

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

**FINANCIAL STATEMENT
(AUDITED)**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2018

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Directors
Van Wert County Agricultural Society
1055 S. Washington Street
Van Wert, OH 45891

We have reviewed the *Independent Auditor's Report* of the Van Wert County Agricultural Society, Van Wert County, prepared by Julian & Grube, Inc., for the audit period December 1, 2017 through November 30, 2018. 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 Van Wert County Agricultural Society is responsible for compliance with these laws and regulations.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 5, 2019

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**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Van Wert County Agricultural Society
Van Wert County
1055 S. Washington Street
Van Wert, Ohio 45891

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 Van Wert County Agricultural Society, Van Wert County, Ohio as of and for the fiscal year ended November 30, 2018.

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 that are 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 Van Wert 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 Van Wert County Agricultural Society's internal control. Accordingly, we express no such 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 adverse and qualified audit opinions.

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

As described in Note 2 of the financial statement, the Van Wert 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 Van Wert 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 *Additional Opinion Qualification* 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 Van Wert County Agricultural Society as of November 30, 2018, and the respective changes in financial position thereof for the fiscal year then ended.

Basis for Additional Opinion Qualification

Admissions receipts totaled \$173,286 or 20% of total receipts. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as received. Consequently, we were unable to determine whether any adjustments to this amount was 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 statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Van Wert County Agricultural Society, Van Wert County as of November 30, 2018, 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, on our consideration of the Van Wert 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 Van Wert County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 27, 2019

Van Wert County Agricultural Society
Van Wert County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Fiscal Year Ended November 30, 2018

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Operating Receipts	
Taxes	\$ 714
Admissions	173,286
Privilege Fees	133,705
Sales	43,651
Racing Fees and Charges	26,723
Utilities	6,686
Fees	37,431
Rentals	158,801
	<hr/>
<i>Total Operating Receipts</i>	<i>580,997</i>
	<hr/>
Operating Disbursements	
Wages and Benefits	77,907
Administrative	6,504
Race Supplies and Materials	2,074
Supplies and Materials	22,665
Utilities	114,706
Racing	137,153
Professional Services	54,426
Property Services	71,381
Advertising and Communications	38,020
Repairs	86,499
Insurance	15,176
Rent/Lease	19,725
Capital Outlay	2,792
Senior Fair and Open Class	19,278
Contest	34,590
Junior Fair	14,894
Other Fair	300
Other Miscellaneous	3,316
	<hr/>
<i>Total Operating Disbursements</i>	<i>721,406</i>
	<hr/>
<i>Excess (Deficiency) of Operating Receipts</i> <i>Over (Under) Operating Disbursements</i>	<i>(140,409)</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
State Support	13,431
County Support	22,657
Restricted Support	161,625
Unrestricted Support	11,506
Debt Service	(91,279)
Debt Proceeds	62,075
Interest	8
Sale of Assets	1,760
	<hr/>
<i>Net Non-Operating Receipts (Disbursements)</i>	<i>181,783</i>
	<hr/>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<i>41,374</i>
	<hr/>
Cash Balance, Beginning of Year	26,840
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<i>Cash Balance, End of Year</i>	<i>\$68,214</i>
	<hr/> <hr/>

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

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 1 – Reporting Entity

The Van Wert County Agricultural Society (the “Society”), Van Wert County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1856 to operate an annual agricultural fair. The Society sponsors the week – long Van Wert County Fair during August and September. During the fair, harness races are held, culminating in the running of the Quarter Horse Races. Van Wert County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Van Wert County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair and harness racing during fair week. Other year-round activities at the fairgrounds including facility rental, track and stall rental, and community events including Old Fashion Farmers Day, Northwest Ohio Traders Days and the Apple Fest. The reporting entity does not include any other activities or entities of Van Wert County, Ohio.

Notes 9 and 10, 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

Deposits

The Society's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

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

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

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). The Society has filed their required form 990 Return of Organization Exempt From Income Tax for fiscal years ended November 30, 2018 and 2017, however they were filed subsequent to the required filing deadline.

Race Purse

Ohio Racing Commission stake races are held during the Van Wert 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 Ohio Fair Racing Conference 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 Racing Fees and Charges.

Ohio Fairs Fund The State of Ohio contributes money to the Society from the Ohio Fairs Fund to supplement the race purse. See Note 4 for additional information.

Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system.

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 2 – Summary of Significant Accounting Policies – (Continued)

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 net in the accompanying financial statement as Racing Fees and Charges. See Note 4 for additional information.

Note 3 – Deposits

The Society maintains a deposit pool. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30 was as follows:

	2018
Total Deposits	\$ 68,214

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2018, was \$8,359, 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) (net of expenses) 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 net in Racing Fees and Charges. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Racing Disbursements, and the amount remaining is the Society’s net portion.

	2018
Total Amount Bet (Handle)	\$ 26,680
Less: Payoff to Bettors	(21,303)
Parimutuel Wagering Commission	5,377
Tote Service Set Up Fee	(1,200)
Tote Service Commission	(2,149)
State Tax	(714)
Society Portion	\$ 1,314

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 5 – Risk Management

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

The Society is exposed to various risks of property and casualty losses and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. 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 York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018, PEP retained \$500,000 for casualty claims and \$250,000 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.

