

Hamilton County Agricultural Society
Hamilton County
Regular Audit
For the Years Ended November 30, 2016 and 2015



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Dave Yost • Auditor of State

Board of Trustees
Hamilton County Agricultural Society
7700 Vine Street
Cincinnati, Ohio 45216

We have reviewed the *Independent Auditor's Report* of the Hamilton County Agricultural Society, Hamilton County, prepared by Millhuff-Stang, CPA, Inc., for the audit period December 1, 2014 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 Hamilton 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

September 20, 2018

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Hamilton County Agricultural Society
Hamilton County
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Independent Auditor's Report

Hamilton County Agricultural Society
7700 Vine Street
Cincinnati, OH 45216

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Hamilton County Agricultural Society, Hamilton County, (the Society) as of and for the years ended November 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on an audit 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*. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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

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

The Society was unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of admissions, privilege fees, rentals, other operating receipts, and donations and contributions in 2016 or 2015 or for state support in 2016. The Society could not provide a deposit detail for admission receipts making it impossible to determine if the correct amount was deposited for 2016 or 2015. The Society did not always maintain support for privilege fees for 2016 and 2015, in addition several items could not be traced to deposit slips. It was also noted that the Society did not always maintain support for other receipts, such as rental fees, other operating receipts and donations and contributions, collected during 2016 and 2015, or for state support in 2016.

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The Society was also unable to provide sufficient evidence to support the completeness, accuracy, cutoff and classification of disbursements. Supporting documentation was not available for the payment of invoices in both 2015 and 2016 which totaled to material amounts. Further time sheets could not be provided to substantiate hours worked/paid.

We were unable to obtain sufficient and appropriate audit evidence to determine the accuracy of the financial statement classifications of receipts or disbursements, and therefore, also fund cash balances. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

The Society also failed to provide notes for the financial statements for 2016 and 2015. We assume missing disclosures were material to the overall financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, 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 the effectiveness of the Society's 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

January 31, 2018

Hamilton County Agricultural Society
*Statement of Receipts, Disbursements, and
Change in Fund Balances (Regulatory Cash Basis)*
For the Years Ended November 30, 2016 and 2015

	2016	2015
Operating Receipts:		
Admissions	\$45,128	\$74,321
Privilege Fees	25,238	21,326
Rentals	73,152	66,128
Sustaining and Entry Fees	1,125	5,754
Other Operating Receipts	10,106	10,904
Total Operating Receipts	154,749	178,433
Operating Disbursements:		
Wages and Benefits	29,501	43,046
Utilities	40,721	39,814
Professional Services	25,996	32,866
Equipment and Grounds Maintenance	26,613	14,497
Senior Fair	4,781	7,322
Junior Fair	0	3,725
Other Operating Disbursements	106,060	79,597
Total Operating Disbursements	233,672	220,867
Deficiency of Operating Receipts Under Operating Disbursements	(78,923)	(42,434)
Non-Operating Receipts		
State Support	17,009	1,041
County Support	6,600	0
Donations/Contributions	35,925	36,749
Total Non-Operating Receipts	59,534	37,790
Excess of Receipts Under Disbursements	(19,389)	(4,644)
Cash Balance, Beginning of Year	24,611	29,255
Cash Balance, End of Year	\$5,222	\$24,611

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

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Hamilton County Agricultural Society
7700 Vine Street
Cincinnati, OH 45216

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hamilton County Agricultural Society, Hamilton County, (the Society) as of and for the years ended November 30, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 31, 2018, 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. Our report disclaims an opinion on such financial statements because we were not able to obtain sufficient appropriate audit evidence to support an audit opinion and due to the omission of note disclosures.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Society, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2016-001 through 2016-006 that we consider to be material weaknesses.



Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Society, to the extent possible, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-006 and 2016-007.

Society's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Society's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

January 31, 2018

Hamilton County Agricultural Society
Hamilton County
Schedule of Findings and Responses
For the Years Ended November 30, 2016 and 2015

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Finding 2016-001 – Material Weakness - Receipts

Proper controls over receipts is a pertinent internal control to provide assurance that collections are accurate and complete.

During testing, we noted that the Society could not provide a detail for admissions receipts making it impossible to determine if the correct amount was deposited for 2016 or 2015. It was also noted that the Society did not always maintain support for other receipts, such as privilege fees, other operating receipts, and donations and contributions, collected during 2015 and 2016, or for state support receipts in 2016. In addition deposits could not always be traced to deposit slips and bank statements making it impossible to determine if deposits were made properly during 2015 and 2016.

Failure to implement proper controls could result in errors in accounting for receipts or in undetected theft of funds.

The Society should implement additional controls over the admissions and overall receipting process, including formal documentation of reconciliations of collections to ticket sales to ensure that admissions are properly accounted for, maintaining supporting documentation for all receipts, and utilizing duplicate receipts for other monies received. Furthermore, a review of the admission reconciliation should be performed by a supervisor or other official to provide additional assurance as to the accuracy of deposits.

