



Dave Yost • Auditor of State

HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT

Harrison County Agricultural Society
Harrison County
550 Grant Street
Cadiz, Ohio 43907

To the Board of Directors:

We have selectively tested certain accounts, financial records, files, and reports of the Harrison County Agricultural Society, Harrison County, Ohio (the Society), as of and for the years ended November 30, 2008 and 2007 following Ohio Administrative Code Section 117-4-02.

The accompanying financial statements present receipts and disbursements by fund totals only. Ohio Administrative Code Section 117-2-02(A) requires governments to classify receipt and disbursement transactions.

There are reportable findings and conditions as a result of performing these procedures. Our reportable findings and conditions follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code and are not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

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**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
FUND CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2008 AND 2007**

| <u>December 1, 2007 Fund Balances</u> | <u>Total Cash Receipts</u> | <u>Total Cash Disbursements</u> | <u>November 30, 2008 Fund Balance</u> |
|---|--------------------------------|-------------------------------------|---|
| \$ 25,790 | \$ 126,603 | \$ 106,451 | \$ 45,942 |
| | | | |
| <u>December 1, 2006 Fund Balances</u> | <u>Total Cash Receipts</u> | <u>Total Cash Disbursements</u> | <u>November 30, 2007 Fund Balance</u> |
| \$ 11,266 | \$ 139,896 | \$ 125,372 | \$ 25,790 |

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**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Harrison County Agricultural Society, Harrison County, Ohio (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1846 to operate an annual agricultural fair. The Society sponsors the week-long Harrison County Fair during July. Harrison County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Harrison County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity included all activity occurring on the fairgrounds. This included the annual fair, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds included facility rental, track rental and stall rental. The reporting entity did not include any other activities or entities of Harrison County, Ohio.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The Society did not classify its receipts or disbursements in the accompanying financial statements. This is a material departure from the requirements of Ohio Administrative Code 117-02-02(A). This Ohio Administrative Code Section requires classifying receipts and disbursements.

This statement include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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.

D. Property, Plant, and Equipment

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

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

2. DEBT

Debt outstanding at November 30, 2008 was as follows:

| | |
|--------------|------------------|
| | <u>Principal</u> |
| Note Payable | \$10,000 |

The \$10,000 note originally bore an interest rate of 5 percent and was due to the Harrison County Community Improvement Corporation. The note was entered into on November 22, 2000 and was set to mature on November 22, 2005. Proceeds of the note were used to secure funding for the construction, preparation and furnishing of facilities for the Harrison County Fairgrounds.

The Society did not make principal payments until 2012 after being contacted by the Harrison County Community Improvement Corporation. The Harrison County Community Improvement Corporation forgave the interest due contingent that the Society pay the loan off in three years. Amortization of the above debt was changed in 2012 to the following:

| | |
|---------------------|------------------------|
| Year ending | |
| <u>November 30:</u> | <u>Note Payable</u> |
| 2012 | \$5,000 |
| 2013 | 2,500 |
| 2014 | 2,500 |
| Total | <u><u>\$10,000</u></u> |

3. RISK MANAGEMENT

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

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND 2007
(Continued)**

4. SUBSEQUENT EVENTS

The Society did not make principal payments on outstanding debt due to the Harrison County Community Improvement Corporation until 2012. The Harrison County Community Improvement Corporation forgave the interest due contingent that the Society pay the loan off in three years. Refer to Note 2 for additional disclosures regarding outstanding debt.

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Dave Yost • Auditor of State

ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Harrison County Agricultural Society
Harrison County
550 Grant Street
Cadiz, Ohio 43907

To the Board of Directors:

We have selectively tested certain accounts, financial records, files, and reports of the Harrison County Agricultural Society, Harrison County, Ohio (the Society), as of and for the years ended November 30, 2008 and 2007, following Ohio Admin. Code Section 117-4-02. We noted the Society did not classify receipts and disbursements in its financial statement. Our engagement was not designed to result in expressing an opinion on the accompanying financial statement, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

Internal Control over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Society's ability to record, process, summarize or report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the Schedule of Findings as items 2008-001, 2008 002 and 2008-004 through 2008-006.

Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contracts, and grant agreements, applicable to the Society. Noncompliance with these requirements could impact the Society's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying Schedule of Findings as items 2008-001 through 2008-004.

We intend this report solely for the information and use of the management and the Board of Directors.
We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

Columbus, Ohio

October 11, 2013

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2008 AND 2007**

1. Ohio Admin. Code Sections 117-2-01, 117-2-02 and 117-10-01

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-001 |
|-----------------------|----------|

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Admin. Code Section 117-2-01 requires the Society to design and operate a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for its public offices in certain categories. Furthermore, Ohio Admin. Code Sections 117-2-02 and 117-10-01 requires the Society to maintain an accounting system and accounting records sufficient to assure accountability of entity assets. It also states that the Society must have internal controls sufficient to assure that recorded transactions have occurred and are not fictitious. The Society did not maintain an accounting system or accounting records, which were sufficient to assure the accountability of entity assets. Also, the Society did not have internal controls sufficient to assure that recorded transactions had occurred and were not fictitious. Additionally, Ohio Rev. Code Section 149.351 states that all records are the property of the public office and 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 commissions provided for under Sections 149.38 to 149.42, Ohio Rev. Code. Weaknesses in the Society's accounting system are enumerated below:

