



Dave Yost • Auditor of State



**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Defiance County Agricultural Society  
Defiance County  
P.O. Box 184  
Hicksville, Ohio 43526-0184

To the Members of the Board:

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of Defiance County Agricultural Society, Defiance County, Ohio (the Society) as of and for the years ended November 30, 2015 and 2014.

### ***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 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 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 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 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 Society as of November 30, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

***Basis for Additional Opinion Qualification***

Admission receipts are reported at \$136,808 and \$145,523 for the years ended November 30, 2015 and 2014, respectively, which are 21 percent of the total receipts for the year ended November 30, 2015 and 19 percent of total receipts for the year ended November 30, 2014. We were unable to obtain sufficient appropriate audit evidence supporting 52 percent and 30 percent of admission receipts tested for the years ended November 30, 2015 and 2014, respectively. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

***Additional Opinion Qualification***

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statement referred to above presents fairly, in all material respects, the cash balance of Defiance County Agricultural Society, Defiance County, Ohio as of November 30, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2016, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2016

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGE IN FUND BALANCE (CASH BASIS)  
FOR THE FISCAL YEARS ENDED NOVEMBER 30, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b>Operating Receipts:</b>		
Admissions	\$136,808	\$143,523
Privilege Fees	41,612	41,278
Rentals	51,028	54,188
Sustaining and Entry Fees	27,551	26,030
Pari-mutuel Wagering Commission	726	308
Other Fair Related Fees	2,682	4,001
Other Operating Receipts	5,735	9,114
Total Operating Receipts	266,142	278,442
<b>Operating Disbursements:</b>		
Administrative	11,299	16,427
Racing Expenses	160	
Supplies	1,852	14,246
Utilities	38,152	49,734
Professional Services	23,638	34,700
Equipment and Grounds Maintenance	143,652	87,257
Race Purse	84,353	61,769
Advertising	9,582	15,283
Senior Fair	79,527	99,594
Junior Fair	11,989	13,557
Other Operating Disbursements	42,574	3,809
Total Operating Disbursements	446,778	396,376
Excess of Operating Disbursements Over Operating Receipts	(180,636)	(117,934)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	70,145	48,257
County Support	500	500
Livestock Sale Income	316,342	296,053
Donations/Contributions	101,246	40,433
Investment Income	62	75
Livestock Sale Expenses	(313,833)	(289,042)
Debt Service	(10)	
Net Non-Operating Receipts (Disbursements)	174,452	96,276
Excess of Disbursements Over Receipts	(6,184)	(21,658)
Cash Balance, Beginning of Year	93,459	115,117
<b>Cash Balance, End of Year</b>	<b>\$87,275</b>	<b>\$93,459</b>

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

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**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2015 AND 2014**

**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 Defiance County Agricultural Society, Defiance County, Ohio (the Society) as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1877 to operate an annual agricultural fair. The Society sponsors the week-long Defiance County Fair during August. During the fair, harness races are held, including the running of the Gene L. Vance Memorial Race and the Kermit Peter Trot Race. Defiance County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 30 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Defiance 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 and harness racing during fair week. Other year round activities at the fairgrounds include facility rental and stall rental, and community events including the Horsepower Holiday Weekend and the Christmas Cruise Thru. The reporting entity does not include any other activities or entities of Defiance County, Ohio.

Note 6 summarizes the Junior Fair Board'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 Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

**C. 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.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2015 AND 2014  
(Continued)**

**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**

*Northwest Ohio Colt* stake races are held during the Defiance 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 Defiance County Area Horseman's Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

**F. Pari-mutuel Wagering**

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

Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Pari-mutuel Wagering Commission. See Note 3 for additional information.

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2015 AND 2014  
(Continued)**

**2. DEPOSITS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2015 and 2014 was as follows:

	2015	2014
Demand deposits	\$47,001	\$15,248
Other time deposits (savings and NOW accounts)	40,274	78,211
Total deposits	\$87,275	\$93,459

Deposits are insured by the Federal Depository Insurance Corporation.

