



OHIO AUDITOR OF STATE
KEITH FABER



MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Morgan County Agricultural Society
Morgan County
P.O. Box 594
McConnelsville, Ohio 43756

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 years ended November 30, 2020 and November 30, 2019, and related notes of the Morgan County Agricultural Society, Morgan County, Ohio (the Society).

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 Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) 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 these financial statements 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 statements are 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 statements 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the 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 § 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Our opinion on this accounting basis is in the Additional *Opinion Qualification* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial 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 Society, as of November 30, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the years then ended.

Basis for Additional Opinion Qualification

Rental receipts are reported at \$30,362 and \$32,121 for the years ended November 30, 2020 and 2019, which are 11 percent of total operating and non-operating receipts for each of the years ended November 30, 2020 and 2019. Sustaining and entry fees are reported at \$28,400 for the year ended December 31, 2020, which are 10 percent of total operating and non-operating receipts for the year ended November 30, 2020. Privilege fees receipts are reported at \$28,931 for the year ended November 30, 2019, which are 9 percent of total operating and non-operating receipts for the year ended November 30, 2019. Other operating receipts are reported at \$50,144 for the year ended November 30, 2019, which are 16 percent of total operating and non-operating receipts for the year ended November 30, 2019. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as rentals, sustaining and entry fees, privilege fees, and other operating receipts. 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 statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements as of and for the years ended November 30, 2020 and 2019, and related notes of the Morgan County Agricultural Society, Morgan County in accordance with the financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Society. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2022, 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.



Keith Faber
Auditor of State
Columbus, Ohio

November 7, 2022

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Morgan County Agricultural Society
Morgan County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2020

Operating Receipts	
Admissions	\$1,161
Privilege Fees	9,369
Rentals	30,362
Sustaining and Entry Fees	28,400
Pari-Mutuel Wagering Commission	7,787
Other Operating Receipts	<u>2,036</u>
<i>Total Operating Receipts</i>	<u>79,115</u>
Operating Disbursements	
Wages and Benefits	6,300
Utilities	24,461
Professional Services	14,955
Equipment and Grounds Maintenance	6,188
Property and Rent Services	4,728
Race Purse	153,051
Junior Fair	7,824
Capital Outlay	2,250
Other Operating Disbursements	<u>41,179</u>
<i>Total Operating Disbursements</i>	<u>260,936</u>
<i>(Deficiency) of Operating Receipts</i>	
<i>(Under) Operating Disbursements</i>	<u>(181,821)</u>
Non-Operating Receipts (Disbursements)	
State Support	63,963
Donations/Contributions	132,886
Investment Income	65
Debt Service	<u>(10,000)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>186,914</u>
<i>Excess of Receipts Over Disbursements</i>	5,093
Cash Balance, Beginning of Year	<u>19,265</u>
<i>Cash Balance, End of Year</i>	<u><u>\$24,358</u></u>

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

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Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2020

Note 1 – Reporting Entity

The Agricultural Society of Morgan County (the Society), Morgan 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 1851 to operate an annual agricultural fair. The Society sponsors the week – long Morgan County Fair during September. During the fair, harness races are held, culminating in the running of the Southern Valley Colt Stakes. Morgan County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morgan 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 including horse shows sponsored by the Arabian Horse Association of Ohio and fundraisers sponsored by the Morgan County Chamber of Commerce. The reporting entity does not include any other activities or entities of Morgan County, Ohio.

The Society participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity.

Note 8 and 9, respectively, summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity.

The Society’s management believes this financial statement presents all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and 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(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2020

Deposits

All deposits are maintained in a checking account.

Capital Assets

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

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).

Race Purse

Harness stake races are held during the Morgan County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees Horse owners and the Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement 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. There was no pari-mutuel wagering in 2020, due to COVID-19.

Note 3 – Deposits

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

	2020
Demand Deposits	<u>24,358</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2020

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2020, in the amount of \$9,739 as State Support.