Financial Position

PEP’s financial statements (audited by other auditor’s) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

	<u>2018</u>
Assets	\$49,921,998
Liabilities	(14,676,199)
Net Position	\$35,245,799

At December 31, 2018 the liabilities above include approximately \$13 million of estimated incurred claims payable. The assets above also include approximately \$11.8 million of unpaid claims to be billed. The Pool’s membership increased to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Society’s share of these unpaid claims collectible in future years is approximately \$7,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 5 – Risk Management – (Continued)

2018 Contributions to PEP
\$11,884

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.

Note 6 – Social Security

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2018.

Note 7 – Debt

Debt outstanding at November 30, 2018, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Operating Loan	\$ 50,000	5.50%
Mortgage	334,172	5.00%
Total	\$ 384,172	

The Mortgage Note bears an interest rate of 5.0 percent and is due to First Federal Savings and Loan. The note was entered into on May 18, 2013 and matures September 30, 2032. Proceeds of the note were used to purchase, improve the property, and to cover operating net losses and are collateralized by the property.

The Society maintains an Operating Loan Note that bears an interest rate of 5.5 percent and is due to First Federal Savings and Loan. The note renews each year on March 1 and requires the balance to be paid to zero at least one time during the year. Proceeds of the note are used to cover expenses during periods of low revenue.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Society are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Van Wert County Agricultural Society
Van Wert County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2018

Note 9 – 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 Van Wert County Fair. The Society disbursed \$14,894 directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. 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, 2018, follows:

	2018
Beginning Cash Balance	\$ 4,769
Receipts	13,004
Disbursements	(14,616)
Ending Cash Balance	\$ 3,157

Note 10 – Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Van Wert 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, 2018, follows:

	2018
Beginning Cash Balance	\$ 31,597
Receipts	230,191
Disbursements	(230,960)
Ending Cash Balance	\$ 30,828

Note 11 – Noncompliance

- 1) The Society is in noncompliance with Ohio Administrative Code Sections 117-2-01 and 117-2-02.
- 2) The Society is in noncompliance with Ohio Revised Code Section 9.38.
- 3) The Society is in noncompliance with Ohio Revised Code Section 1711.13(B).
- 4) The Society is in noncompliance with Internal Revenue Code Section 501(a).

Note 12 – Subsequent Events

- 1) In fiscal year 2019, the Society completed a partial land sale to the Humane Society.
- 2) In July 2019, the Society paid its outstanding balance on the operating loan.

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Van Wert County Agricultural Society
Van Wert County
1055 S. Washington Street
Van Wert, Ohio 45891

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 cash balances, receipts and disbursements of the Van Wert County Agricultural Society, Van Wert County, Ohio, as of and for the fiscal year ended November 30, 2018, and the related notes to the financial statement, and have issued our report thereon dated August 27, 2019, wherein we noted the Van Wert County Agricultural 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 due to a lack of sufficient audit evidence supporting the amounts for admission receipts for the fiscal year ended November 30, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Van Wert 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 opinions on the financial statement, but not to the extent necessary to opine on the effectiveness of the Van Wert 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 Van Wert 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 2018-001 through 2018-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Van Wert County Agricultural Society's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 2018-002 through 2018-005.

Van Wert County Agricultural Society's Responses to Findings

The Van Wert 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 subject the Van Wert County Agricultural Society's responses to the auditing procedures applied in the audit of the financial statement 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 Van Wert 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 Van Wert County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
August 27, 2019

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Material Weakness - Financial Reporting

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

Certain adjustments were made to the Hinkle filed financial statement and notes to the financial statement.

The present control and monitoring system does not include a second review of the financial statement to ensure the information accurately portrays the activity of the Society.

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

We recommend the Society design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Society should consider having an outside third-party, or board member with financial experience, perform a second review of the financial report prior to filing in the Hinkle System.

Client Response: The Society will closely monitor all transactions to ensure accurate financial reporting in the future.

Finding Number	2018-002
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Material Weakness/Noncompliance - Internal Controls/Accounting and Reporting Records

Ohio Administrative Code Sections 117-2-01 Internal Controls and 117-2-02 Accounting and Reporting Records requires certain explicit areas be met when a public office designs and operates its internal control to provide reasonable assurance over certain areas related to operations and to maintain adequate documentation to support amounts recorded in the accounting system.

The Society maintains certain internal controls; however, deficiencies were noted in certain controls in the following areas, resulting in the following matters:

Certain receipts lacked supporting documentation:

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-002 - (Continued)

Admissions: Admissions receipts totaling \$173,286 which were evidenced by bank statements and deposits recorded in the Society’s ledger lacked supporting documentation. Ticket reconciliations were not maintained in order to support cash collections related to fair admissions.

Camping: The Society was unable to provide prenumbered camping permits or signed camping contracts with fair and non-fair campers.

Retained Earning: The Society attempted to record restricted receipts in a segregated account; however, they recorded them directly to a balance sheet account, instead of a receipt line item.

