

**FAYETTE COUNTY
AGRICULTURAL SOCIETY**
FAYETTE COUNTY, OHIO

REGULAR AUDIT

**FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2020 & 2019**

OHIO AUDITOR OF STATE KEITH FABER



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Board of Directors
Fayette County Agricultural Society
213 Fairview Avenue
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditor’s Report* of the Fayette County Agricultural Society, Fayette County, prepared by Julian & Grube, Inc., for the audit period December 1, 2018 through November 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding for Recovery Repaid Under Audit

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 judgement 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. Auditor of State Bulletin 2003-005 Expenditures of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During 2020 and 2019, the Society was assessed penalties and interest charges for late payments of credit cards and utilities.

The following table details the late penalties and interest:

Late Penalties and Interest	2020	2019
AG – Pro	\$ 30	\$
Dayton Power & Light	2	
Elan Financial Services	404	228
Fifth Third Bank	317	172
Great American	78	52
Home Depot	180	
John Deere	45	4
Tractor Supply Company	52	38
Total	\$1,108	\$ 494

The payment of late fees and penalties due to the inability of the Fiscal Officer to make timely payment is not a proper public purpose.

Under Ohio law, public officials are strictly liable for all public money received or collected by them or their subordinates under color of law. Ohio Rev. Code § 9.39; *Cordray v. Internatl. Preparatory School*, 128 Ohio St.3d 50 (2010).

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In accordance with the forgoing facts and pursuant to Ohio Rev. Code §117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Stacey Lewis, Fiscal Officer and her bonding company Travelers Casualty and Surety Company of America, jointly and severally, in the amount of \$1,602 and in favor of the Fayette County Agricultural Society's General Fund.

On November 23, 2021, the Fayette County Agricultural Society received a check in the amount of \$1,602 from Stacey Lewis for repayment of the finding for recovery.

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 Fayette County Agricultural Society is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

May 16, 2022

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

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Independent Auditor's Report

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and the related notes of the Fayette County Agricultural Society, Fayette County, Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), as described in Note 2. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are 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 our audit. We conducted our 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fayette County Agricultural Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2, the financial statements are prepared by the Fayette County Agricultural Society, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C).

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Fayette 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(C) permit. Our opinion on this accounting basis is in the "Unmodified 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 Fayette County Agricultural Society, as of November 30, 2020 and November 30, 2019, or changes in net position, or cash flows thereof for the fiscal years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts, and disbursements as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and related notes of the Fayette County Agricultural Society in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) as described in Note 2.

Emphasis of Matters

As described in Note 9 to the financial statements for the fiscal year ended November 30, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Fayette County Agricultural Society. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2022, on our consideration of the Fayette County Agricultural Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fayette County Agricultural 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 Fayette County Agricultural Society's internal control over financial reporting and compliance.



Julian & Grube, Inc.
April 28, 2022

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2020**

Operating Receipts:	
Admissions	\$ 134,826
Privilege Fees	28,640
Sustaining and Entry Fees	40,275
Other Operating Receipts	<u>5,475</u>
Total Operating Receipts	<u>360,578</u>
 Operating Disbursements:	
Wages and Benefits	105,448
Utilities	48,579
Professional Services	76,835
Equipment and Grounds Maintenance	14,794
Property and Rent Services	63,209
Race Purse	106,675
Capital Outlay	24,760
Senior Fair	78
Junior Fair	15,648
Other Operating Disbursements	<u>102,288</u>
Total Operating Disbursements	<u>558,314</u>
Excess of Operating Disbursements Over Operating Receipts	<u>(197,736)</u>
 Non-Operating Receipts (Disbursements):	
State Support	83,045
Local Support	8,300
Donations/Contributions	163,442
Investment Income	42
Sale of Assets	2,000
Debt Service	<u>(103)</u>
Net Non-Operating Receipts (Disbursements)	<u>256,726</u>
Excess of Receipts Over Disbursements	58,990
Cash Balance, Beginning of Year	<u>55,969</u>
Cash Balance, End of Year	<u><u>\$ 114,959</u></u>

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

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2020

Note 1 – Reporting Entity

The Fayette County Agricultural Society (the Society), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1881 to operate an annual agricultural fair. The Society sponsors the week – long Fayette County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series and Fayette County Classic. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of thirteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. 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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 7 and 8, respectively; summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity. The Junior Fair Board and Junior Livestock Sale Committee’s financial activity are not reported in the Society’s financial statement.