Note 5 – Risk Pool Membership

The Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$ 14,111,510

Note 6 – Debt

The Society maintains an available line of credit which was obtained from the Citizens National Bank of McConnellsville, Ohio. The Society's credit limit on this line of credit is \$30,000. There was no outstanding balance on this line of credit at November 30, 2020.

Beginning in 2015, the Society undertook a new barn project. This project was primarily privately funded by an anonymous donor, with additional contributions made by the Society. An unknown portion of the privately funded monies were agreed to by the Society to be repaid. The terms and amounts are unable to be determined, as there is no formal repayment agreement between the Society and the private investors.

Note 7 – Contingent Liabilities

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

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2020

Note 8 – Junior Fair Board

The Junior Fair Board, which is composed of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Morgan County Fair. The Society disbursed \$7,824 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board’s financial activity for the fiscal year ended November 30, 2020, follows:

	2020
Beginning Cash Balance	\$ 1,646
Receipts	3,210
Disbursements	(3,457)
Ending Cash Balance	\$ 1,399

Note 9 – Junior Livestock Sale Committees

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 Morgan County fair auction. A commission of 3% on auction sales covers auction costs. The Junior Livestock Committees retains this money. The accompanying financial statement does not include the Junior Livestock Committee activities. The Junior Livestock Committee financial activity for the fiscal year ended November 30, 2020, follows:

	2020
Beginning Cash Balance	\$ 70,625
Receipts	216,420
Disbursements	(250,680)
Ending Cash Balance	\$ 36,365

Note 10 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 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 additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Special Investigation

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

Morgan County Agricultural Society
Morgan County
Statement of Receipts, Disbursements and
Change in Fund Balance (Regulatory Cash Basis)
For the Year Ended November 30, 2019

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Operating Receipts	
Taxes	\$500
Admissions	95,014
Privilege Fees	28,931
Rentals	32,121
Sustaining and Entry Fees	5,450
Other Operating Receipts	<u>50,144</u>
<i>Total Operating Receipts</i>	<u>212,160</u>
 Operating Disbursements	
Wages and Benefits	6,000
Utilities	32,880
Professional Services	54,969
Equipment and Grounds Maintenance	11,284
Property and Rent Services	19,551
Senior Fair	17,548
Junior Fair	6,272
Capital Outlay	1,084
Other Operating Disbursements	<u>143,932</u>
<i>Total Operating Disbursements</i>	<u>293,520</u>
 <i>(Deficiency) of Operating Receipts</i> <i>(Under) Operating Disbursements</i>	 <u>(81,360)</u>
 Non-Operating Receipts (Disbursements)	
State Support	14,125
Local Support	2,400
Debt Proceeds	9,000
Donations/Contributions	67,407
Investment Income	84
Debt Service	<u>(7,073)</u>
 <i>Net Non-Operating Receipts (Disbursements)</i>	 <u>85,943</u>
 <i>Excess of Receipts Over Disbursements</i>	 4,583
 Cash Balance, Beginning of Year	 <u>14,682</u>
 <i>Cash Balance, End of Year</i>	 <u><u>\$19,265</u></u>

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

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Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Note 1 – Reporting Entity

The Agricultural Society of Morgan County (the Society), Morgan 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 1851 to operate an annual agricultural fair. The Society sponsors the week – long Morgan County Fair during September. During the fair, harness races are held, culminating in the running of the Southern Valley Colt Stakes. Morgan County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Morgan 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 including horse shows sponsored by the Arabian Horse Association of Ohio and fundraisers sponsored by the Morgan County Chamber of Commerce. The reporting entity does not include any other activities or entities of Morgan County, Ohio.

The Society participates in a public entity risk pool. Note 5 to the financial statements provides additional information for this entity.

Note 8 and 9, respectively, summarize the Junior Fair Board’s and Junior Livestock Sale Committee’s financial activity.

The Society’s management believes this financial statement presents all activities for which the Society is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Society’s financial statement consists of a statement of receipts, disbursements and 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(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

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

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Deposits

All deposits are maintained in a checking account.

