to prevent, detect, and deter fraud, this allows for a window of opportunity for fraud to take place.

**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY  
LICKING COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2020 AND 2019**

| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b> |                        |
|--|------------------------|
| Finding Number   | 2020-003 - (Continued) |

We recommend the Society take the steps necessary to improve all aspects of “internal controls”, and most importantly, creating controls that have a proper segregation of duties and effectively and efficiently operating the internal controls that are set in place to prevent, detect, and deter fraud. Examples include, but are not limited to, having additional employees or Board members review and sign checks and timesheets. Additional reviews would help timely identify, prevent and correct potential errors.

*Client Response:* Internal controls regarding check writing and payment processing policies have drastically changed, the current policy allows for no stamps on any checks or documents. We have only three directors that are authorized signers for accounts. The office manager that processes payments is not an authorized signer for account, assisting with the segregation of duties. Checks must be attached to the actual invoice or timesheet for review by two of the three eligible signers. The Office Manager does a timesheet review of hourly employees that work in the fair office and the Fair Secretary completes a review of timesheets for hourly employees that work outside on the grounds. No one person reviews or signs off on their own timesheets.

# OHIO AUDITOR OF STATE KEITH FABER



**HARTFORD INDEPENDENT AGRICULTURAL SOCIETY**

**LICKING COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/19/2021**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)