

**WASHINGTON COUNTY AGRICULTURAL SOCIETY
WASHINGTON COUNTY**

**FINANCIAL STATEMENT
(AUDITED)**

FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016

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, 2015 through November 30, 2016. 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 Washington County Agricultural Society is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 26, 2017

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**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, 2016.

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 statements 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 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 Washington County Agricultural Society as of November 30, 2016, or changes in financial position or cash flows thereof for the fiscal year then ended.

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, 2016, 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.



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, 2016

Operating Receipts:	<u>2016</u>
Admissions	\$142,681
Privilege Fees	15,473
Sales by Fair Board	2,882
Racing	552
Sales Activity	12,201
Utilities	4,586
Fees	19,123
Rentals	148,901
Total Operating Receipts	<u>346,399</u>
Operating Disbursements:	
Wages and Benefits	660
Administrative	17,318
Supplies for Resale	8,721
Supplies	10,141
Utilities	60,041
Race Expenses	74,113
Services Expenses	115,607
Property Expenses	56,126
Advertising	17,479
Repairs	16,244
Insurance	11,890
Rental and Leases	7,901
Senior Fair	3,254
Contest Expenses	8,725
Junior Fair	15,446
Other Operating Disbursements	26,030
Total Operating Disbursements	<u>449,696</u>
Deficiency of Operating Receipts Under Operating Disbursements	(103,297)
Non-Operating Receipts:	
Loan Proceeds	36,307
State Support	85,984
County Support	3,300
Restricted Donations/Contributions	40,278
Unrestricted Donations/Contributions	6,092
Debt Service	(55,862)
Net Non-Operating Receipts	<u>116,099</u>
Excess of Receipts Over Disbursements	12,802
Cash Balance, Beginning of Fiscal Year	<u>14,144</u>
Cash Balance, End of Fiscal Year	<u>\$ 26,946</u>

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2016

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, 2016

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 demand deposits at November 30, 2016 was \$26,946. 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, 2016

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, 2016 was \$10,463 as State Support. Additional State Support was given from VLT (Video Lottery Terminals) for the year ended November 30, 2016 in the amount of \$60,000.

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)	\$ 2,887
Less: Payoff to Bettors	(2,298)
Parimutuel Wagering Commission	589
Tote Service Set Up Fee	(500)
Tote Service Commission	(4)
State Tax	(83)
Society Portion	\$ 2

4. Debt

Debt outstanding at November 30, 2016 was as follows:

	Principal	Interest Rate
Mortgage-Multi-Purpose Arena	\$219,047	5.25%
John Deere Tractor	6,800	0.00%
Credit Card	10,876	10.24%

The mortgage for the Multi-Purpose Arena bears a variable interest rate of 5.25 percent for 2016 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.

The interest free loan for the John Deere Tractor was provided by Bill Wesel, Board Member. The loan was initiated on March 5, 2016 and is payable upon demand. The tractor is collateral on this loan.

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2016

4. Debt (Continued)

A loan in the amount of \$18,000 was provided by Richard Henthorn, Board Member, bearing an interest rate of 5%. The loan was initiated on December 29, 2015 and repaid in full on October 28, 2016.

A cash withdraw in the amount of \$11,506.50 was made on December 29, 2015 to make payment on the liability insurance premium due for the fiscal year. The credit card bears a variable interest rate of 10.24% for 2016 and is due to Peoples Bank. The minimum required monthly payment is currently \$198 and payable until the balance is paid in full.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Multi-Purpose Arena	John Deere Loan	Credit Card Cash Withdraw
2017	\$35,711	\$6,800	\$2,376
2018	35,712	0	2,376
2019	35,712	0	2,376
2020	35,711	0	2,376
2021	35,712	0	2,376
2022-2026	107,135	0	9,575
Total	\$285,693	\$6,800	\$21,455
Interest	(66,646)	0	(10,579)
Principal	\$219,047	\$6,800	\$10,876

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, 2016 follows:

	2016
Beginning Cash Balance	\$ 52,028
Receipts	215,215
Disbursements	(233,856)
Ending Cash Balance	\$ 33,387

Washington County Agricultural Society
Washington County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2016

7. Related Parties

The Society received in-kind contributions from R.C. Construction Co. & Son, Inc. \$16,637 to undertake capital improvements outlined in House Bill 64, 131st General Assembly, Section 717.10 and \$3,000 for waterline repairs. Curt Welch II, Board Vice President, is the owner of R.C. Construction Co. & Son, Inc.

Additionally, the Society paid \$2,000 to a related party of Robyn Tullius, Board Member, for services as an electrician.

