



Dave Yost • Auditor of State

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Putnam County Agricultural Society
Putnam County
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Putnam County Agricultural Society, Putnam County, Ohio (the Society) as of and for the years ended November 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 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 accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2016 and 2015, or changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

The Society's Enterprise Fund cash receipts are reported as \$381,900 and \$375,943 for the years ended November 30, 2016 and 2015, respectively. We were unable to obtain sufficient appropriate audit evidence supporting \$88,643 and \$66,949, which are 23 percent and 18 percent of the amounts recorded as Enterprise Fund admission cash receipts for fiscal years 2016 and 2015. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances of the Enterprise Funds of Putnam County Agricultural Society, Putnam County, Ohio as of November 30, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Agency Fund of Putnam County Agricultural Society, Putnam County, Ohio as of November 30, 2016 and 2015, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

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

August 29, 2017

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**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Receipts:			
Admissions	\$88,643		\$88,643
Privilege Fees	42,316		42,316
Rentals	36,378	\$210,150	246,528
Sustaining and Entry Fees	84,180		84,180
Pari-mutuel Wagering Commission	1,718		1,718
Other Operating Receipts	27,469		27,469
	<hr/>		<hr/>
Total Operating Receipts	280,704	210,150	490,854
	<hr/>		<hr/>
Operating Disbursements:			
Wages and Benefits	22,673		22,673
Utilities	39,884		39,884
Professional Services	38,507	2,163	40,670
Equipment and Grounds Maintenance	52,825	210,000	262,825
Race Purse	94,782		94,782
Senior Fair	16,619		16,619
Junior Fair	11,511		11,511
Other Operating Disbursements	54,117		54,117
	<hr/>		<hr/>
Total Operating Disbursements	330,918	212,163	543,081
	<hr/>		<hr/>
Excess of Operating Disbursements Over Operating Receipts	(50,214)	(2,013)	(52,227)
	<hr/>		<hr/>
Non-Operating Receipts (Disbursements):			
State Support	14,739		14,739
County Support	3,300		3,300
Donations/Contributions	83,019		83,019
Investment Income	2		2
Payroll Reimbursement	136		136
Debt Service	(3,171)		(3,171)
	<hr/>		<hr/>
Total Non-Operating Receipts (Disbursements)	98,025		98,025
	<hr/>		<hr/>
Net Change in Fund Cash Balances	47,811	(2,013)	45,798
	<hr/>		<hr/>
Cash Balances, Beginning of Year	40,217	51,614	91,831
	<hr/>		<hr/>
Cash Balances, End of Year	\$88,028	\$49,601	\$137,629
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2016**

1. Summary of Significant Accounting Policies

A. Description of the Society

The constitution and laws of the State of Ohio establish the rights and privileges of the Putnam County Agricultural Society, Putnam County, (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 1855 to operate an annual agricultural fair. The Society sponsors the week-long Putnam County Fair during June. During the fair, harness races are held, culminating in the running of the Western Ohio Super Stakes. Putnam County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 20 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Putnam County and pay an annual membership fee to the Society.

Reporting Society

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

Notes 8 and 9, 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

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Society has no investments.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)**

D. Fund Accounting

The Society uses fund accounting to segregate cash and investments that are restricted as to use. The Society classifies its funds into the following types:

Proprietary - Enterprise Fund: This fund accounts for all fair operations, where management intends to recover the significant costs of providing certain goods or services through user charges or state and county support.

Fiduciary - Agency Fund: This fund holds resources for Putnam County and disburses these funds as directed by the Putnam County Commissioners. The source of these resources is the County owned Ag Complex located next to the fairgrounds. The Society performs management services for the County by billing businesses, collecting rent, and maintaining the Ag Complex. All rent revenue collected is deposited into a separate Society checking account.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Race Purse

The Western Ohio Super Stake races are held during the Putnam County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

F. 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

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)**

financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. Deposits

The carrying amount of deposits at November 30, 2016 was as follows:

	2016
Demand deposits	\$137,629

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, 2016 was \$8,400, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors. The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2016
Total Amount Bet (Handle)	\$ 9,868
Less: Payoff to Bettors	(8,150)
Parimutuel Wagering Commission	1,718
Tote Service Set Up Fee	(800)
Tote Service Commission	(597)
State Tax	(241)
Society Portion	\$ 80

4. Debt

During 2016 the Society paid off a 2014 bank loan for the purchase of a mower. The principal and interest amounts paid off during 2016 were \$3,077 and \$94 respectively.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)**

5. Rental Agreements

The Society renewed its rental agreement in 2014, for 3.6 acres, to be used for fair parking. The current lease is for 5 years with \$1,500 due each year on December 1st through 2019.