The Society’s management believes these financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

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(C). 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(C) permit.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2020

Deposits

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

Capital Assets

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

Accumulated Leave

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

Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

Race Purse

Stake races are held during the Fayette 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 Ohio Colt Racing 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 reports 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 4 for additional information.

Pari-mutuel Wagering

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

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 4 for additional information.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2020

Note 3 – Deposits and Investments

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

	2020
Other time deposits (savings and NOW accounts)	114,959
Total deposits	114,959

At November 30, 2020, the Society held \$0 in equity securities. Equity securities are not eligible investments for the Society under Ohio law.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At November 30, 2020, \$0 of deposits were not insured or collateralized, contrary to Ohio law

Note 4 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2020, was \$7,788, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Pari-mutuel Wagering Commission (commission) 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.

	2020
Total Amount Bet (Handle)	\$ 13,888
Less: Payoff to Bettors	(11,061)
Parimutuel Wagering Commission	2,827
Tote Service Set Up Fee	(700)
Tote Service Commission	(1,040)
State Tax	(393)
Society Portion	\$ 694

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2020

Note 5 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 2020.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$100,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society’s general manager is bonded with coverage of \$50,000.

The Society paid \$0 for losses that exceeded insurance coverage.

Note 6 – Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants’ gross salaries. The Society has paid all contributions required through November 30, 2020.

Note 7 – 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 Fayette County Fair. The Society disbursed \$20,258 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement.

Beginning Cash Balance	997
Receipts	1,442
Disbursements	(1,110)
Ending Cash Balance	\$ 1,329

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2020

Note 8 – Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Fayette County’s auction. A commission of 5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee’s activities. The Junior Livestock Committee’s financial activity for the fiscal year ended November 30, 2020, follows:

	2020
Beginning Cash Balance	\$ 7,967
Receipts	368,029
Disbursements	(356,924)
Ending Cash Balance	\$ 19,072

Note 9 - COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Society. In addition, the impact on the Society's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 10 – Accountability and Compliance

The Society was in noncompliance with Ohio Administrative Code Section 117-2-01 (D) and Section 117-2-02(C)(3).

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (REGULATORY CASH BASIS)
FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2019**

Operating Receipts:	
Admissions	\$ 214,622
Privilege Fees	54,785
Sustaining and Entry Fees	24,275
Pari-mutuel Wagering Commission	1,017
Rentals	207,203
Other Operating Receipts	6,376
Total Operating Receipts	<u>508,278</u>
 Operating Disbursements:	
Wages and Benefits	125,418
Utilities	59,669
Professional Services	166,925
Equipment and Grounds Maintenance	17,781
Property and Rent Services	64,725
Race Purse	117,234
Capital Outlay	48,191
Senior Fair	2,136
Junior Fair	19,335
Other Operating Disbursements	101,820
Total Operating Disbursements	<u>723,234</u>
Excess of Operating Disbursements Over Operating Receipts	<u>(214,956)</u>
 Non-Operating Receipts (Disbursements):	
State Support	36,226
Local Support	2,800
Debt Proceeds	30,000
Donations/Contributions	138,459
Investment Income	991
Sale of Assets	2,000
Debt Service	(32,048)
Net Non-Operating Receipts (Disbursements)	<u>178,428</u>
Excess of Receipts Over Disbursements	(36,528)
Cash Balance, Beginning of Year	<u>92,497</u>
Cash Balance, End of Year	<u><u>\$ 55,969</u></u>

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

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 1 – Reporting Entity

The Fayette County Agricultural Society (the Society), Fayette County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1881 to operate an annual agricultural fair. The Society sponsors the week – long Fayette County Fair during July. During the fair, harness races are held, culminating in the running of the Signature Series and Fayette County Classic. Fayette County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of thirteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Fayette County and pay an annual membership fee to the Society.

