

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**FINANCIAL STATEMENT
(AUDITED)**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

PAULA SMITH, TREASURER



Dave Yost • Auditor of State

Board of Directors
Washington County Agricultural Society
922 Front Street
Marietta, Ohio 45750

We have reviewed the *Independent Auditor's Report* of the Washington County Agricultural Society, Washington County, prepared by Julian & Grube, Inc., for the audit period December 1, 2014 through November 30, 2015. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Richard Henthorn, former treasurer, used cash collected from gate admissions during the 2015 fair to make certain cash disbursements, rather than using checks issued in the Washington County Agricultural Society's name. Testing of gate admission receipts determined the total to have been \$128,390. After adjustment for cash disbursed for collections, the net gate admissions receipts should have been \$108,990, but only \$99,463 of this amount was recorded in the general ledger as gate receipts, a difference of \$9,527. Despite requests for additional supporting documentation, nothing has been obtained to support the shortage of receipts.

Further, Mr. Henthorn initiated a cash disbursement in the amount of \$3,224, for the purpose of providing start-up change for Pepsi booths and machines during the 2015 fair. However, no support was provided to indicate that the \$3,224 was redeposited at the conclusion of the fair.

Consequently, the total of unaccounted for funds was \$12,751.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies collected but unaccounted for may be issued against Richard Henthorn, former treasurer, in the amount of \$12,751, and in favor of the Washington County Agricultural Society.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which an illegal expenditure is discovered, is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St.3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen.

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Board of Directors
Washington County Agricultural Society
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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 Washington County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

October 26, 2017

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Washington County Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Washington County Agricultural Society, Washington County, Ohio, as of and for the fiscal year ended November 30, 2015.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Washington County Agricultural Society's preparation and fair presentation of the financial statement 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 Washington County Agricultural 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 opinion.

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

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

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

Though the Washington County 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 *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Washington County Agricultural Society as of November 30, 2015, or changes in financial position or cash flows thereof for the fiscal year then ended.

Basis for Qualified Opinion on Admissions and Sales Activity

Admission receipts are reported at \$156,694 for the fiscal year ended November 30, 2015, which is 37 percent of total operating receipts for the fiscal year then ended. Sales activity receipts are reported at \$31,799 for the fiscal year ended November 30, 2015, which is 7 percent of total operating receipts for the fiscal year then ended. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admission receipts and sales activity receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion on Admissions and Sales Activity

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient competent evidential matter to support the 2015 admission receipts and sales activity receipts, the financial statements referred to above present fairly, in all material respects, the cash balances of the Washington County Agricultural Society, Washington County, Ohio, as of November 30, 2015, and its cash receipts and disbursements for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above present fairly, in all material respects, the combined cash balances of the Washington County Agricultural Society, Washington County, Ohio as of November 30, 2015, and its combined cash receipts and disbursements for the fiscal year 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 Washington County Agricultural 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 Washington County Agricultural Society's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
August 29, 2017

WASHINGTON COUNTY AGRICULTURAL SOCIETY - WASHINGTON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2015

Operating Receipts:	<u>2015</u>
Taxes	\$161
Admissions	156,694
Privilege Fees	29,768
Sales by Fair Board	13,471
Racing	8,715
Sales Activity	31,799
Utilities	3,124
Fees	10,622
Rentals	170,423
Total Operating Receipts	<u>424,777</u>
Operating Disbursements:	
Wages and Benefits	6,848
Administrative	14,715
Supplies for Resale	4,748
Supplies	6,299
Utilities	80,664
Race Expenses	69,202
Services Expenses	166,078
Property Expenses	20,848
Advertising	22,070
Repairs	16,025
Insurance	11,901
Rental and Leases	9,257
Senior Fair	1,244
Contest Expenses	20,769
Junior Fair	11,256
Other Operating Disbursements	10,744
Total Operating Disbursements	<u>472,668</u>
Deficiency of Operating Receipts Under Operating Disbursements	(47,891)
Non-Operating Receipts:	
State Support	70,665
County Support	8,943
Restricted Donations/Contributions	15,866
Unrestricted Donations/Contributions	10,209
Debt Service	(43,883)
Net Non-Operating Receipts	<u>61,800</u>
Excess of Receipts Over Disbursements	13,909
Cash Balance, Beginning of Fiscal Year	<u>235</u>
Cash Balance, End of Fiscal Year	<u>\$ 14,144</u>

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2015

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 Agricultural Society, Washington 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 1846 to operate an annual agricultural fair. The Society sponsors the four-day Washington County Fair over Labor Day weekend. During the fair, harness races are held. Washington 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 Washington County and pay an annual membership fee to the Society.