Capital Assets

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

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).

Race Purse

Harness stake races are held during the Morgan County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees Horse owners and the Southern Valley Colt Circuit pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement 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.

Note 3 – Deposits

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

	2019
Demand Deposits	<u>19,265</u>

Deposits are insured by the Federal Deposit Insurance Corporation.

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Note 4 – Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the fiscal year ended November 30, 2019, in the amount of \$9,969 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 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 the 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)	\$ 3,224
Less: Payoff to Bettors	(2,582)
Parimutuel Wagering Commission	642
Tote Service Set Up Fee	(1,200)
State Tax	(81)
Society Portion	\$ (639)

Note 5 – Risk Pool Membership

The Society is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity’s) policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$ 14,705,917

Note 6 – Debt

The Society maintains an available line of credit which was obtained from the Citizens National Bank of McConnelsville, Ohio. The Society’s credit limit on this line of credit is \$30,000. There was no outstanding balance on this line of credit at November 30, 2019.

Beginning in 2015, the Society undertook a new barn project. This project was primarily privately funded by an anonymous donor, with additional contributions made by the Society. An unknown portion of the privately funded monies were agreed to by the Society to be repaid. The terms and amounts are unable to be determined, as there is no formal repayment agreement between the Society and the private investors

Note 7 – Contingent Liabilities

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

Note 8 – Junior Fair Board

The Junior Fair Board, which is composed of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Morgan County Fair. The Society disbursed \$6,272 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board’s financial activity for the fiscal year ended November 30, 2019, follows:

	<u>2019</u>
Beginning Cash Balance	682
Receipts	3149
Disbursements	<u>(2,185)</u>
Ending Cash Balance	<u>\$ 1,646</u>

Morgan County Agricultural Society
Morgan County
Notes to the Financial Statement
For the Fiscal Year Ended November 30, 2019

Note 9 – Junior Livestock Sale Committees

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 Morgan County fair auction. A commission of 3% on auction sales covers auction costs. The Junior Livestock Committees retains this money. The accompanying financial statement does not include the Junior Livestock Committee activities. The Junior Livestock Committee financial activity for the fiscal year ended November 30, 2019, follows:

	2019
Beginning Cash Balance	\$ 38,428
Receipts	337,925
Disbursements	(305,728)
Ending Cash Balance	\$ 70,625

Note 10 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March of 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 additional recovery from emergency funding, either federal or state, cannot be estimated.

Note 11 – Special Investigation

The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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OHIO AUDITOR OF STATE KEITH FABER



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

Morgan County Agricultural Society
Morgan County
P.O. Box 594
McConnelsville, Ohio 43756

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements as of and for the years ended November 30, 2020 and 2019, and related notes of the Morgan County Agricultural Society, Morgan County, Ohio (the Society), and have issued our report thereon dated November 7, 2022, wherein we noted the Society followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We qualified our opinion as we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as rentals and sustaining and entry fees for the fiscal year ended November 30, 2020, and privilege fees, rentals, and other operating receipts for the fiscal year ended November 30, 2019. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Society.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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 statements. We consider Findings 2020-001 and 2020-003 through 2020-006 described in the accompanying Schedule of Findings to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2020-007 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. 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 2020-001 through 2020-004.

Society's Responses to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

November 7, 2022

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
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

Noncompliance and Material Weakness

Ohio Rev. Code § 9.38 provides in part, all public monies received shall be deposited with the treasurer of the public office or designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of public moneys so received does not exceed \$1,000, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

To date the Society has not approved a policy to extend the time between collection and deposit beyond one business day.

The following receipts tested were not deposited with the Treasurer or designated depository for a period ranging from two to 21 business days after initial receipt of the monies:

- Five of seven (71%) Rental receipts tested for 2019, totaling \$1,020;
- Two out of seven (29%) Other Operating Receipts tested for 2019, totaling \$3,005;
- Five out of five (100%) Admission receipts tested for 2019, totaling \$62,815;
- One out of five (20%) Privilege Fee receipts tested for 2019, totaling \$525.
- Two out of five (40%) Rental receipts tested for 2020 were deposited up to 11 days prior to being recorded in the QuickBooks accounting system and adequate supporting documentation was not maintained to determine if the deposits were timely made; One out of five (20%) of these receipts for 2020 were noncompliant, totaling \$244.