The Society pays the County \$1 annually for rental of the fairgrounds.

6. Social Security

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2016, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries through November 30, 2016.

7. Risk Management

The Putnam County Commissioners provide general insurance coverage for all the buildings on the Putnam County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 aggregate each. This policy includes wrongful acts coverage with limits of liability of \$2,000,000. The Board Treasurer and Society's Secretary are bonded with coverage of \$20,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2017.

8. Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Putnam County Fair. The Society disbursed \$11,819 in 2016 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Putnam County paid the Society \$500 in 2016 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2016 follows:

	2016
Beginning Cash Balance	\$ 2,451
Receipts	5,758
Disbursements	(6,384)
Ending Cash Balance	\$ 1,825

9. Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2016
(Continued)**

through the Putnam County's auction. A commission of 2.5 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 year ended November 30, 2016 follows:

	2016
Beginning Cash Balance	\$ 31,703
Receipts	395,064
Disbursements	<u>(387,326)</u>
Ending Cash Balance	<u>\$ 39,441</u>

10. Other Operating Receipts

Other operating receipts in the Enterprise Fund in 2016 primarily consisted of sales, donations, and storage tax.

11. Subsequent Event

The Putnam Co Agricultural Society entered into a grant agreement with the Ohio Department of Agriculture, in 2016, for a \$50,000 grant to be used for capital improvements at the fairgrounds. This grant requires a matching portion from the Putnam County Agricultural Society of \$50,000. A waterline improvement project was started in 2017, after the required matching funds were either received or committed by donors.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCES (CASH BASIS)
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Receipts:			
Admissions	\$66,949		\$66,949
Privilege Fees	40,577		40,577
Rentals	39,589	\$173,650	213,239
Sustaining and Entry Fees	25,015		25,015
Pari-mutuel Wagering Commission	1,546		1,546
Other Operating Receipts	25,093		25,093
	<hr/>		<hr/>
Total Operating Receipts	198,769	173,650	372,419
Operating Disbursements:			
Wages and Benefits	27,144		27,144
Utilities	38,212		38,212
Professional Services	60,493	5,169	65,662
Equipment and Grounds Maintenance	57,059	36,778	93,837
Race Purse	81,022		81,022
Senior Fair	17,065		17,065
Junior Fair	11,819		11,819
Capital Outlay	1,618	119,544	121,162
Other Operating Disbursements	74,939	1,195	76,134
	<hr/>		<hr/>
Total Operating Disbursements	369,371	162,686	532,057
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<hr/>	<hr/>	<hr/>
	(170,602)	10,964	(159,638)
Non-Operating Receipts (Disbursements):			
State Support	68,695		68,695
County Support	38,300		38,300
Donations/Contributions	70,177		70,177
Investment Income	2		2
Payroll Benefits	(82)		(82)
Debt Service	(3,762)		(3,762)
	<hr/>		<hr/>
Total Non-Operating Receipts (Disbursements)	173,330		173,330
Net Change in Fund Cash Balances	2,728	10,964	13,692
Cash Balances, Beginning of Year	<hr/>	<hr/>	<hr/>
	37,489	40,650	78,139
Cash Balances, End of Year	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$40,217	\$51,614	\$91,831

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

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015**

1. Summary of Significant Accounting Policies

A. Description of the Society

The constitution and laws of the State of Ohio establish the rights and privileges of the Putnam County Agricultural Society, Putnam County, (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 1855 to operate an annual agricultural fair. The Society sponsors the week-long Putnam County Fair during June. During the fair, harness races are held, culminating in the running of the Western Ohio Super Stakes. Putnam County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 20 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Putnam County and pay an annual membership fee to the Society.

Reporting Society

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

Notes 8 and 9, 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

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

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Society has no investments.

D. Fund Accounting

The Society uses fund accounting to segregate cash and investments that are restricted as to use. The Society Village classifies its funds into the following types:

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)**

Proprietary - Enterprise Fund: This fund accounts for all fair operations, where management intends to recover the significant costs of providing certain goods or services through user charges or state and county support.

Fiduciary - Agency Fund: This fund holds resources for Putnam County and disburses these funds as directed by the Putnam County Commissioners. The source of these resources is the County owned Ag Complex located next to the fairgrounds. The Society performs management services for the County by billing businesses, collecting rent, and maintaining the Ag Complex. All rent revenue collected is deposited into a separate Society checking account.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

E. Race Purse

The Western Ohio Super Stake races are held during the Putnam County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and the Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 3 for additional information.