8. Subsequent Event

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

9. Contingencies - Litigation

The Society is susceptible to various legal proceedings. Management of the Society believes the ultimate disposition of the potential legal proceedings will not have a material effect, if any, on the financial condition of the Society.



Julian & Grube, Inc.
Serving Ohio Local Governments

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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, 2016, and the related notes to the financial statements and have issued our report thereon dated August 29, 2017, wherein we noted the Washington County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

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 2016-002, 2016-003, 2016-005 and 2016-006 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 2016-001 and 2016-004.

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, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

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, 2016, the total indebtedness of the Society was \$236,723, and the 2016 annual receipts were \$518,360. This resulted in the Society's net indebtedness to be in excess of twenty-five percent of its annual revenues for fiscal year 2016.

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	2016-002
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Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide the Board and financial statement users with objective and timely information to enable well-informed decisions.

Numerous adjustments were made to the financial statement and note disclosures for the fiscal year ended November 30, 2016, 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.

We recommend the Society consult with their auditors and/or an accounting/consulting firm on a continual basis as an additional internal control to help ensure accurate financial reporting.

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

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-003

Material Weakness – Maintenance of Accounting System

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. The Treasurer posted summarized activity to the accounting system periodically, rather than by individual transaction. It was noted start-up cash was used for operations. While a listing of cash transactions was maintained, deposits were posted in summarized activity. 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.

Lack of supporting documentation could allow errors and/or fraud to occur and remain undetected for an extended period of time. Additionally, by not posting individual transactions, the Society is not utilizing the full potential of its accounting system. Entering activity at a more detailed level would allow the Society to provide its Board and management more detailed reports, more timely financial reports, and facilitate the timely completion of the audit.

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	2016-004
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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, 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-005

Material Weakness – Cash Withdrawal

The Society is responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. When a public entity authorizes issuance of a credit card, use of the card is for the efficient acquisition of goods or services solely for the benefit of the operation of the public entity. A governing framework of policies and procedures providing adequate tracking and control must be adopted and consistently utilized. Cash withdrawals are a tiny subset of all credit card activity, and require specific controls. These specific controls are in addition to the controls which should govern credit card use generally.

The Society utilized the credit card for a cash withdrawal to make payment on its general liability insurance policy. Though approved by the Board, the Society’s Credit Card Policy lacks specific provisions required to provide reasonable assurance regarding the achievement of objectives of such a transaction.

The absence of an appropriate policy increases the risk of unauthorized and/or otherwise improper expenditures that do not further the public purpose of the entity and are likely to result in audit findings or other sanctions.

It is recommended the Society adopt a policy and should include, at a minimum, the provisions detailed within Auditor of State Bulletin 2016-004 (Supersedes Bulletin 2016-003).

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

Finding Number	2016-006
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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. Additionally, not all of the disbursements executed by the Treasurer, including restricted donations and loan agreements, were approved by the Board majority.

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

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

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-006 – (Continued)

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, 2016**

<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>
2015-001	<u>Noncompliance - Debt limitations</u> - 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 receipts. As of November 30, 2015, the total indebtedness of the Society was \$242,114, and the 2015 annual receipts were \$530,460. This resulted in the Society's net indebtedness to be in excess of twenty-five percent of its annual receipts for fiscal year 2015.	No	Repeated as finding 2016-001
2015-002	<u>Material Weakness - Maintenance of Accounting System/Financial Statement Presentation</u> - 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.	No	Repeated as findings 2016-003 and 2016-002

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

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016**

<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>
2015-003	<p><u>Material Weakness – Admission Receipts - The Uniform Agricultural Society Accounting System User Manual</u> 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. It is possible various cash disbursements were not recorded by the Treasurer. 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 Dustin Lynch Concert.</p>	Yes	Finding No Longer Valid

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

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016**

<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>
2015-004	<u>Material Weakness – Sufficient Appropriate Audit Evidence</u> - 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. Various items lacked sufficient appropriate audit evidence.	Yes	Finding No Longer Valid
2015-005	<u>Noncompliance – Internal Revenue Regulations</u> - 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.	No	Repeated as finding 2016-004
2015-006	<u>Noncompliance – Timely Deposits –</u> 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 the Ohio Revised Code Section 9.38. Of the total receipts tested in fiscal years 2015, it was noted 18% were not deposited timely.	Yes	Finding no Longer Valid

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

**STATUS OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2016**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; <u>Finding no Longer Valid</u></u>
2015-007	Material Weakness - <u>Segregation of Duties</u> - 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.	No	Repeated Finding as 2016-006



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**