Delays of this nature resulting from deficiencies in internal control procedures could cause receipts to be lost, misplaced, or stolen without being detected in a timely manner.

The Society should draft, approve, and implement policies and procedures to help ensure timely depositing of public monies in accordance with Ohio Rev. Code § 9.38.

Official's Response: I have spoke to the board concerning a timely manner in which deposits need to be made. Anything that I receive will be deposited the next day the bank is open. Any money that is handled by other board members for things such as tractor pulls, winter storage, or any other event in which I am not present for. I have spoke to them and ask that all money be deposited the day after the event is held or bring to me so that I can deposit as soon as I receive it. I will work on a policy to get this in the minutes and approved by the board.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code §117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the Auditor of State within sixty days after the close of the fiscal year.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-002 (Continued)

Noncompliance (Continued)

The Society was required to file their report for the year ended November 30 within 60 days of year end. This reports for the years ended November 30, 2020 and 2019 were initially filed on January 26, 2021 and January 21, 2020, respectively. However, the filed reports were inaccurate and required re-filing with the final reports being filed on September 15, 2021.

Failure to file the annual financial report accurately and timely could result in the Society being declared unauditible. Failure to bring accounts, records, and reports to an auditible position may result in legal action, including the possibility of the Attorney General issuing a subpoena to Society officials to explain the condition of records. The Attorney General may also file suit to compel the officials to prepare and/or produce the required information. Additionally, any public office not filing a complete report, including the required note disclosures, by the required date may be required to pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750.

The Society should review their financial information annually and timely prepare and file an annual report with the Auditor of State with all required financial information and note disclosures. This will help to ensure that all reporting requirements are met as well as reduce the risk of the Society being declared unauditible and incurring penalties.

Official's Response: I will have this in the Morgan County Herald by the end of December. The person filing the Hinkle report will verify the information that what is being submitted is correct. The board will approved the report before it has been submitted.

FINDING NUMBER 2020-003

Noncompliance and Material Weakness

Maintaining organized documentation and support for financial transactions is essential in assuring the Society's financial statements are not materially misstated and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code § 149.351** requires all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code §§ 149.38 through 149.42.

The Society did not maintain underlying documentation and support for the following:

2020:

- Four out of five (or 100%) of Rental receipts tested, totaling \$3,217 were not supported by a contract and/or approved rate schedule that projected to a \$23,163 error. This resulted in an opinion qualification over the amount reported as Rental receipts totaling \$30,362;
- Sustaining and Entry Fees totaling \$28,400 (100% of the account balance) were unsupported, resulting in an opinion qualification over the amount reported;
- Three of 24 (or 13%) of disbursements tested were not supported by an invoice or other supporting documentation.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-003

Noncompliance and Material Weakness (Continued)

2019:

- Six out of seven (or 85%) of Rental receipts tested, totaling \$3,273 were not supported by a contract and/or approved rate schedule, which projected to a \$30,651 error. This resulted in an opinion qualification over the amount reported as Rental receipts totaling \$32,121;
- Five out of five (or 100%) of Privilege Fees receipts tested, totaling \$6,539 were not fully supported by a contract and/or approved rate schedule, which projected to a \$20,814 error. This resulted in an opinion qualification over the amount reported as Privilege Fees receipts totaling \$28,931;
- Five of the seven (71%) Other Operating Receipts tested, totaling \$5,564 were not supported. This portion of the receipts tested projected to an error of \$14,046. This error combined with known posting errors (identified in Finding 2020-005) totaling over \$10,770, resulted in an opinion qualification over the amount reported as Other Operating Receipts totaling \$50,144;
- A reimbursement to the Secretary of \$392 for office supplies was only supported by itemized receipts totaling \$363, resulting in an overpayment of \$29;
- Two of 41 (or 5%) of disbursements tested were not supported by an invoice or other supporting documentation.

Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and expenditures that are not for a proper public purpose. We were able to perform alternative procedures to gain the necessary audit assurances over the disbursements transaction cycle.

The Society should maintain all supporting documentation such as invoices, contracts, fee schedules, etc. for all financial transactions and records be maintained in an orderly manner to support all transactions. Additionally, we recommend the Secretary pay back the amount of the reimbursement that was unsupported for the purchase of office supplies in the amount of \$29.

Official's Response: We are working on getting a contract put together for the rentals. Once this is done it will be approved by the board and used for all renters. Will have a invoice to receipt for all items and verify the totals.

FINDING NUMBER 2020-004

Noncompliance and Material Weakness

Ohio Admin. Code 117-2-02(A) states 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code. Also, **Ohio Admin. Code 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.

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**SCHEDULE OF FINDINGS
NOVEMBER 30, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-004

Noncompliance and Material Weakness (Continued)

We noted the following deficiencies with the Society's use of the QuickBooks accounting system:

- The Society did not always utilize the QuickBooks accounting system and occasionally wrote manual checks, therefore checks were not always sequentially listed;
- While the Society accounts for receipts within QuickBooks, there was a lack of detail within Quickbooks relating to the various receipts received and posted by the Society. Additionally, the Society did not consistently utilize a duplicate receipt book or itemize deposit tickets to provide for an adequate audit trail.

Lack of an organized accounting system and record keeping subjects the Society to the risk of misuse of fund and inaccurate financial reporting.

The Society should implement policies and procedures to ensure all transactions are appropriately supported, which would include utilizing QuickBooks appropriately for check writing and receipting. The Society should discontinue the practice of writing manual checks, post receipts in QuickBooks with sufficient detail and ensure all receipts are properly supported by a duplicate receipt, contract and/or other pertinent information to allow for a proper audit trail.

Official's Response: All checks will be done thru quick books.

FINDING NUMBER 2020-005

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Errors identified in the Society's financial statements and notes to the financial statements required audit reclassification as follows:

The following errors were identified in 2020, which were agreed to by management, and the financial statement has been adjusted accordingly:

- Two Ohio Harness Horsemen's Association (OHHA) receipts, totaling \$129,600 were improperly classified, with one classified as Sustaining and Entry Fees and the other as Pari-mutuel Wagering Commission instead of Donations/Contributions;
- A check written for harness racing in the amount of \$77,207 was improperly posted to the revenue account Pari-mutuel Wagering Commission;
- A receipt from the Southern Valley Colt Circuit in the amount of \$8,340 was improperly classified as Pari-mutuel Wagering Commission instead of Sustaining and Entry Fees;

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(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-005

Material Weakness (Continued)

The following errors were identified in 2019, which were agreed to by management, and the financial statement has been adjusted accordingly:

- An Ohio Harness Horsemen's Association (OHHA) receipt in the amount of \$64,800 was improperly classified as State Support instead of Donations/Contributions;
- A check written for startup cash and the corresponding deposit for fair week in the amount of \$15,000 was incorrectly recorded on the financial statements, overstating Admissions Receipts and Senior Fair Disbursements;
- A draw on the Society's line of credit in the amount of \$7,000 was improperly classified as Investment Income instead of Debt Proceeds;

In addition, a receipt from the Southern Valley Colt Circuit in the amount of \$10,770 was improperly classified as Other Operating Receipts in 2019. This misclassification, along with other insignificant misclassifications of \$1,265, which projected to \$3,511, in combination with the unsupported receipts identified in Finding 2020-003, resulted in the qualification of the Other Operating Receipts account balance for 2019.