**3. HORSE RACING**

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement the purse for the years ended November 30, 2015 and 2014 was \$10,225 and \$11,287, respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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	2014
Total Amount Bet (Handle)	\$11,994	\$7,099
Less: Payoff to Bettors	(9,222)	(5,508)
Parimutuel Wagering Commission	2,772	1,591
Tote Service Set Up Fee	(800)	(800)
Tote Service Commission	(910)	(306)
State Tax	(336)	(177)
Society Portion	\$726	\$308

**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT  
NOVEMBER 30, 2015 AND 2014  
(Continued)**

**4. LEASE**

In 2012, the Society entered into a lease agreement with CNH Capital for the acquisition of a mower. The total amount financed as part of the lease was \$11,625 at an annual interest rate of 6.59 percent. The lease agreement was entered into on April 27, 2012 and terminates on May 1, 2017. The Society has a purchase option price of \$1 upon the termination date of the agreement. The lease is secured by the mower.

Amortization of the above lease, including interest, is scheduled as follows:

Year ending	
November 30:	<u>Mower Lease</u>
2016	<u>\$2,608</u>

**5. RISK MANAGEMENT**

The Defiance County Commissioners provide general insurance coverage for all the buildings on the Defiance County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$3,000,000 aggregate.

**6. 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 Defiance County Fair. In fiscal years 2015 and 2014, the Society disbursed \$11,989 and \$13,557, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Defiance County paid the Society \$500 in both fiscal year 2015 and 2014 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2015 and 2014 follows:

	<u>2015</u>	<u>2014</u>
Beginning Cash Balance	\$3,055	\$1,903
Receipts	9,514	10,814
Disbursements	<u>(11,065)</u>	<u>(9,662)</u>
Ending Cash Balance	<u>\$1,504</u>	<u>\$3,055</u>

**7. COMPLIANCE**

Contrary to the Ohio Administrative Code, the Society's receipt and disbursement activity posted to the accounting system did not always agree to the supporting receipt and disbursement documentation which resulted in deficiencies in reporting of the financial activity on the Society's financial statement. Additionally, the Society was not always able to provide sufficient evidence of supporting documentation for recorded receipts and disbursement transactions.



# Dave Yost • Auditor of State

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

Defiance County Agricultural Society  
Defiance County  
P.O. Box 184  
Hicksville, Ohio 43526-0184

To the Members of the Board:

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 Defiance County Agricultural Society, Defiance County, Ohio (the Society) as of and for the years ended November 30, 2015 and 2014, and the related notes to the financial statement and have issued our report thereon dated December 8, 2016, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also qualified our opinion on Admission receipts because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admission receipts.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 through 2015-005 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the 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 as items 2015-001 and 2015-005.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 8, 2016



**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2015 AND 2014**

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

**FINDING NUMBER 2015-001**

**Finding for Recovery Repaid Under Audit – Wine Tasting/Alcohol**

**State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)** provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. There are two criteria which demonstrate whether an expenditure is for a public purpose. First, the expenditure is required for the general good of all inhabitants and second, the primary objective of the expenditure is to further a public purpose, even if an incidental private end is advanced.

**Auditor of State Bulletin 2003-005, Expenditure of Public Funds/Proper Public Purpose** provides that governmental entities may not make expenditures of public monies unless they are for a valid public purpose. The Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. Bulletin 2003-005 further states that the Auditor of State’s Office does not view the expenditure of public funds for alcoholic beverages as a proper public purpose and will issue findings for recovery for such expenditures as manifestly arbitrary and incorrect.

During fiscal year 2014, the Society paid a total of \$65 for the wine tasting event held at the annual Ohio Fair Managers Association (OFMA) conference on behalf of certain Board Members, their spouses, or other guests. Additionally, while at the 2014 OFMA conference, the Society paid for a dinner for certain Board Members, their spouses, and other guests, including the accountant, at the Two Fish Restaurant in Columbus, Ohio, which included \$51 of alcohol. Of the \$51 in alcohol purchases, \$41 was repaid by the respective Board Members during 2014, and the remaining \$10 was still due to the Society from the Accountant as of November 30, 2015.