- The Society presented financial reports, however, accounting ledgers, such as a cash journal, receipt ledger or disbursements ledger, were not maintained for either year of the audit period. As a result, the activity reported could not be verified nor agreed to supporting documentation;
- The presented annual financial reports' total receipts and total disbursements were not correctly calculated;
- Bank to book cash reconciliations presented in the annual financial report did not agree to the financial statement in the annual financial report for either year. Reconciliations could not be determined to be complete and accurate. There was no oversight by the Board of Directors;
- Disbursements were not supported by sufficient documentation. Invoices, voided checks, and canceled checks were missing in both years;
- Sufficient documentation was not maintained for revenues. Pre-numbered duplicate receipts were not issued for all monies collected. Deposit slips were not always maintained. Complete and accurate subsidiary ledgers for gate receipts, commissions, rentals, and entries were not maintained;
- Payroll ledgers were not maintained for the engagement period;
- Rates for admission, camping, stall rentals, concession rates, etc., were not approved and noted in the minute record; and
- The *Ohio State Racing Commission County Fair Pari-Mutual Tax Reports* for 2008 and 2007 were not presented for review.

Additionally, we could not determine if the Society fully complied with certain applicable requirements of the Ohio Revised Code and Ohio Administrative Code including the following compliance requirements:

- Ohio Rev. Code Section 117.38 requires the annual financial report to be filed with the Auditor of State. We could not determine whether the annual report filed with the Auditor of State was complete and accurate;
- Ohio Rev. Code Section 3769.082 requires State fair funding to be distributed between

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2008 AND 2007**

general operations, horse racing, etc. We could not determine whether the distribution reported in the annual financial report was complete and accurate;

- Ohio Rev. Code Section 9.38 requires monies collected to be deposited the next day following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official 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. We could not determine if deposits were made timely;
- Ohio Rev. Code Section 3769.01 requires that no person, association, corporation, or trust shall hold, conduct, assist, or aid and abet in holding or conducting any meetings, at which horse racing is permitted for any stake, purse, or award unless such person, association, corporation, or trust secures a permit to conduct a horse-racing meeting and complies with Section 3769.01 to 3769.14 of the Revised Code. Horse racing was held during the 2007 and 2008, however, the Society was unable to provide a permit for horse racing; and
- 26 C.F.R. Section 1.6041-1 requires governments to report on Form 1099, "salaries, wages, commissions, fees, and other forms of compensation for services rendered aggregating \$600 or more." We could not determine if this requirement was applicable or satisfied due to the missing records.

The Society should establish an effective accounting system that includes the following procedures:

- Complete and accurate cash journal, receipt ledger, and disbursement ledger should be maintained and include all detailed information for each transaction, such as the receipt or check number, payee, amount, date, and purpose;
- Accurate financial reports that identify receipts and disbursements by the prescribed line items should be submitted for audit annually;
- Complete and accurate monthly reconciliations should be prepared. Reconciliations should include all bank accounts and should detail all reconciling items. The Society's finance committee or the Board of Directors should review the reconciliation for accuracy and note their approval in the minutes;
- Disbursements should be supported by a voucher packet that includes a copy of the check and detailed invoice. All checks, voided and cleared, should be maintained in numerical order;
- Complete and accurate payroll ledgers should be maintained and include all detailed information for each transaction, such as payee, amount, date, withholdings, and purpose. All pay rates for contract and regular employees should be approved by the Board of Directors and noted in the minute records;
- Complete and accurate subsidiary ledgers should be maintained for each source of revenue. In addition, supporting documentation for the ledgers, such as, pre-numbered duplicate receipts, deposits slips, forms, and contracts should be maintained. A pre-numbered duplicated receipt should be issued for all monies received by the Society; and
- All racing and receipt reports should be completed and copies maintained in the Society records.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2008 AND 2007**

Implementing these procedures will help improve internal control over the Society's transactions and should provide information for an accurate presentation of their financial activity as well as provide evidence of compliance with applicable sections of the Ohio Revised Code and Ohio Administrative Code.

Official's Response: The client has elected not to respond.

2. Ohio Revised Code Section 149.43(E)

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-002 |
|-----------------------|----------|

NONCOMPLIANCE/MATERIAL WEAKNESS

Ohio Rev. Code Section 149.43(E) requires all public offices to adopt a public records policy in compliance with this section for responding to public records requests. This policy shall be distributed to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. Additionally, the public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. Also, pursuant to Ohio Rev. Code Section 149.43(B)(2), the entity shall have available a copy of its current records retention schedule at a location readily available to the public.