F. 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.

2. Deposits

The carrying amount of deposits at November 30, 2015 was as follows:

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)**

	2015
Demand deposits	\$91,831

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, 2015 was \$8,184, 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.

	2015
Total Amount Bet (Handle)	\$ 8,850
Less: Payoff to Bettors	(7,304)
Parimutuel Wagering Commission	1,546
Tote Service Set Up Fee	(800)
Tote Service Commission	(484)
State Tax	(235)
Society Portion	\$ 27

4. Debt

Debt outstanding at November 31, 2015 was as follows:

	Principal	Interest Rate
Bank Loan	\$3,077	2.00%

This bank loan was issued for \$7,300, bears an interest rate of 2 percent, and is due to the Fort Jennings State Bank. The loan was entered into on September 16, 2014 and matures September 16, 2016. Proceeds of the loan were used to purchase a mower.

Amortization of the above debt is scheduled as follows:

Year ending	Bank Loan
November 30:	
2016	\$3,077

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)**

5. Rental Agreements

The Society renewed its rental agreement in 2014, for 3.6 acres, to be used for fair parking. The current lease is for 5 years with \$1,500 due each year on December 1st through 2019.

The Society pays the County \$1 annually for rental of the fairgrounds.

6. Social Security

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2015, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries through November 30, 2015.

7. Risk Management

The Putnam County Commissioners provide general insurance coverage for all the buildings on the Putnam County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$2,000,000 aggregate each. This policy includes wrongful acts coverage with limits of liability of \$2,000,000. The Board Treasurer and Society's Secretary are bonded with coverage of \$20,000 each.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2016.

8. Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Putnam County Fair. The Society disbursed \$11,511 in 2015 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Putnam County paid the Society \$500 in 2015 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2015 follows:

	2015
Beginning Cash Balance	\$ 1,182
Receipts	2566
Disbursements	(1,297)
Ending Cash Balance	\$ 2,451

9. Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Putnam County's auction. A commission of 2.5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2015
(Continued)**

statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2015 follows:

	<u>2015</u>
Beginning Cash Balance	\$ 28,569
Receipts	434,338
Disbursements	<u>(431,204)</u>
Ending Cash Balance	<u><u>\$ 31,703</u></u>

10. Other Operating Receipts

Other operating receipts in the Enterprise Fund in 2015 primarily consisted of sales, donations and storage tax.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Putnam County Agricultural Society
Putnam County
P.O. Box 47
Ottawa, Ohio 45875-0047

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Putnam County Agricultural Society, Putnam County, Ohio, (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated August 29, 2017 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on Enterprise Fund Admission receipts for both years.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the

accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-004.

Society's Responses to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

Columbus, Ohio

August 29, 2017

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2016 AND 2015**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2016-001

Material Weakness - Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Secretary and Board of Directors, and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Society's activity.

Sustaining and Entry Fees and Donations/Contributions were overstated on the fiscal year 2015 financial statements by \$44,200 and \$10,000, respectively, and State Support was understated by \$54,200.

The Society lacked a policy regarding financial review which contributed to this material posting error, occurring without detection. Adjusting entries were posted to the Society's financial statements to correct these and other errors.

To help ensure the Society's financial statements and notes to the statements are complete and accurate, we recommend the Secretary post all transactions in accordance with the guidance established by the Auditor of State. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Secretary and Board, to identify and correct errors and omissions.

Officials' Response:

The Agricultural Society will create and adopt a policy and procedure in which the treasurer will review weekly accounts payable and monthly financial statements to insure there is no incorrect or omissions in regards to posting transactions in accordance with the guidelines set forth by the Auditor of State and will dutifully note any errors and corrections made. The Treasurer will sign and/or initial statements and Board Bills.

FINDING NUMBER 2016-002

Material Weakness - Segregation of Duties

The Secretary is responsible for the majority of functions for depositing, receipting, payment and recording. Without proper segregation of duties, there is the possibility that errors or irregularities could occur and not be detected in a timely manner.

To strengthen internal controls, someone else, possibly the Board Treasurer or Audit Committee, should be periodically reperforming the cash collection to deposit reconciliations for each revenue source, reperforming the bank reconciliations, and approving invoices and timesheets

In addition to performing the above procedures, this person should affix his signatures or initials to the documents reviewed or approved, to document the procedure performed.

These added procedures will provide compensating controls that will help provide an adequate checks and balances system over the Society's significant accounting cycles.

Officials' Response:

The Agricultural Society will perform an internal audit by the Audit Committee that will annually pull random financial statements and bank statements to confirm that bank reconciliations from each revenue source are correct as well as reviewing random invoices and timesheets that were paid by the Ag Society.