Reporting Entity

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

Note 6 summarizes the 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

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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Property, Plant, and Equipment

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

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2015

1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. Race Purse

Harness stake races are held during the Washington 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 Southern Valley Colt Circuit 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 and Investments

The Society maintains a deposit and investment pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2015 was \$14,144. Deposits are insured by the Federal Depository Insurance Corporation.

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2015

3. 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, 2015 was \$10,225 as State Support. Additional State Support was given from VLT (Video Lottery Terminals) for the year ended November 30, 2015 in the amount of \$54,200.

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)	\$ 4,679
Less: Payoff to Bettors	(3,729)
Parimutuel Wagering Commission	950
Tote Service Set Up Fee	(500)
Tote Service Commission	(191)
State Tax	(131)
Society Portion	\$ 128

4. Debt

Debt outstanding at November 30, 2015 was as follows:

	Principal	Interest Rate
Mortgage-Multi-Purpose Arena	\$242,114	5.25%

The mortgage for the Multi-Purpose Arena bears a variable interest rate of 5.25 percent for 2015 and is due to Settlers Bank. The note was entered into on April 23, 2004 and matures October 23, 2024. Real Estate was mortgaged as security for this note.

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2015

4. Debt (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Multi-Purpose Arena
2016	\$ 35,712
2017	35,711
2018	35,712
2019	35,712
2020	35,711
2021 - 2024	<u>142,847</u>
Total	321,405
Interest	<u>(79,291)</u>
Principal	<u>\$ 242,114</u>

5. Risk Management

The Washington County Commissioners provide general insurance coverage for all the buildings on the Washington County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability with limits of \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$25,000.

6. Junior Livestock 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 Washington County Fair auction. 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, 2015 follows:

	2015
Beginning Cash Balance	\$ 49,938
Receipts	233,304
Disbursements	<u>(231,214)</u>
Ending Cash Balance	<u>\$ 52,028</u>

7. Related Parties

Walt Griffin, Board Member, was paid \$125 for tree removal services. Curt Welch II, Board Vice President, was paid \$790 for trucking services.

8. Subsequent Event

In May 2017, Paula Smith was appointed to the Treasurer position.



Julian & Grube, Inc.
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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Washington County Agricultural Society
Washington County
922 Front Street
Marietta, Ohio 45750

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Washington County Agricultural Society, Washington County, Ohio, as of and for the fiscal year ended November 30, 2015, and the related notes to the financial statement and have issued our report thereon dated August 29, 2017, wherein we noted the Washington County Agricultural Society followed financial reported provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on admission and sales activity receipts for the fiscal year ended November 30, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Washington County Agricultural 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 statement, but not to the extent necessary to opine on the effectiveness of the Washington County Agricultural 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 Washington County Agricultural 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 and responses that we consider material weaknesses. We consider findings 2015-002 through 2015-004 and 2015-006 and 2015-007 to be material weaknesses.

Board of Directors
Washington County Agricultural Society

Compliance and Other Matters

As part of reasonably assuring whether the Washington County Agricultural 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2015-001, 2015-005 and 2015-006.

Washington County Agricultural Society's Response to Findings

The Washington County Agricultural Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Washington County Agricultural 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 Washington County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Washington County Agricultural Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
August 29, 2017

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Noncompliance - Debt limitations

Ohio Rev. Code § 1711.13(B) provides that the total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

As of November 30, 2015, the total indebtedness of the Society was \$242,114, and the 2015 annual revenues were \$530,460. This resulted in the Society's net indebtedness to be in excess of twenty-five percent of its annual revenues for fiscal year 2015.