The Society has not established a public records policy pursuant to Ohio Rev. Code Section 149.43(E) or established a records retention schedule. The Society should review the model public records policy developed and provided by the Attorney General under Ohio Rev. Code Section 109.43 and develop a similar policy. The model public records policy is available on the Attorney General's website. Additionally, while the Society does not have any elected officials that are required to attend public records training, the Society should consider having its records custodian or records manager attend public records training. Also, the Society should create a records retention schedule. The Society should consider consulting with the Ohio Historical Society regarding how long records are to be kept and develop a schedule and policy for disposing of records.

Official's Response: The client has elected not to respond.

3. Ohio Revised Code Section 135.22

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-003 |
|-----------------------|----------|

NONCOMPLIANCE

Ohio Rev. Code Section 135.22 requires the Fiscal Officer to complete annual continuing education provided by the Treasurer of State, unless the Fiscal Officer annually provides a notice of exemption to the Auditor of State stating that the Society's investments were limited to interim deposits.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2008 AND 2007**

During 2008 and 2007, the Society appeared to have only invested in interim deposits; however, the Fiscal Officer did not provide a notice of exemption to the Auditor of State. The Board should monitor the Fiscal Officer to ensure that the Fiscal Officer completes a notice of exemption as required by Ohio Rev. Code Section 135.14. Additionally, the Society should review Ohio Rev. Code Section 135.22 for additional compliance requirements should they choose to invest in other than interim deposits.

Official's Response: A notice of exemption will be filed with the Treasurer of State.

4. Debt Repayment

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-004 |
|-----------------------|----------|

NONCOMPLIANCE/MATERIAL WEAKNESS

The Harrison Agricultural Society issued debt with the Harrison County Community Improvement Corporation on November 22, 2000 in the amount of \$10,000. The debt agreement required the debt to be repaid in 5 annual installments of \$2,310, including interest, for a total of \$11,550. It was to be completely paid by November 20, 2005. However, the Society did not start making the required payments until April 3, 2012 when the Harrison County Community Improvement Corporation contacted the Society regarding the unpaid debt. As a result, there was an increased risk that the Society could be assessed additional penalties and fees as well as having creditors seek litigation regarding amounts past due.

While the Harrison County Community Improvement Corporation did not assess penalties and forgave the Society of interest due, the Society should ensure future debt agreements are adhered to when issued and required payments are made. This will help ensure the Society complies with debt agreements, makes timely payments and does not incur penalties and fees.

Official's Response: The client has elected not to respond.

5. Policies

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-005 |
|-----------------------|----------|

MATERIAL WEAKNESS

The Society has not adopted a formal policy regarding the use of credit cards, vehicles or equipment. Additionally, the Society has not adopted policies regarding the storage, use and distribution of personnel records. The lack of these policies could result in the Society paying for unallowable expenditures and unauthorized use of Society owned vehicles and equipment as well as not properly securing personnel information and using it in an improper manner.

The Board should adopt a formal policy regarding the usage of credit cards, vehicles and equipment owned by the Society. The Society should require receipts be submitted to support expenditures for credit card purchases. The policy should address who is permitted to use credit cards and how the credit cards will be safeguarded. Also, the Board should require detailed receipts be submitted to support the expenditure. The vehicle and equipment policy should address personal usage. The policy regarding the storage, use, and distribution of personnel information should conform to a public records policy. Additionally, the policy should document how this information will be secured, individuals with user access, punishments for

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2008 AND 2007**

unallowable access, and require sign-in sheets for access outside of normal business operations. Adopting these policies will help ensure the Society's expenditures are properly supported, that Society property is utilized only for allowable activities and that all records are properly safeguarded.

Official's Response: The client has elected not to respond.

6. Annual Budget

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2008-006 |
|-----------------------|----------|

MATERIAL WEAKNESS

The "Uniform System of Accounting for Agricultural Societies" requires each agricultural society to prepare an annual budget of its revenues and expenses. The budget shall cover the period December 1st through November 30th. The budget shall be considered and approved by the board of directors prior to the first day of the ensuing fiscal year. The budget shall be prepared at the level from the chart of accounts which are used by the Society. The Board did not formally approve a budget for either 2008 or 2007.

The Board should review the budgetary requirements under the "Uniform System of Accounting for Agricultural Societies" and formally approve an annual budget. The budget should be approved at the same level as the chart of accounts used by the Society, which is at the object level. The Society should use a Receipts Ledger and Disbursement Ledger to track activity. Upon use of these ledgers, budgetary amounts should be integrated into those ledgers and monthly budget versus actual reports should be reviewed and approved by the Board. This will help ensure the Board is aware of all the Society's financial activity as well as provide useful information to make informed decisions.

Official's Response: The client has elected not to respond.

**HARRISON COUNTY AGRICULTURAL SOCIETY
HARRISON COUNTY**

**SCHEDULE OF PRIOR FINDINGS
NOVEMBER 30, 2008 AND 2007**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2006-001 | Ohio Administrative Code Sections 117-2-02 and 117-10-01 and Internal Control: Maintenance of an adequate accounting system. | No | Not Corrected; Reissued as Finding Number 2008-001. |
| 2006-002 | Internal Control: Preparation of Budget | No | Not Corrected; Reissued as Finding Number 2008-005. |



Dave Yost • Auditor of State

HARRISON COUNTY AGRICULTURAL SOCIETY

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2013