The following table summarizes the total amount which was improperly paid for wine tasting and other alcohol in fiscal year 2014:

Individual	Position/ Relationship	Amount
Mary Bishop	Board Member	\$5.00
Rusty DeTray	Board Member (former)	\$5.00
Dave Fine	Board Member (former)	\$5.00
Laura Grant	Board Member (former)	\$5.00
Heaven Holtsberry	Board Member (former)	\$5.00
Carol Sines	Board Member	\$5.00
Joe Stotler	Board Member (former)	\$5.00
Kathy Stotler	Spouse of Joe Stotler	\$5.00
Shannon Stotler	Daughter of Joe Stotler	\$5.00
Lavon Wiles	Board Member	\$5.00
Marla Wiles	Spouse of Lavon Wiles	\$5.00
Denise Sutter	Accountant and Owner of Alliance Tax Services	\$15.00
Melissa Rodman	Employee of Alliance Tax Services	\$5.00
	<b>Total</b>	<b>\$75.00</b>

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 such illegal expenditure is made is liable for the amount of such expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Atty. 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 to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty. Gen. No. 80-074.

The Society has contracted with Alliance Tax Services, LLC, which is owned and operated by Denise Sutter. The contract provides that Denise Sutter has sole responsibility for the accounting duties of the Society. Denise Sutter determined the amounts to be paid and prepared the checks for the Board.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued against the following individuals: Mary Bishop, Board Member, in the amount of \$5; Rusty Detray, Board Member, in the amount of \$5; Dave Fine, Former Board Member, in the amount of \$5; Laura Grant, Former Board Member, in the amount of \$5; Heaven Holtsberry, Board Member, in the amount of \$5; Carol Sines, Board Member, in the amount of \$5; Joe Stotler, Board Member, in the amount of \$5; Kathy Stotler, Spouse of Joe Stotler, in the amount of \$5; Shannon Stotler, Daughter of Joe Stotler, in the amount of \$5; Lavon Wiles, Board Member, in the amount of \$5; Marla Wiles, Spouse of Lavon Wiles in the amount of \$5; and Melissa Rodman, employee of Alliance Tax Service in the amount of \$5, in favor of the Defiance County Agricultural Society. In addition, the Finding for Recovery for public money illegally expended is hereby issued against Denise Sutter, Accountant and Owner of Alliance Tax Services, LLC and Alliance Tax Services, LLC, jointly and severally, in the amount of \$75 in favor of the Defiance County Agricultural Society, and includes \$15 issued against Denise Sutter and another \$60 to the extent recovery is not obtained from the individuals noted above.

On July 28, 2016, Denise Sutter repaid the \$10 in alcohol still owed from the Two Fish Restaurant receipt to the Society on Receipt Number 16189. Additionally, on November 18, 2016, Jerry Sanders repaid the remaining balance in full to the Society. Accordingly, we considered the repayments to be a finding for recovery repaid under audit.

#### **FINDING NUMBER 2015-002**

##### **Material Weakness – Cash Reconciliations**

In order for management to properly monitor the activity of the Society, the bank accounts must be reconciled timely to detect error. The monthly reconciliation of bank account balances to the accounting system ending fund balance is an important method in detecting errors in the postings of receipts and disbursements and bank account records. After the reconciliation is completed, any errors found should be immediately corrected and month end financial information should be generated by the Accountant.

The Board contracted with Alliance Tax Services, LLC to be the Accountant for the Defiance County Agricultural Society and perform the accounting responsibilities including all matters dealing with the financial dealing of the Defiance County Agricultural Society. The contract provides that Alliance Tax Services, LLC is owned and operated by Denise Sutter and she has sole responsibility for the accounting duties and may hire support personnel to fulfill the responsibilities of this position.

**FINDING NUMBER 2015-002  
(Continued)**

Although the Alliance Tax Services, LLC (the Accountant) attempted to reconcile the bank accounts individually to the cash balances for each bank account in QuickBooks, the Accountant did not perform a reconciliation of the total bank account balances to the total cash balance per the QuickBooks system each month.

The following contributed to errors identified on the Society's cash reconciliation and financial statement as of November 30, 2015:

- The cash reconciliation reported an unsupported adjusting factor of \$12,031, which comprised of:
  - \$11,089 in checks written prior to December 1, 2013 and were cashed or voided in the fiscal year ended November 30, 2014 and were no longer outstanding as of November 30, 2015.
  - \$1,087 for an unidentified deposit that was not posted.
  - (\$145) of unidentified reconciling items.
- There was no accurate outstanding check list. There were \$3,660 in checks that were issued on or before November 30, 2015 that cleared in December 2015 that were not included as outstanding checks on the cash reconciliation.
- The financial statement balance of \$81,415 did not match the QuickBooks system balance of \$90,460 as of November 30, 2015. There was no support for the \$9,045 difference.

