

Hamilton County Agricultural Society  
Hamilton County  
Regular Audit  
For the Years Ended November 30, 2014 and 2013



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# Dave Yost • Auditor of State

Board of Trustees  
Hamilton County Agricultural Society  
7700 Vine Street  
Cincinnati, Ohio 45216

We have reviewed the *Independent Auditor's Report* of the Hamilton County Agricultural Society, Hamilton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2012 through November 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Hamilton County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

December 20, 2016

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**Hamilton County Agricultural Society**  
**Hamilton County**  
*Table of Contents*  
*For the Years Ended November 30, 2014 and 2013*

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Title	Page
Independent Auditor's Report.....	1
Statement of Receipts, Disbursements and Changes in Fund Balances (Cash Basis) –For the Years Ended November 30, 2014 and 2013 .....	3
Notes to the Financial Statements .....	4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	7
Schedule of Findings and Responses .....	9

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**Independent Auditor's Report**

Hamilton County Agricultural Society  
7700 Vine Street  
Cincinnati, OH 45216

***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements and related notes of the Hamilton County Agricultural Society, Hamilton County, (the Society) as of and for the years ended November 30, 2014 and 2013.

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

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to 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 us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

As described in Note 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory basis of accounting and GAAP are not reasonably determinable, we presume they are material.



The Society was unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of admissions, privilege fees, other operating receipts, and donations/contributions in 2014 or 2013. The Society could not locate admission receipts or ticket reconciliations for 2013 and they did not maintain ticket support for admissions in 2014 or 2013 for the demolition derby. Further the Society did maintain ticket reconciliations for the 2014 fair week and we noted three days out of the five days tested where the amount deposited by the Society did not agree to the amount that should have been deposited based on the number of tickets sold on the ticket tally sheets. It was also noted that the Society did not always maintain support for other receipts, such as privilege fees, other operating receipts and donations and contributions, collected during 2013 and 2014.

The Society was also unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of disbursements. Supporting documentation was not available for the payment of invoices in both 2013 and 2014 which totaled to material amounts.

We were unable to obtain sufficient and appropriate audit evidence to determine the accuracy of the financial statement classifications of receipts or disbursements, and therefore, also fund cash balances. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Disclaimer of Opinion***

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, 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.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

August 30, 2016



**Hamilton County Agricultural Society**  
*Statement of Receipts, Disbursements, and  
Change in Fund Balances (Cash Basis)*  
For the Years Ended November 30, 2014 and 2013

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	2014	2013
Operating Receipts:		
Admissions	\$82,479	\$59,363
Privilege Fees	35,332	5,755
Rentals	58,069	87,140
Sustaining and Entry Fees	791	3,115
Other Operating Receipts	24,015	15,463
Total Operating Receipts	200,686	170,836
Operating Disbursements:		
Wages and Benefits	29,234	45,324
Utilities	43,574	40,775
Professional Services	8,249	41,925
Equipment and Grounds Maintenance	8,350	21,874
Senior Fair	13,547	7,514
Junior Fair	10,539	12,609
Other Operating Disbursements	109,643	52,691
Total Operating Disbursements	223,136	222,712
Deficiency of Operating Receipts Under Operating Disbursements	(22,450)	(51,876)
Non-Operating Receipts		
State Support	0	2,001
County Support	0	4,060
Donations/Contributions	30,826	39,202
Total Non-Operating Receipts	30,826	45,263
Excess (Deficiency) of Receipts Over (Under) Disbursements	8,376	(6,613)
Cash Balance, Beginning of Year	20,879	27,492
Cash Balance, End of Year	\$29,255	\$20,879

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

**Hamilton County Agricultural Society**  
*Notes to the Financial Statements*  
*For the Years Ended November 30, 2014 and 2013*

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**Note 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 Hamilton County Agricultural Society, Hamilton 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 1853 to operate an annual agricultural fair. The Society sponsors the week-long Hamilton County Fair during August. Hamilton County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of fifteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Hamilton County and pay an annual membership fee to the Society.

**Reporting Entity**

This reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, and other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Hamilton County, Ohio.

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

**B. Basis of Accounting**

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and disbursements when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Society maintains all money in demand deposits and held no investments. Interest earned is recognized and recorded when received.

**D. Property, Plant, and Equipment**

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

**E. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509(a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**Hamilton County Agricultural Society**  
*Notes to the Financial Statements*  
For the Years Ended November 30, 2014 and 2013

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**Note 2 – Deposits**

The carrying amount of deposits at year end was as follows:

	<u>2014</u>	<u>2013</u>
Demand Deposits	\$ 29,255	\$ 20,879

The Society’s deposits were fully insured by the Federal Deposit Insurance Corporation.

**Note 3 - Risk Management**

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Hamilton County Commissioners provide general insurance coverage for all the buildings on the Hamilton County Fairgrounds pursuant to Ohio Revised Code Section 1711.24.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

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 judgements, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

**A. 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.

**B. 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	\$21,651,689	\$23,038,920

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 \$15,000.

**Hamilton County Agricultural Society**  
*Notes to the Financial Statements*  
*For the Years Ended November 30, 2014 and 2013*

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**Note 3 - Risk Management (Continued)**

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	
2013	2014
<u>\$0</u>	<u>\$18,988</u>

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.