Fundraisers: The Society operates fundraisers throughout the year to help support operations. These fundraisers which are recorded in the financial statement as sales lacked supporting documentation to substantiate amounts deposited. The Society was also unable to provide an approved budget/actual fundraising forms detailing the related transactions of the fundraisers.

Transaction Audit Trail: Receipts lacked an easily auditable trail. While the Society does account for its transactions in an accounting system (Quickbooks), the Society records lacked organization of the supporting documents to help support the receipts deposited.

Lack of an organized accounting system with organized supporting documents easy to obtain puts the Society at risk of misuse of funds, and/or jeopardizes the Society’s ability to ensure all organizational activities/monies are being deposited into the Society’s bank accounts.

We recommend the Society develop additional internal controls to help ensure all payments have applicable supporting documents at time of payment. We recommend a ticket reconciliation system be developed and utilized to account for admissions. Beginning and ending ticket numbers should be documented, as well as an expected deposit, actual deposit and any variance. We additionally recommend all fundraisers be approved by the Board and be evidenced in Board Minutes, as well as completed budget and actual forms to account for the fundraiser transactions. We further recommend prenumbered camping permits and/or contracts be issued to both fair/non-fair campers. Finally, we recommend that procedures be implemented to ensure each deposit has supporting documentation such as a pre-numbered receipt for individual receipts, evidence of a contract (i.e. rentals, privilege fees, etc.) or other pertinent data.

Client Response: The Society has had a Fiscal Officer change. These items of concern are currently being addressed by the Board.

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2018**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-003

Material Weakness/Noncompliance - Untimely Deposits

Ohio Revised Code Section 9.38 provides that public money must be deposited with the Treasurer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Society held funds of varying amounts longer than the allowable number of business days without depositing them in accordance with the Ohio Revised Code Section 9.38.

As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for disbursement or investment. Timely deposits also reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management.

We recommend 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: The Society is attempting to deposit funds timely.

Finding Number	2018-004
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Material Weakness/Noncompliance - Filing of Form 990

Internal Revenue Code Section 501(a) requires the annual filing of form 990 Return of Organization Exempt From Income Tax.

The Society did not timely file the required returns for fiscal years ended November 30, 2017 or 2018.

The Society could be subject to substantial fines, penalties and interest, and potentially place their nonprofit status at risk.

We recommend the Society develop a tickler system to help ensure any required filings are timely. We recommend the Society consult with a CPA skilled in the preparation of these returns to assist in annual timely filings.

Client Response: The Society has filed these forms. The Society will seek forgiveness from the Internal Revenue Service should any penalties be assessed.

VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY

SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2018

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-005

Noncompliance - Indebtedness

Ohio Revised Code Section 1711.13(B) states that County agricultural societies may enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the Board of Directors of the Society. 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.

The Society had a total indebtedness of \$384,172 or a total debt to revenue ratio of 45%, in excess of the 25% limit.

Failure to abide by required statutes could result in the Society obtaining and overextending the resources of the Society.

We recommend the Society review ORC 1711.13(B) for debt requirement before issuance of any new debt in the future.

Client Response:

We are working diligently to decrease our debt load. We are trying to increase revenue, while at the same time cut expenses. We are making slow and steady progress. This is the best we can do at this time.

**VAN WERT COUNTY AGRICULTURAL SOCIETY
VAN WERT COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2018**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2017-001	2017	<u>Material Weakness - Financial Reporting</u> - Management is responsible for preparing complete and accurate financial statements in accordance with the applicable financial reporting framework. Certain adjustments were made to the HINKLE filed financial statement and notes to the financial statements.	Not Corrected	Repeated as finding 2018-001
2017-002	2017	<u>Material Weakness/Noncompliance - Internal Controls/Accounting and Reporting Records</u> - Ohio Administrative Code Sections 117-2-01 Internal Controls and 117-2-02 Accounting and Reporting Records requires certain explicit areas be met when a public office designs and operates its internal control to provide reasonable assurance over certain areas related to operations and to maintain adequate documentation to support amounts recorded in the accounting system. Certain deficiencies were noted in accounting and reporting records.	Not Corrected	Repeated as finding 2018-002
2017-003	2016	<u>Material Weakness/Noncompliance - Untimely Deposits</u> - Ohio Revised Code Section 9.38 provides that public money must be deposited with the Treasurer or with the designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. The Society held funds of varying amounts longer than the allowable time.	Not Corrected	Repeated as finding 2018-003
2017-004	2017	<u>Material Weakness/Noncompliance - Filing of Form 990</u> - Internal Revenue Code Section 501(a) requires the annual filing of Form 990 Return of Organization Exempt From Income Tax. The Society did not file the form timely.	Not Corrected	Repeated as finding 2018-004
2017-005	2016	<u>Noncompliance - Indebtedness</u> - Ohio Revised Code Section 1711.13(B) states that County agricultural societies may enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the Board of Directors of the Society. 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. The Society held amounts in excess.	Not Corrected	Repeated as finding 2018-005

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OHIO AUDITOR OF STATE KEITH FABER



VAN WERT COUNTY AGRICULTURAL SOCIETY

VAN WERT 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 19, 2019**