The following errors were identified in both 2020 and 2019:

- The Society utilized an outdated notes shell, therefore requiring revision to various components of the notes to the financial statements to provide updated information;
- The Society's Deposit footnote was incorrect, requiring adjustments;
- The Society's Debt footnote was incorrect, requiring adjustments;
- The Society was unable to provide supporting documentation relating to the Junior Fair Board and Junior Livestock Sale Committee footnotes.

Sound financial reporting is the responsibility of the Society and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. These reclassifications were agreed to by management, and the financial statements have been adjusted accordingly.

Failure to properly report financial activity could result in material misstatements occurring and remaining undetected and fail to provide management with an accurate picture of the Society's financial position and operations.

To help ensure the Society's financial statements and notes to the financial statements are complete and accurate, the Society should take the necessary steps to ensure that all revenues, disbursements and cash balances of the Society are properly presented and disclosed in the Society's financial statements and related note disclosures.

Official's Response: I have a copy of the accounting practices and are using them to put items in the right place. I have a better understanding of the Hinkle report so I will be verifying all items are correct

**MORGAN COUNTY AGRICULTURAL SOCIETY
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**SCHEDULE OF FINDINGS
NOVEMBER 30, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-006

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should obtain, review and approve detailed financial reports in order to properly monitor the activity of the public office.

The Society's financial transactions were processed through the QuickBooks accounting system. The Society's minutes disclosed financial reports periodically presented at monthly board meetings, however copies of these reports were not maintained and details of reports provided were not available. In addition, it did not appear that the Board of Directors received a formal bank reconciliation for review and approval.

Failure to review and approve monthly financial statements, including profit and loss statements accumulating financial activity for the year and monthly bank reconciliations increases the possibility that the Board of Directors does not have a complete understanding of the Society's financial position when deciding on the various operations of the Society. In addition, as one individual typically processes all information, the Board of Directors review and approval of monthly financial reports would serve to mitigate risks for a lack of segregation of duties.

The Board of Directors should review and approve various financial reports at each regular monthly meeting. Reports should include, but are not limited to, the following:

- The bank to book reconciliations;
- Check Detail Report;
- Deposit Detail Report;
- Profit and Loss Statement for the month and by year;
- Budget versus Actual Reports, should the Board enact a budget.

This will help to mitigate risks of incorrectly reporting financial activity as well as give the Board better oversight. This will also serve to give the Board information by which they may question financial activity, as deemed necessary.

Official's Response: The treasurer report will be given approved and signed off by the president or whoever is running the meeting. There will be a in house audit every year by the audit committee.

**MORGAN COUNTY AGRICULTURAL SOCIETY
MORGAN COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2020 AND 2019
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-007

Significant Deficiency

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) to the accounting system 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.

The Treasurer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board of Directors is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not reviewed each month of 2020 and 2019. In addition, the Society's year-end November 30, 2020 and 2019 reconciliation contained a significant number of stale dated outstanding checks dating back to 2016 and ranging from \$1 to \$1,259. Also, the Society's year-end November 30, 2020 and 2019 reconciliation included a \$1,200 variance due to a check included on the outstanding check listing, however not recorded in the QuickBooks accounting system.

Failure to review and approve the monthly reconciliation increases the possibility that the Society will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of monthly reconciliation review increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Treasurer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. The Society should review Auditor of State Management Advisory Services No. 91-11 and Ohio Rev. Code § 9.39 for guidance on accounting for stale dated checks. In addition, the Board of Directors should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

Official's Response: We will begin reviewing all monthly reconcilements at the meeting with board members to sign off on this.

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**MORGAN COUNTY AGRICULTURAL SOCIETY
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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Financial Statement Presentation	Repeated	2020-005
2018-002	Material Weakness/Noncompliance – Internal Controls/Account and Reporting Records – Ohio Administrative Code Sections 117-2-01 and 117-2-02	Repeated	2020-004
2018-003	Noncompliance – Ohio Rev. Code § 9.38	Repeated	2020-001

OHIO AUDITOR OF STATE KEITH FABER



MORGAN COUNTY AGRICULTURAL SOCIETY

MORGAN 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 11/22/2022

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www.ohioauditor.gov