**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***

Hamilton County Agricultural Society  
7700 Vine Street  
Cincinnati, OH 45216

We were engaged to audit, in accordance with 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 Hamilton County Agricultural Society, Hamilton County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated August 30, 2016, 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. Our report disclaims an opinion on such financial statements because we were not able to obtain sufficient appropriate audit evidence to support an audit opinion.

**Internal Control Over Financial Reporting**

In connection with our engagement to audit the financial statements of the Society, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 were not identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Finding and Responses as items 2014-001 through 2014-004 that we consider to be material weaknesses.



### **Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the Society, 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, if the scope of our work had been sufficient to enable us to express an opinion on the basic financial statements, instances of noncompliance or other matters may have been identified and reported herein.

### **Society's Response to Findings**

The Society's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 Society's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP  
President/Owner  
Millhuff-Stang, CPA, Inc.  
Portsmouth, Ohio

August 30, 2016

**Hamilton County Agricultural Society**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended November 30, 2014 and 2013*

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**Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS**

**Finding 2014-001 – Material Weakness - Receipts**

Proper controls over receipts is a pertinent internal control to provide assurance that collections are accurate and complete.

During testing, we noted that the Society could not locate admission receipts or ticket reconciliations for 2013. It was also noted that the Society did not maintain ticket support for admissions in 2014 or 2013 for the demolition derby. The Society did maintain ticket reconciliations for the 2014 fair week, however we noted three days out of the 5 days tested where the amount deposited by the Society did not agree to the amount that should have been deposited based on the number of tickets sold on the ticket tally sheets. It was also noted that the Society did not always maintain support for other receipts, such as privilege fees, other operating receipts, and donations and contributions, collected during 2013 and 2014.

Failure to implement proper controls could result in errors in accounting for receipts or in undetected theft of funds.

The Society should implement additional controls over the admissions and receipting process, including formal documentation of reconciliations of collections to ticket sales, to ensure that admissions are properly accounted for and supporting documentation is maintained for all receipts. Furthermore, a review of the admission reconciliation should be performed by a supervisor or other official to provide additional assurance as to the accuracy of deposits.

***Client Response:***

We believe file regarding 2013 admissions was mistakenly destroyed by former organizations Secretary who was seen cleaning offices prior to his leaving of the fairgrounds property even though he had no authority to remove or destroy any records. Control has always been in place but the controls for 2013 were lax as the treasurer that year counted the money from gate receipts and verified that also. In 2014 we went back to an independent person whom volunteers her time and counts and reconciles the money with the ticket count.

Bank deposits are not going to agree as the smaller bills are kept out during fair week in order to keep a 'bank' on premises during the week in order to provide start up tills each day for the gates and beer concessions. Change is occasionally provided to vendors as the onsite ATM machine only provides \$20 bills and you have very limited access to banking institutions after their close of business on Friday evening and with fair continuing through Sunday evening it only makes sense to retain the smaller bills for the onsite 'bank'. Seems like common sense on that situation.

Proper controls are in place in this matter!

**Finding 2014-002 – Material Weakness – Maintaining Proper Supporting Documentation**

Maintenance of supporting documentation is an integral part of a sound, properly functioning control environment to ensure that a sufficient audit trail is maintained to support assertions of accuracy and to prove proper public purpose.

The Society incurred multiple instances where supporting documentation was not available for the payment of invoices in both 2013 and 2014. Not maintaining supporting documentation could result in the Society paying for goods and services not received or approved and results in an insufficient audit trail.

The Society should implement procedures to ensure that supporting documentation for all purchases of goods and services are maintained and attached to the check stub.

**Hamilton County Agricultural Society**  
**Hamilton County**  
*Schedule of Findings and Responses*  
*For the Years Ended November 30, 2014 and 2013*

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**Finding 2014-002 – Material Weakness – Maintaining Proper Supporting Documentation (Continued)**

***Client Response:***

Several ‘treasurer’s’ were involved in this time period with no formal training in financial reporting experience, their thought process was I need to write checks and make bank deposits. Adjustments have been made in the process.

**Finding 2014-003 – Material Weakness – Financial Reporting**

A monitoring system by the Society should be in place to prevent or detect misstatements for the fair presentation of the Society’s financial statements, and which would also include assurance that changes in accounting pronouncements are properly implemented, as applicable. Various errors were identified during the course of testing. It was also noted that the report that was filed with the Department of Agriculture did not agree to the clients records.

The Society should implement monitoring procedures to ensure that items are properly recorded and classified during the fiscal year and the report that is filed with the Department of Agriculture agrees to the Society’s records.

***Client Response:***

Adjustments have been made in this area as record keeping is more in line with required state documentation. Based upon current history with this audit I venture to guess this was similar in the past but never corrected with this volunteer organization.

**Finding 2014-004 – Material Weakness – Bank Reconciliations**

When designing the Society’s system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

The Treasurer did not prepare monthly bank reconciliations to reconcile the bank statements to the Society’s records. Not performing these monthly reconciliations resulted in errors that went undetected by the Treasurer. This resulted in the Society’s financial records being inaccurate and carrying incorrect fund balances.

The Treasurer should perform monthly reconciliations in a timely manner so that reconciling items can be easily identified and corrections, if necessary, can be made in a timely manner. Further, these reconciliations should be reviewed and approved by the Board.

***Client Response:***

Prior treasurer’s thought process was to write checks to pay the bills and deposit into bank account the receipts that the organization received.

This issue has been corrected.





# Dave Yost • Auditor of State

HAMILTON COUNTY AGRICULTURAL SOCIETY

HAMILTON 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  
DECEMBER 29, 2016