Client Response:

Client chose not to respond.

Finding 2016-002 – Material Weakness – Maintaining Proper Supporting Documentation – Non-Payroll Disbursements

Maintenance of supporting documentation is an integral part of a sound, properly functioning control environment to ensure that a sufficient audit trail is maintained to support assertions of accuracy and to prove proper public purpose.

The Society incurred multiple instances where supporting documentation was not available for the payment of invoices in both 2015 and 2016. Not maintaining supporting documentation could result in the Society paying for goods and services not received or approved and results in an insufficient audit trail.

The Society should implement procedures to ensure that supporting documentation for all purchases of goods and services are maintained and attached to the check stub.

Client Response:

Client chose not to respond.

Finding 2016-003 – Material Weakness – Financial Reporting

A monitoring system by the Society should be in place to prevent or detect misstatements for the fair presentation of the Society's financial statements. Various errors were identified during the course of testing. It was also noted that the reports that were filed with the Department of Agriculture and Auditor of State's Office did not agree to the client's records and omitted note disclosures.

The Society should implement monitoring procedures to ensure that items are properly recorded and classified during the fiscal year and the reports that are filed with the Department of Agriculture and Auditor of State agree to the Society's records and contain the required elements.

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Schedule of Findings and Responses
For the Years Ended November 30, 2016 and 2015

Finding 2016-003 – Material Weakness – Financial Reporting (Continued)

Client Response:

Client chose not to respond.

Finding 2016-004 – Material Weakness – Bank Reconciliations

When designing the Society's system of internal control and the specific control activities, management should consider verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records.

Discrepancies were noted between the annual financial reports and the general ledgers. These discrepancies resulted in unexplained variances in cash balances. In addition there were petty cash balances reported within the accounting system that could not be reconciled to support and were not reported in the annual financial reports. Finally bank reconciliations were not performed timely for 2015 or 2016.

The Treasurer should implement procedures to ensure the system cash, petty cash, deposits in transit, and outstanding deposits and checks reconcile to the bank balance and that sufficient documentation is maintained for all balances and activities. Furthermore bank reconciliations need to be performed monthly for timely identification of potential reconciliation issues, and these reconciliations should be presented to the Board for review and approval.

Client Response:

Client chose not to respond.

Finding 2016-005 – Material Weakness – Payroll

Maintenance of support documentation for disbursements is pertinent to ensure a proper audit trail which provides assurance that disbursements are accurate, complete, in compliance with applicable laws and regulations, and for proper public purpose.

Payroll testing showed the workers compensation premium remittance documentation was not maintained; employee timesheets could not be provided to substantiate hours reported and paid; and system reports could not be generated to substantiate amounts reported on forms 941 or the year-end forms W3. Informal internal subsidiary ledgers were provided that could be agreed to tax forms, however they appeared to be unofficial records.

The Society should implement monitoring procedures to ensure supporting documentation is properly maintained and readily available. Furthermore, system reports should be generated and maintained to further support balances reported as related to payroll.

Client Response:

Client chose not to respond.

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Finding 2016-006 – Material Weakness/Noncompliance – Timely Deposits

Ohio Revised Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

Receipt testing identified instances where deposits were not made by the end of the following business day and instances where deposit dates could not be determined.

The Society should implement the appropriate procedures to ensure that deposits are made by the end of the following business day and that the actual date of receipts are documented, furthermore deposit slips need to be detailed enough to determine which receipts are being deposited.

Client Response:

Client chose not to respond.

Finding 2016-007 –Noncompliance – Annual Filing

Ohio Revised Code Section 117.38 requires entities filing on the cash basis must file the annual reports within 60 days of fiscal year-end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750.

Since the Auditor of State has not prescribed a form for the report, the society shall file an annual report using the format as suggested in the handbook titled, “Uniform System of Accounting for Agricultural Societies.” In addition, the Auditor of State provides detail note disclosure templates that should be utilized to supplement the annual financial reports.

We noted that the filings with the Auditor of State for both 2015 and 2016 did not contain note disclosures. Notes to the financial statements are an integral part of the financial statements, therefore we consider the filings to be incomplete.

The Society should implement appropriate procedures to ensure the annual filings with the Auditor of State are complete and include the submission of note disclosures.

Client Response:

Client chose not to respond.

Hamilton County Agricultural Society
Schedule of Prior Audit Findings
For the Years Ended November 30, 2016 and 2015

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid, Explain
2014-001	Material Weakness – Receipts	No	Reissued as Finding 2016-001
2014-002	Material Weakness – Maintaining Proper Supporting Documentation	No	Reissued as Finding 2016-002
2014-003	Material Weakness – Financial Reporting	No	Reissued as Finding 2016-003
2014-004	Material Weakness – Bank Reconciliations	No	Reissued as Finding 2016-004

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Dave Yost • Auditor of State

HAMILTON COUNTY AGRICULTURAL SOCIETY

HAMILTON 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
OCTOBER 4, 2018