Having net indebtedness in excess of twenty-five percent, puts the Society at risk of not being able to adequately service its debt requirements.

The Society's management should review their financial condition to ensure the Society has the ability to meet their debt service requirements in the future. Additionally, the management should consider future attendance at events sponsored by the Society based on current trends as well as the unpredictable nature of factors such as the weather and the local economy. Finally, management should adopt plans to either increase receipts or decrease expenditures in order to maintain the current levels of service and meet the increased debt service requirements.

Client's Response: This will be corrected in the future.

Finding Number	2015-002
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Material Weakness – Maintenance of Accounting System/Financial Statement Presentation

The Society should maintain an accounting system and accounting records sufficient to enable the Society to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Society utilized Quickbooks for financial purposes. Documentation was maintained by individual transaction; however, since the reports contained summarized data it became increasingly difficult to identify individual transactions for audit purposes. Furthermore, the summarized information was sometimes entered weeks after-the-fact. Numerous adjustments were made to the financial statement and note disclosures for the fiscal year ended November 30, 2015, to properly state financial statement amounts. The audited financial statement and the Society records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide the Board with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations. Additionally, lack of supporting documentation could allow errors and/or fraud to occur and remain undetected for an extended period of time.

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 – (Continued)

The Society should establish control procedures that would allow them to determine the completeness and existence of receipts and disbursements and require all supporting documentation to be maintained in order for the Society to ensure that all disbursements are accurate and appropriate.

Client's Response: This will be corrected in the future.

Finding Number	2015-003
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Material Weakness – Admission Receipts and Sales Activity

The *Uniform Agricultural Society Accounting System User Manual* provides that all tickets for admittance to the fair events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single prenumbered cash receipt shall be issued for each batch of tickets sold. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

During the fiscal year ended November 30, 2015, there were instances of large variances between the cash collected and the expected revenue from fair admission ticket sales due to cash disbursements being made from admission receipts collected. Instead, admission receipts were recorded net of various cash disbursements. Additionally, there was not sufficient and appropriate audit evidence for the admissions for the July 4th celebration and sales activity of the Dustin Lynch Concert.

Lack of ticket and sales activity accountability could allow errors and/or fraud to occur.

The Treasurer should consult the *Uniform Agricultural Society Accounting System User Manual* and devise a system of ticket accountability that accounts for all tickets distributed with clear guidelines given to all gate workers.

Client's Response: This will be corrected in the future.

Finding Number	2015-004
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Material Weakness – Sufficient and Appropriate Audit Evidence

The Society should maintain an accounting system and accounting records sufficient to enable the Society to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following items lack sufficient and appropriate audit evidence:

- Admission Receipts referred to in Finding 2015-003 were booked net of cash disbursements. \$9,527 was unaccounted for.

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004 - (Continued)

- Other operating disbursements indicated a cash withdrawal was made in the amount of \$3,224 for “start-up” costs to fund Pepsi machines and vendors. It is undeterminable if this amount was returned to the bank.
- Admission receipts for the July 4th celebration referred to in Finding 2015-003 were recorded in the amount of \$23,400. This amount was unable to be substantiated due to lack of pre-numbered tickets.
- Sales activity receipts for the Dustin Lynch Concert referred to in Finding 2015-003 were recorded in the amounts of \$5,020 and \$11,626. These amounts were unable to be substantiated due to lack of pre-numbered tickets.

Lack of supporting documentation could allow errors and/or fraud to occur and remain undetected for an extended period of time.

The Agricultural Society should establish control procedures that would allow them to determine the completeness and existence of revenues and require all supporting documentation to be maintained in order for the Society to ensure that all receipts are accurate and appropriate.

Client’s Response: This will be corrected in the future.

Finding Number	2015-005
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Noncompliance - Internal Revenue Regulations

Internal Revenue Regulations (26 C.F.R.) § 1.6041-1, requires all payments to independent contractors of \$600 or more be reported on Form 1099-MISC.

Numerous vendors were compensated for services in excess of \$600, yet the Society failed to report this income to the IRS, via Forms 1099-MISC.

Not reporting income could lead to noncompliance with the IRS and potential future liabilities for the Society.