The reporting entity includes all activity occurring on the fairgrounds and simulcast activity occurring at other locations relating to the harness races. 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. The reporting entity does not include any other activities or entities of Fayette County, Ohio.

Notes 8 and 9, respectively; summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity. The Junior Fair Board and Junior Livestock Sale Committee’s financial activity are not reported in the Society’s financial statement.

The Society’s management believes these financial statements present all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statements consist of a statement of receipts, disbursements and changes in fund balances (regulatory cash basis).

Basis of Accounting

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(C). 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).

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(C) permit.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Deposits

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

Capital Assets

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

Accumulated Leave

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

Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

Race Purse

Stake races are held during the Fayette 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 Ohio Colt Racing 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 reports 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 5 for additional information.

Pari-mutuel Wagering

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

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 5 for additional information.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 3 – Deposits and Investments

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

	<u>2019</u>
Other time deposits (savings and NOW accounts)	<u>55,969</u>
Total deposits	<u>55,969</u>

At November 30, 2019, the Society held \$0 in equity securities. Equity securities are not eligible investments for the Society under Ohio law.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

At November 30, 2019, \$0 of deposits were not insured or collateralized, contrary to Ohio law

Note 4 – Debt

The Society renewed a \$200,000 line of credit from Merchants National Bank on October 20, 2014 for operating funds. The line of credit has an interest rate of prime plus one and a half percent. The line of credit had an outstanding balance of \$150 as of November 30, 2018. During 2019, the Society had a draw of \$30,000 and a principal payment of \$30,150 with a remaining balance of \$0 outstanding as of November 30, 2019.

Note 5 – Horse Racing

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2019, was \$7,543, as State Support.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2019

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.

	2019
Total Amount Bet (Handle)	\$ 13,456
Less: Payoff to Bettors	(10,809)
Parimutuel Wagering Commission	2,647
Tote Service Set Up Fee	(700)
Tote Service Commission	(991)
State Tax	(357)
Society Portion	\$ 599

Note 6 – Risk Management

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through December 2019.

The Society provides health coverage for full-time, supervisory employees through an insurance company.

The Fayette County Commissioners provide general insurance coverage for all the buildings on the Fayette County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$100,000 and \$3,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's general manager is bonded with coverage of \$50,000.

The Society paid \$0 for losses that exceeded insurance coverage.

Note 7 – Social Security

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

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2019.

Fayette County Agricultural Society
Fayette County
Notes to the Financial Statements
For the Year Ended November 30, 2019

Note 8 – 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 Fayette County Fair. The Society disbursed \$15,313 directly to the Junior Fair Board and \$3,955 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Fayette County paid the Society \$5,300 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board’s financial activity for the year ended November 30, 2019, follows:

Beginning Cash Balance (restated)	1,290
Receipts	5,000
Disbursements	5,293
Ending Cash Balance	\$ 997

Note 9 – Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Fayette County’s auction. A commission of 5 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee’s activities. The Junior Livestock Committee’s financial activity for the fiscal year ended November 30, 2019, follows:

	2019
Beginning Cash Balance	\$ 13,403
Receipts	446,774
Disbursements	(452,210)
Ending Cash Balance	\$ 7,967

Note 10 – Accountability and Compliance

The Society was in noncompliance with Ohio Administrative Code Section 117-2-01 (D) and Section 117-2-02(C)(3).

**Independent Auditor's 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***

Fayette County Agricultural Society
Fayette County
213 Fairview Avenue
Washington Court House, Ohio 43160

To the Board of Directors:

We have audited, in accordance with the 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 cash balances, receipts, and disbursements of the Fayette County Agricultural Society, Fayette County, Ohio, as of and for the fiscal years ended November 30, 2020 and November 30, 2019, and the related notes to the financial statements and have issued our report thereon dated April 28, 2022, wherein we noted as described in Note 2 to the financial statements, the Fayette County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Furthermore, as described in Note 9 to the financial statements for the fiscal year ended November 30, 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Fayette County Agricultural Society.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fayette County Agricultural Society's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fayette County Agricultural Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fayette County Agricultural 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 Fayette County Agricultural Society'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 through 2020-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fayette County Agricultural Society's financial statements are free from material misstatement, 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-004.