In addition, in the Accountant's attempt to reconcile the bank accounts she changed the fiscal year 2015 transactions within the QuickBooks system. The dates of some of the checks were changed to reflect them as fiscal year 2016 disbursement and other information was changed so the amounts in the QuickBooks system no longer matched the reports that were provided for audit.

Due to Alliance Tax Services' inability to reconcile the bank account, the Society hired another independent accountant in fiscal year 2016 to reconcile the accounts as of November 30, 2015 and to prepare a corrected financial statement. This independent accountant corrected and reflected the following items on the Society's revised November 30, 2015 cash reconciliation and financial statement:

- \$345 in valid deposits in transit for which there is proper documentation to support these as reconciling items;
- \$6,516 in valid outstanding checks for which there is support to include these as reconciling items; and
- An ending financial statement balance of \$87,275.

Failure to properly perform month end reconciliations which reconciles the Society's total bank account balances to the general ledger system fund balance total increases the likelihood that posting errors could be made to the accounting system and possibly cause material unreconciled differences or irregularities to occur and not be detected.

In an effort to help ensure financial activity of the Society is being properly account for and reported, we recommend:

- The Accountant and the Board work together to decide the best method to correct the beginning balance of fiscal year 2016 in QuickBooks so the balance matches the ending November 30, 2015 audited balance and going forward.
- The Accountant prepare journal entries to correct transactions instead of deleting transactions or changing transactions once they have been entered into the QuickBooks system.

**FINDING NUMBER 2015-002  
(Continued)**

- The Accountant perform a cash reconciliation each month by preparing a spreadsheet using QuickBooks information to show the beginning cash fund balance total plus “profit/loss report” receipts less “profit/loss report” disbursements to obtain the overall ending cash fund balance. This ending fund balance should agree to the cash reconciliation of all of the Society's bank accounts.
- The Accountant present the monthly bank reconciliations, bank statements, and other supporting documentation to the Board as evidence that all bank balances have been reconciled to the QuickBooks fund balance total each month without significant adjusting factors on the cash reconciliation.
- The Board (or other oversight committee or individual) should periodically verify items appearing on the monthly cash reconciliation, including, but not limited to authentication of bank account balances, outstanding checks and deposits in transit.
- The Accountant's monthly cash reconciliations should be reviewed, initialed, and approved in the minutes by the Board (or other committee or individual).

If the Board is unable to perform these duties then they should consider hiring another outside accountant to monitor the transactions of the Society.

**FINDING NUMBER 2015-003**

**Material Weakness – Monitoring of Financial Statement**

Accurate financial reporting is the responsibility of the Society's management and their contracted Accountant, Alliance Tax Services, and is essential to ensure the information provided to the readers of the financial statement is fairly stated.

The Society lacked a policy regarding financial review, which contributed to the following material reporting discrepancies occurring without detection in the financial statement:

- In 2015 and 2014, State Assistance for the horse racing purse which totaled \$52,200 and \$22,240, respectively, were incorrectly reported as sustaining and entry fees receipts instead of state support receipts.
- In 2015, the creation of \$19,800 of change funds were reported on the financial statement as other operating disbursements and the return of the change funds were reported as \$17,750 in petty cash receipts, \$1,550 in donation receipts, and \$500 in admissions receipts. Similarly, in 2014, the creation of \$20,180 of change funds were reported on the financial statement as other operating disbursements and the return of these change funds were reported as petty cash receipts. This activity should have been eliminated from the financial statement.

As a result, the financial statement did not correctly reflect the financial activity of the Society. The Society's financial statement has been adjusted to correct these errors for both 2015 and 2014.

We recommend the Board develop policies and procedures, including a final review of the financial statement, by the Accountant and Board (or other oversight committee or individual) to identify and correct errors and omissions.

## FINDING NUMBER 2015-004

### Material Weakness – Gate Admission and Grandstand Event Collections

Complete and accurate supporting documentation should be maintained for its fair gate admissions, season passes, and grandstand events.

The Society lacked a policy regarding procedures and internal controls regarding the collection, ticket sales, and reconciliation of gate admission and grandstand event revenues which resulted in the following deficiencies in fiscal years 2015 and 2014:

- Although summary ticket records, e.g. gate sheets, were maintained, ticket reconciliations for admission and season passes did not always include beginning and ending ticket numbers to compute the total number of tickets sold at each gate.
- No master listing of season passes was maintained and reconciled to the number of season passes sold.
- The ticket stubs evidencing tickets sold for two grandstand events in 2014, i.e. the Parade of Bands and one of the ticket sequences documented as being used for the Friday night harness racing, could not be located to verify the ticket sales and collections for these grandstand events.
- Although a summary ticket record was maintained which documented tickets used for significant grandstand events, ticket reconciliations of collections did not include sufficient information.
- Additionally, ticket sales were not compared and reconciled to the total number of tickets printed for use for each grandstand event, i.e. there was no reconciliation of unsold, donated, and/or other unused tickets for the event.
- Also, there was no separate documentation of sales and records of collections in instances where wristbands are used at the grandstand event (e.g. demo derby, truck pulls, and truck drags for pit passes).

In addition, similar deficiencies were noted for gate sales and collections for special events, such as the Holiday Horsepower Weekend (mini truck pulls), which are held at the fairgrounds at other times during the year.

Lack of adequate supporting documentation could result in a material amount of receipts being received, but not being recorded. It also increases the likelihood of theft or fraud occurring.

The Society should maintain complete and accurate supporting documentation for gate admissions, season passes, and grandstand events. In order to help ensure admission and grandstand collections are properly accounted for we recommend:

- Financial records should include documentation for the receipts received such as ticket stubs, ticket reconciliations, items ordered and/or printed for use, items sold, donated, etc.
- Ticket reconciliations should be completed for daily gate admission tickets and season passes and for each event held at the grandstand, including special events such as the Holiday Horsepower Weekend event held at the fairgrounds. The ticket reconciliations should indicate beginning and ending ticket numbers which compute to the total tickets sold.
- Data on completed daily ticket reconciliations should be accurate and complete based on documented ticket sales and matched to the total receipts actually collected.

**FINDING NUMBER 2015-004  
(Continued)**

- Records of tickets sold/unsold should be available for inspection, such as for public records requests and for audit.
- A master listing of season passes should be maintained should be complete and accurate based on documented season passes sold and matched to the amounts actually collected for passes sold.
- These records should be reconciled to the amounts collected and turned over to the Accountant for receipt and deposit to the Society's depository (in turn, receipts reported in the Society's accounting system and financial statement).

In particular, to strengthen controls and improve accountability over ticketed receipts, we recommend:

- Gate ticket sales (ticket sequences reported on the gate ticket reconciliation report) be compared and reconciled to the total number of tickets sold (i.e. ticket stubs). Any discrepancies should be documented and explained on the reconciliations.
- Amounts collected for season passes should be reconciled to the amounts actually collected for passes sold, e.g. presale season passes sold at area businesses, including banks, gas stations, etc., and turned into over to the Society for receipt and deposit.
- Ticket reconciliations be completed for each event held at the grandstand, including special events held at the fairgrounds (similar to ticket reconciliation reports completed for gate admission activity).
- Ticket reconciliations be signed off by the individual in charge of the gate and reviewed and signed by the Accountant to ensure accuracy.
- The total number of grandstand ticket sales (the number of sold/unsold tickets) be compared and reconciled to the total number of tickets purchased/printed for each event. Any discrepancies should be documented and explained on the reconciliations.

**FINDING NUMBER 2015-005**

**Noncompliance Citation and Material Weakness**

**Ohio Admin. Code § 117-2-02** provides that all local public offices shall 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 required by rule 117-2-03 of the Administrative Code. In particular, Ohio Admin. Code § 117-2-02(B) provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure the following assertions are achieved for all classes of transactions and events applicable to the local office's operations:

- a) Occurrence: Transactions and events that have been recorded have occurred and pertain to the entity.
- b) Completeness: All transactions and events that should have been recorded have been recorded.
- c) Accuracy: Amounts and other data relating to recorded transactions and events have been recorded appropriately.
- d) Cutoff: Transactions and events have been recorded in the correct accounting period.
- e) Classification: Transactions and events have been recorded in the proper accounts.

**FINDING NUMBER 2015-005  
(Continued)**

The following deficiencies were encountered relating to the Society's receipt and disbursement activity posted to the QuickBooks system for fiscal years 2015 and 2014:

- Receipt information from the supporting receipt documentation did not always agree to the receipt information recorded in QuickBooks. The receipt number was incorrectly posted in QuickBooks for two out of the 18 donation receipts tested for 2015. One out of eight gate admissions and grandstand event collection receipts tested for fiscal year 2015 and two out of nine receipts tested for fiscal year 2014 did not indicate what specific individual or business from which the money was received.
- One of the livestock exhibitor checks recorded in fiscal year 2015 was recorded twice as the same check number and payee but with two different check amounts. The correct amounts were recorded for these checks, but the check number and payee had been incorrectly recorded for one of these checks. This error went undetected by Society management officials.
- During our disbursement testing, we noted a total of 81 and 91 instances in fiscal years 2015 and 2014, respectively, in which the actual check date did not match the check date recorded in Quickbooks.
- Additionally, the payee on the checks did not always match the payee names recorded in the system. There was no specific payee recorded in QuickBooks for one check tested in fiscal year 2015 and one check tested in fiscal year 2014. In these instances the payee on the check and Quickbooks was noted as "purse winner" with the respective horse race number. This was due to the Accountant's pre-printing of checks for events during the fair, e.g. harness racing, cheerleading, and other fair events, and the individual payee's name was hand printed on the check after the event took place. However, the information in QuickBooks was never updated with the correct payee information at a later date, so the check information did not match the ledger information in these instances.
- Checks were sometimes issued out of date, i.e. not sequential by date. During our disbursement testing, we noted ten instances in fiscal year 2015 and two instances in fiscal year 2014 in which checks were not in sequential order by date.
- Voided checks were deleted from the system and thus were not reflected in the system.
- There was no supporting documentation, such as invoice or receipt documentation, to support 6% of the disbursement transactions tested for each fiscal year ended December 31, 2015 and 2014. During the audit, we were subsequently able to obtain copies of available supporting documentation directly from the individual or organization to verify the amounts paid for two of these payments.

Incomplete and inaccurate financial information may result in errors or fraud not being promptly detected in the normal course of business. This can also result in inaccurate conclusions regarding the financial status of the Society being made by management officials if they are making decisions on incomplete and/or inaccurate financial information. Additionally, a lack of adequate documentation increases the likelihood inappropriate amounts could be paid or payment could be made twice.

These issues went undetected and uncorrected due to lack of monitoring by the Society's Board.

In an effort to help ensure financial activity of the Society is properly accounted for and reported, we recommend the Society's Board (or other committee) review the Society's financial records to help ensure:

- All amounts are appropriately recorded;
- All the records are in an agreement with supporting documentation;
- The annual financial report accurately reflects all the activity of the Society.

Additionally, the Board (or other committee or individual) should monitor expenditures in an effort to avoid deficit spending.

**FINDING NUMBER 2015-005  
(Continued)**

If the Society's Board (or other committee) is unable to perform these duties then they should consider hiring an outside accountant to monitor the transactions of the Society.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.



**DEFIANCE COUNTY AGRICULTURAL SOCIETY  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material weakness for not properly performing monthly cash reconciliations and causing unidentified reconciling differences and errors in reporting of financial activity.	Not corrected. Reissued as Finding 2015-002 in this report.	This comment was reissued due to inadvertent oversight by the Society's management officials, including the Accountant. The Board hired an independent accountant in fiscal year 2016 to reconcile the accounts as of November 30, 2015. The Society plans to continue to work with the independent accountant help periodically monitor the monthly bank reconciliations and financial transactions.
2013-002	Material weakness for gate admission and grandstand collections due control deficiencies over collections.	Not corrected. Reissued as Finding 2015-004 in this report.	This comment was reissued due to inadvertent oversight by the Society's management officials, including the Accountant. The Board has been working to improve documentation and control procedures over gate admission and grandstand receipts. The Society will continue working to implement improved controls in this area.

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# Dave Yost • Auditor of State

**DEFIANCE COUNTY AGRICULTURAL SOCIETY**

**DEFIANCE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 29, 2016**