The Society should establish control procedures that would allow them to determine the completeness and existence of independent contractors, and to properly report this income to the Federal Government.

Client’s Response: This will be corrected in the future.

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-006

Noncompliance - Timely Deposits

Ohio Revised Code Section 9.38 requires that deposits of public money be made in a timely manner. Public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the receipt, unless the receipts are less than \$1,000 and the money can be safeguarded. In this case, the deposit must be made within three business days.

It was noted during the audit that the Society held funds of varying amounts greater than the allowable 1 or 3 business days without depositing them in accordance with Ohio Revised Code Section 9.38. Of the total receipts tested in fiscal year 2015, it was noted 18% were not deposited timely.

As a result, not only is there a risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment.

We recommend that the Society monitor collections and ensure that monies are deposited in accordance with state statute. This will improve cash flow and reduce the risk of loss. Further guidance regarding specific dollar amounts may be found in the Ohio Compliance Supplement.

Client Response: This will be corrected in the future.

Finding Number	2015-007
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Material Weakness – Segregation of Duties

Proper internal control procedures require various duties be segregated among different individuals. The duties of collecting, recording, depositing, reconciling and disbursing of the Society’s monies should be separated.

There is insufficient segregation of duties within the Society. Due to the size of the Society and the number of volunteers, the Treasurer prepares checks, reconciles the bank account, records receipts and disbursements and prepares deposits for the Society.

Failure to maintain sufficient segregation of duties could allow errors and/or irregularities to go undetected without the knowledge of the Board.

In a small operation, such as the Society, it is not always possible to have enough individuals to properly segregate duties. Understanding this, it is recommended the Board take a more active role in monitoring transactions, such as examining cancelled checks, reviewing bank reconciliations and performing cash counts. It is further recommended these reviews be random and sporadic, rather than scheduled. Such reviews would act as a deterrent to irregularities and would allow the Society an opportunity to timely detect and correct any errors that may occur.

Client Response: This will be corrected in the future.

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2014-001	Ohio Rev. Code § 1711.13(B) provides that the total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues. As of November 30, 2014, the total indebtedness of the Society was \$267,646, and the 2014 annual revenues were \$416,309. This resulted in the Society's net indebtedness to be in excess of twenty-five percent of its annual revenues for fiscal year 2014.	No	Repeated as finding 2015-001
2014-002	The Society should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. In 2014, the Annual Financial Report did not agree to the cash reconciliation by \$1,340 requiring an adjustment to the Annual Financial Report. As a result, an adjustment, with which the Society agrees, has been posted to the accompanying financial statements.	No	Repeated as Finding 2015-002

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2014-003	<p>The Uniform Agricultural Society Accounting System User Manual provides that all tickets for admittance to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distribution locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single prenumbered cash receipt shall be issued for each batch of tickets sold. During 2014, there were instances of large variances between the cash collected and the expected revenue from fair admission ticket sales due to apron sales and lack of supporting documentation regarding beginning and/or ending ticket number. Also for 2014, there was no support for the admissions for the July 4th celebration or the Haunted House admissions. Lack of ticket accountability could allow errors and/or fraud to occur and could result in a finding for recovery.</p>	No	Repeated as Finding 2015-003

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</u>
2014-004	The Agricultural Society should maintain an accounting system and accounting records sufficient to enable the Society to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. 25% of rental receipts tested in 2014 had no supporting documentation. In addition, we noted the Society did not maintain supporting documentation for the number of horse stalls rented each month during 2014. Lack of supporting documentation could allow errors and/or fraud to occur and remain undetected for an extended period of time.	No	Repeated as finding 2015-004
2014-005	The Society's disbursement cycle includes a procedure that all voucher packages contain certain supporting documentation for all expenditures made by the Society. Ten percent of the vouchers tested in 2014 did not have supporting documentation, such as an invoice. The lack of maintaining invoices for all Society disbursements provides a lack of support as to whether transactions represent valid Society disbursements and are posted correctly to the accounting records.	Yes	Finding no longer valid

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Dave Yost • Auditor of State

WASHINGTON COUNTY AGRICULTURAL SOCIETY

WASHINGTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 9, 2017**