Fayette County Agricultural Society's Responses to Findings

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



Julian & Grube, Inc.
April 28, 2022

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2020-001
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Material Weakness - Financial Statement Presentation

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

Certain adjustments were made to the financial statements and note disclosures to properly state amounts for the fiscal years ended November 30, 2020 and 2019. The audited financial statements and note disclosures have been adjusted for the misstatements identified during the audit.

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

We recommend the Society design and implement additional procedures to facilitate more accurate and detailed financial reporting. The Society should consider having an outside third-party, or board member with financial experience, perform a second review of the financial report prior to filing in the Hinkle System. Further, the Society should reach out to its auditor throughout the year if questions arise on how to properly account for receipts or disbursements. Further, we recommend the Society incorporate the adjustments from this audit into its future unaudited financial statements submitted via the Hinkle System.

Client Response: The Fair Secretary is required to review monthly: a detailed activity report, reconciliations, adjusting journal entry reports and bank statements. The reports are available to all Directors for review at any time during the year. Reconciliations are now completed the first week of the following month for all accounts with activity. The Executive Committee will review Financial Reports prior to filing in the Hinkle System. The Society will contact the auditor with any questions or unfamiliar situations that arise regarding proper cash basis accounting. The Society will incorporate adjustments from this audit into its future unaudited financial statements submitted via the Hinkle System.

Finding Number	2020-002
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Material Weakness - ATM Account/ATM Machine

The Society owns an ATM that is located at the fairgrounds. The Society periodically stocks this ATM with cash from its ATM bank account. Funds are reimbursed to the ATM bank account from the accounts of those who withdrawal from the ATM, and corresponding ATM usage fees are also deposited to this account. In addition, the Society occasionally withdraws cash from the operating ATM bank account to stock the ATM during increased usage time periods.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2020-002 – (Continued)
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During the course of testing, we noted that the Society does not reconcile this ATM account in conjunction with cash in the ATM machine regularly. The ATM machine can produce ticket tapes of activity at any point and all activity can be monitored via the internet on a secure website the bank has for the machine. During testing of the activity of the ATM bank account and the machine, it was noted that the website was not able to re-create the activity during fiscal years 2020 and 2019 due to an error in the system. We were able to agree the activity in the ATM bank account, which is electronically linked to the machine, to the books of the Society. Without the reports from the machine, it was not clear how much of the activity were actual fees or user withdrawals. In addition, there was no report showing the actual amount of money being put into the machine when being stocked. However, the balance in the machine and bank account did remain somewhat consistent throughout the years, indicating the money being pulled to restock the machine was in fact being put in to cover the amounts coming out.

Lack of internal controls over this ATM, including properly reconciling the machine data to the bank account to the Societies books could enable misuse of Society funds.

We recommend the Society develop policies and procedures to both reconcile the ATM bank account and actual cash in the ATM machine on a regular basis. This will help ensure proper accountability of all Society funds.

Client Response: The Society is working on this issue. We have begun to record fees collected and run a report directly from the ATM machine when money is loaded into it that will provide support for that transaction. That report will be included with the bank statement to better reconcile the account.

Finding Number	2020-003
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Material Weakness - Cash Reconciliations and Accounting System

Sound accounting practices require that when designing the public office’s system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft, and fraud to occur without timely detection.

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and disbursements have been correctly posted in the accounting system and have been correctly posted by the bank. The Fiscal Officer did not properly post financial activity to the accounting system during the audit periods or compare the reconciled bank balance to the Society’s book balance during the month end reconciliation processes. As such we noted the following:

The annual financial reports prepared by the Fiscal Officer did not accurately report ending fund cash balances due to mis-postings of entries, differences in amounts posted compared to amounts clearing the bank, and some Society activity not being included in the books but clearing the bank. The accompanying financial statements have been corrected for these errors. The Society has also adjusted its accounting records.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-003 – (Continued)

Accurate reconciliations and financial reports are a basic and essential internal control component for sound fiscal management. Society officials rely on accurate reconciliations and financial reports to make sound financial decisions. Lack of oversight over the Society’s financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed.