FINDING NUMBER 2016-003

Material Weakness - Admission Receipts

Implementing effective internal controls, both application and monitoring, is an important responsibility of management. Effective internal controls can help assure that transactions are complete, occurred, are accurately reported, properly cutoff, and properly classified.

The Fair Board did not implement internal control policies and procedures regarding the collection of admission receipts, which resulted in the following internal control weaknesses in the 2016 and 2015 admission receipts process:

- The Board Treasurer did not keep a ticket log to track actual ticket numbers issued to cashiers, the ticket numbers sold, and the ticket numbers of unsold tickets returned by cashiers.
- Daily ticket reconciliations were completed for each gate during 2016 and 2015, but were not signed by the cashiers to document accountability, by the respective cashier, for the tickets reported as sold and money collected.
- The Board Treasurer admitted he changed numbers on ticket reconciliations so significant shortages and overages were undetectable. Information changed on the ticket reports include the ticket numbers, total tickets sold, the amount of each cash pickup throughout the shift, total cash collected for the entire shift, and the overage/shortage amount.
- The Secretary did not verify that the total of the ticket reports matched the receipts and deposits.

These weaknesses resulted in a \$600 shortage in a deposit in 2016, as noted in Finding 2016-004 that was not detected by management. Also, completeness and accuracy of the ticket numbers sold per the daily reconciliations were not able to be determined and the amount collected could not be verified.

We recommend the Board implement written policies and procedures over admission receipts and management periodically monitor control procedures to verify they are functioning effectively. Safe cash handling controls include:

- Require daily verification of the starting change fund balance and starting ticket numbers by each responsible cashier to assign accountability.
- Require verification of the ending ticket number and the amount of cash at the end of each cashier's shift.
- Require collections for each individual cashier be reconciled at the end of each shift, documented, signed off by the responsible cashier and deposited in a timely manner.
- The collections should be counted by all parties involved and a record should be maintained and signed by both parties whenever the money is transferred from one person to the next, such as from the cashier to the Board Treasurer and from Board Treasurer to the Secretary.
- Secretary and Audit Committee should verify that the ticket reconciliations are signed by both the Board Treasurer and Gate Person and that the total of the ticket reconciliations match the amount deposited.
- Require management to verify the daily shift receipt and reconciliation process.

- Require management to monitor and track daily shift overages and shortages for each cashier.
- Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages.
- Require unsold tickets be maintained for management review and audit.

Officials' Response:

The Agricultural Society will implement a policy in monitoring the daily verification of gate receipts that will require a three tier process that will require the Gate Captain after each shift, pulling monies and tickets then counting the monies by gate. Then the Treasurer will verify the amount from each gate/shift along with reconciliation of the tickets which include verifying accuracy of each gate. After which the Secretary will verify the money collected for each gate/shift. All three (Gate Captain, Treasurer, and Secretary) will sign off the reconciliation sheet after they have verified the funds/tickets during their reconciliation. A policy will also be created and adopted on part of the Agricultural Society that will address action that will be taken if the gate/shift dollar amount experiences frequent overages and shortages. This policy and plan will be created prior to the 2018 Putnam County Fair. A meeting with the organization gate captains will be done in late May to go over the newly implemented procedures and guidelines.

FINDING NUMBER 2016-004

Finding For Recovery – Revenue Collected But Not Accounted For

The fair gate admission collections, from June 24, 2016, were \$15,792 per the ticket reconciliation reports prepared by the Board Treasurer, Gary Ordway. The amount deposited was only \$15,192 on June 24, 2016. This resulted in a variance of \$600 between monies collected and monies deposited. Ohio Rev. Code § 9.39 states that “[a]ll public officials are liable for all public money received or collected by them or by their subordinates under color of office.”

In accordance with the foregoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Board Treasurer, Gary Ordway, and the Travelers Casualty and Surety Company of American, his bonding company, jointly and severally, for \$600, and in favor of the Putnam County Agricultural Society’s Enterprise Fund.

Officials' Response:

We did not receive a response from Officials to this finding.

**PUTNAM COUNTY AGRICULTURAL SOCIETY
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness to improve monitoring of financial statement errors.	Not Corrected and repeated as Finding 2016-001 in this report.	The client declined to offer an explanation why the finding reoccurred. The Board of Directors will attempt to identify and correct errors per a thorough annual review of the financial statements



Dave Yost • Auditor of State

PUTNAM COUNTY AGRICULTURAL SOCIETY

PUTNAM 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
SEPTEMBER 19, 2017**