The Fiscal Officer should complete accurate monthly reconciliations. All transactions should be accurately and timely posted in the accounting system. Society officials should review and sign the reconciliations indicating their approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. The Fiscal Officer should verify that financial activity is properly posted to the accounting ledgers and reported. The receipts ledger, appropriation ledger, cash journal, and annual financial report should all agree to each other.

Client Response: The infractions were noted and discussed, and we are going to be implanting policies and procedures to correct them. See Finding Number 2020-001. This is the procedure that we will be using to also reconcile the Cash Account to the Financial Statements. Financial records are being posted on a monthly basis and the reconciliation is being completed on a monthly basis.

Finding Number	2020-004
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Material Weakness/Noncompliance – Accounting Records

Ohio Administrative Code (OAC) § 117-2-02(D) states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides, and should consider the degree of automation and other factors. Such records should include a cash receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund the public office uses. The amount, date, name of the payor, purpose, receipt number, and other information required for the transactions should be recorded on this ledger. The local office should also maintain adequate documentation to support the amounts recorded on this ledger.

Furthermore, the Uniform System of Accounting for Agricultural Societies (USAAS) manual issued by the Auditor of State stipulates procedures over cash receipts for agricultural societies. In part, the USAAS states a multi-part pre-numbered receipt should be completed for each receipt. A copy of the receipt shall be given to the person or organization making the payment. The society shall account for each receipt issued or spoiled by accounting for all receipt numbers consecutively. A cash receipt shall be prepared for all cash receipts regardless of whether other documentation evidences receipt (e.g. camping contract).

In addition, OAC § 117-2-02(C)(3) states that check vouchers may be used as a written order authorizing the drawing of a check in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information. The local office should also attach supporting documentation to the voucher, such as vendor invoices and timely record the transaction into its manual or computerized account records. It is management’s responsibility to implement internal accounting control policies and procedures to reasonably ensure the Society’s receipts and disbursements are safeguarded and recorded. Specifically, these control procedures include the maintenance of adequate documentation to support the accuracy and completeness of receipt and disbursement records.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES
NOVEMBER 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-004 – (Continued)

We noted certain instances in which various receipts affecting various line items could not be adequately substantiated due to lack of adequate supporting documentation like ticket reconciliations, sales forms, and event logs. Additionally, certain disbursements, primarily related to contestant and judge payments for different events during the fair, could not be adequately substantiated due to lack of adequate supporting documentation like invoices, Board approvals, or approved event logs. Ultimately, these cash disbursements were determined to be reasonable although support was inconsistent.

Without proper accounting records and support, the Society is at an increased risk of loss of receipts from theft as well as the potential for disbursements to be made without proper public purpose, which could result in a lack of accountability over financial activity or potential fraud.

We recommend the Society’s Treasurer and Board of Directors take the necessary steps to ensure the integrity of the financial records and retain adequate support of financial transactions of the Society for receipts and disbursements throughout the fiscal year.

Client Response: These areas of concern are currently being addressed by the Board and Treasurer and new controls and procedures are being assessed to ensure all transactions are sufficiently supported. The Society plans to implement better controls of all the accounts associated with the Society and better track and increase controls of all transactions that are being reported.

**FAYETTE COUNTY AGRICULTURAL SOCIETY
FAYETTE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2020 AND 2019**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2017	<u>Material Weakness - Financial Statement Presentation</u> - Certain adjustments were made to the Society's financial statement and note disclosures to properly state financial statement amounts.	Not Corrected	Reissued as material weakness as finding 2020-001 as audit adjustments were posted to the Society's financial statements and related notes.
2018-002	2017	<u>Material Weakness – ATM Account/ATM Machine –</u> The Society did not reconcile the ATM account in conjunction with cash in the ATM machine.	Not Corrected	Reissued as material weakness as finding 2020-002 as the Society did not reconcile the machine regularly with necessary reports from the machine.

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OHIO AUDITOR OF STATE KEITH FABER



FAYETTE COUNTY AGRICULTURAL SOCIETY

FAYETTE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/26/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov