



Dave Yost • Auditor of State

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Madison County Agricultural Society
Madison County
205 Elm Street
London, Ohio 43140

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements, and related notes of the Madison County Agricultural Society, Madison County, (the Society) as of and for the years ended November 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to 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 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 1 of the financial statements, the Society prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial 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, 2014 and 2013, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Madison County Agricultural Society, Madison County as of November 30, 2014 and 2013, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2017

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND BALANCE (CASH BASIS)
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

	2014	2013
Operating Receipts		
Admissions	\$146,365	\$131,348
Privilege Fees	39,116	37,185
Rentals	57,453	73,330
Sustaining and Entry Fees	16,595	13,790
Pari-mutuel Wagering Commission	515	266
Other Operating Receipts	93,266	43,674
<i>Total Operating Receipts</i>	353,310	299,593
Operating Disbursements		
Wages and Benefits	133	3,375
Utilities	39,177	47,978
Professional Services	101,952	100,964
Equipment and Grounds Maintenance	62,212	68,069
Race Purse	49,483	36,772
Senior Fair	10,773	12,498
Junior Fair	28,406	21,874
Capital Outlay	737,861	176
Other Operating Disbursements	97,678	34,529
<i>Total Operating Disbursements</i>	1,127,675	326,235
<i>Excess (Deficiency) of Operating Receipts</i>	(774,365)	(26,642)
Non-Operating Receipts (Disbursements)		
State Support	15,568	17,374
County Support	436,333	101,014
Donations/Contributions	252,763	44,698
Investment Income	0	1
Debt Service	(10)	(639)
<i>Net Non-Operating Receipts (Disbursements)</i>	704,654	162,448
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(69,711)	135,806
Cash Balance, Beginning of Year	145,914	10,108
<i>Cash Balance, End of Year</i>	\$76,203	\$145,914

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

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**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

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 Madison County Agricultural Society, Madison County, (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 1947 to operate an annual agricultural fair. The Society sponsors the week-long Madison County Fair during July. During the fair, harness races are held. Madison 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 Madison County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, 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 Madison County, Ohio.

Notes 9 and 10, 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.

B. Accounting Basis

These financial statements follow 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. 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(D) permit.

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.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Property, Plant, and Equipment

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

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). Since the completion of the attached financial statements, it was discovered by the Directors of the Society that the not-for-profit status was revoked for failure to file forms 990. The current Directors are in the process of filing the appropriate forms to have the Society's not-for-profit status re-instated retroactively to the date of revocation.

F. Race Purse

Stake races are held during the Madison 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 U.S. Trotting Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

G. Pari-mutuel Wagering

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

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

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

2. DEPOSITS AND INVESTMENTS

The Society maintains a demand deposit and savings account all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2014 and 2013 were as follows:

	2014	2013
Demand deposits	\$73,061	\$139,116
Other time deposits (savings and NOW accounts)	3,142	6,798
Total deposits	76,203	145,914

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. 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, 2014 and 2013 was \$4,777 and \$6,832, respectively, 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.

	2014	2013
Total Amount Bet (Handle)	\$ 5,748	\$ 4,659
Less: Payoff to Bettors	(4,573)	(3,701)
Parimutuel Wagering Commission	1,175	958
Tote Service Set Up Fee	(200)	(200)
Tote Service Commission	(461)	(353)
State Tax	(167)	(139)
Society Portion	\$ 347	\$ 266

4. DEBT

The Society had no outstanding long term debt at November 30, 2014.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

5. RISK MANAGEMENT

The Madison County Commissioners provide general insurance coverage for all the buildings on the Madison County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$10,000,000 aggregate.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2017.

There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

6. CONTINGENT LIABILITIES

There are accumulated penalties and interest amounts due to the IRS for past and current years through September 2014 for unfiled payroll tax returns. The amount due is currently being negotiated with the IRS by the current treasurer of the Society. Per the IRS, the penalties and interest totaled \$9,780 as of June 2016.

7. RELATED PARTY TRANSACTIONS

The contract for mowing the grounds is held by the father and mother in-law of the Vice President of the Society. There is a balance due on the contract as of November 30, 2014 in the amount of \$36,822. This contract was not renewed in 2015 and was paid in full in 2016.

8. SUBSEQUENT EVENTS

In September 2014, the Treasurer of the Society withdrew via checks and direct withdrawal, without authorization, \$60,491 from the Society's checking and savings accounts. In addition, during the process of the transfer of the treasurer position, it was discovered that the same former treasurer had not filed payroll tax returns for ten years and had not filed form 990 returns in her tenure of over twenty years. Upon contact with the IRS, the Society was required to file 990 returns going back to 2009. Those returns were filed in 2015 and the Society is current on those returns. A form 1023 has been filed with the IRS requesting to have the Society's 501(c)(3) status re-instated retroactive back to 2011, the year the status was revoked for failure to file forms 990.

The Society sued the former treasurer for repayment of the money withdrawn as well as to cover the cost of correcting all of her errors. The former treasurer settled out of court and signed an agreement for repayment of the balance owed. The amounts are being paid as agreed.

9. 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 Madison County Fair. The Society disbursed \$28,406 for the year ended November 30, 2014 and \$21,874 for the year ended November 30, 2013 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. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2014 and 2013 follows:

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

9. JUNIOR FAIR BOARD (Continued)

	2014	2013
Beginning Cash Balance	\$ 2,669	\$ 5,972
Receipts	14,817	11,472
Disbursements	(16,165)	(14,775)
Ending Cash Balance	\$ 1,321	\$ 2,669

10. 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 Madison County's auction. A commission of 3 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 year ended November 30, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 10,837	\$ 12,973
Receipts	424,909	347,166
Disbursements	(426,149)	(349,302)
Ending Cash Balance	\$ 9,597	\$ 10,837

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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

Madison County Agricultural Society
Madison County
205 Elm Street
London, Ohio 43140

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 of the Madison County Agricultural Society, Madison County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated March 3, 2017, wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 significant deficiencies.

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 2014-001, 2014-002, 2014-004 and 2014-005 described in the accompanying schedule of findings to be material weaknesses.

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 findings 2014-006 and 2014-007 described in the accompanying schedule of findings to be significant deficiencies.

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 determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002, 2014-003, 2014-008, and 2014-009.

Society's Response to Findings

The Society's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

March 3, 2017

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Financial Reporting – Material Weakness

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Directors and is essential to help ensure information provided to the readers of the financial statements is complete and accurate.

The following adjustments and reclassifications were made to the Society's financial statements, to properly reflect all financial activity identified as of November 30, 2014 and 2013:

1. The Society used the wrong beginning fund balance on the financial report as of December 1, 2012. In 2013, an adjustment was made to decrease the beginning fund balance by \$3,262.
2. December 2013 transactions related to the building account were included on the 2013 financial statements rather than the 2014 financial statements. To properly account for the cutoff of these transactions, the fund balance decreased by \$193,574, donations and contributions decreased by \$42,878, county support decreased by \$151,386, equipment & grounds maintenance decreased by \$44 and capital outlay disbursements decreased by \$646 in 2013. These accounts increased by these same amounts in 2014.
3. The Society closed a savings account during 2013 and posted this closure in the 2013 accounting ledgers. However, this amount was already included within the Society's cash balance. An adjustment was made in 2013 to decrease both state support and capital outlay by \$1,279.
4. There were four checks issued by the Society on November 30, 2013. These checks were included on the check detail report; however, the checks were omitted from the Society's financial statements. An adjustment was made in 2013 to increase utilities disbursements by \$325, increase equipment and grounds maintenance disbursements by \$1,052 and to decrease the fund balance by \$1,377.
5. There were multiple checks voided by the Society that were not properly processed in the Society's accounting (QuickBooks) system. An adjustment was made in 2013 to decrease other operating disbursements and to increase fund balance by \$4,640.
6. The Society reconciled the cash balance for the 2014 financial statements as of December 31, 2014 rather than November 30, 2014. An adjustment was made to decrease other operating disbursements and to increase fund balance by \$548.
7. To properly account for a donation received in 2014, \$10,500 that was posted to county support was reclassified to donations and contributions line item.
8. In 2014, the Society erroneously posted three transactions totaling \$16,843 as donations & contributions. To properly account for these transactions, donations & contributions decreased by \$16,843, admissions increased by \$5,280, professional services decreased by \$2,750, rentals increased by \$6,313, and other operating receipts increased by \$2,500.
9. An adjustment was made to account for \$13,370 in other operating disbursements that were omitted from the 2014 financial statements.

By not properly accounting for all financial activity, inaccurate financial reports could be disseminated to the governing board and management, as well as, financial statement readers.

The audit adjustments and reclassifications identified should be reviewed by the Fiscal Officer to prevent similar errors from being reported improperly on the financial statements in subsequent years. In addition, the Board of Directors should review the financial statements and note disclosures to identify and correct errors and omissions.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-002

Maintaining Supporting Documentation – Material Noncompliance / Material Weakness

Ohio Rev. Code § 149.351 requires that 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**. Additionally, maintaining organized documentation and support for financial transactions is essential in helping to assure the Society's financial statements are accurately presented and that all expenditures are made for a proper public purpose.

Underlying supporting documentation was not maintained to support the following items:

- Of the five selected privilege fee receipts in 2013, there were four separate vendors comprising all five transactions that did not have 2013 contracts available for review to determine the proper amount was received by the Society. Additional procedures were performed to determine the reasonableness of these receipts.
- Of the 86 selected nonpayroll disbursements, the Society did not maintain copies of images of the back of cancelled checks for 82 disbursements and eight disbursements did not have check images available at all. Four EFT/ACH payments were selected and none had proper support as well; such as a print out of the payment confirmation at the time the transaction was processed.
- Of the 86 selected nonpayroll disbursements, 11 checks did not have documentation to support the expenditure. Additional procedures were performed to determine the reasonableness of these disbursements.
- Of the 12 selected other operating receipts, five did not have support available for review beyond the duplicate receipt and deposit ticket.
- Documentation was not retained to support the grandstand admission receipts. Additional procedures were performed to determine the reasonableness of these receipts.

We reviewed the types of expenditures and receipts and determined them to be reasonable and appropriate for the Society. However, failure to maintain organized underlying documentation and support for financial transactions can increase the risk of fraud, inaccurate financial statements, and improper expenditures.

We recommend the Society implement procedures to maintain supporting documentation for all receipts and expenditures. This documentation should be maintained together in an orderly manner for all financial transactions.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-003

Finding for Recovery – Resolved 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 judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State's Office 2003-005 Expenditure 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.

Between September 16, 2014 and September 25, 2014, Brenda Roseberry, former fiscal officer of the Society, cashed checks and withdrew cash from a Society certificate of deposit in an amount totaling \$60,491. Ms. Roseberry utilized this cash for purposes not authorized by the Society. In addition, during Ms. Roseberry's tenure as Treasurer at the Society, she failed to file required Society tax returns and to pay required Society taxes. As Treasurer, Ms. Roseberry was the official responsible for filing Society tax returns and remitting appropriate tax payments. However, Ms. Roseberry's failure to transmit all required funds to the appropriate entity, or system, was a gross neglect of duty amounting to reckless disregard for the Society. As a result, the Society incurred penalties and late fees.

On May 9, 2016, Ms. Roseberry entered into a settlement agreement with the Society in which she agreed to repay the Society for unauthorized use of cash and for tax penalties and late fees for which she was responsible. At the time of the settlement, the court agreement documented Ms. Roseberry had made restitution payments to the Society "for an amount between \$35,834 and \$35,924". **Section 3 of the Agreement** indicated Ms. Roseberry was required to pay an additional \$38,000 to the Society with a lump sum payment of \$20,000 due within three days of signing the agreement and monthly payments of \$1,500 due the 1st of each month until April 2017.

As of the date of this report, Ms. Roseberry has paid the Society a total of \$36,500 (\$20,000 lump sum payment plus 11 monthly payments of \$1,500 totaling \$16,500). Ms. Roseberry owes a final payment of \$1,500 which is due April 1, 2017.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued in the amount of \$1,500 against Brenda Roseberry, in favor of the Madison County Agricultural Society.

FINDING NUMBER 2014-004

Grandstand Admission Receipts – Material Weakness

During fair week, the Society holds events within the fairground grandstands that require an additional admission fee. For each event, the Society contracts with local organizations to sell tickets/wristbands. The organization returns the unused tickets/wristbands and money collected to the fair office where it is safeguarded until deposited.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-004 (Continued)

Grandstand Admission Receipts – Material Weakness (Continued)

The Society lacks procedures over grandstand admission receipts. The Society did not perform a reconciliation of the receipts after each event to determine whether the amounts remitted for deposit were reasonable compared to the number of tickets/wristbands sold. In addition, the Society did not maintain documentation to support the grandstand admission receipts during fiscal years 2013 and 2014. See Finding 2014-002.

We performed additional procedures to determine the grandstand admission receipts were reasonable.

Failure to adequately monitor deposit amounts could lead to increased risk of fraud and/or unaccounted monies.

We recommend the Society develop a policy and implement internal control procedures to reconcile grandstand admission receipts after each event to help ensure the proper amount is being accounted for and investigate any significant variances.

FINDING NUMBER 2014-005

Internal Control Over Check Approval – Material Weakness

Implementing and maintaining an internal control system over the check distribution and payment process is the responsibility of management.

The following control deficiencies were noted:

- A Board Member signed blank checks
- The Fiscal Officer forged a Board Member's signature on multiple checks
- The Fiscal Officer wrote checks to herself for unauthorized purposes (by forging board member's signature)

Lack of controls over the check-writing/distribution process lead to improper use of Society funds (see Finding 2014-003) and could allow errors and irregularities to occur and go undetected by management.

We recommend the Board develop internal controls and implement policies and procedures over electronic payments and the check approval process to help ensure proper accountability over all Society funds. The procedures should include but not be limited to the following:

- 1) The Board and Fiscal Officer should refrain from signing checks in advance and only sign checks after they have been completed by the Fiscal Officer through the QuickBooks system.
- 2) An authorized signatory should review the supporting documentation for each disbursement before signing the check.
- 3) The Society should avoid issuing handwritten manual checks.
- 4) The Board should review canceled checks to help ensure no unauthorized checks were issued.
- 5) The Board should adopt specific procedures related to electronic payments.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-006

Bank Reconciliation and Monitoring – Significant Deficiency

Strong monitoring practices of the Society's financial activities are the responsibility of management and the Board of Directors and are essential to help ensure proper financial reporting. A bank to book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciling items, including deposits in transit, outstanding checks, and/or unposted interest, and should be considered in the reconciliation process to help ensure the Society's ledgers are reconciled to the bank balances. Additionally, the Society's Board of Directors should review the bank to book reconciliation and monthly financial reports of financial activity on a regular basis and evidence of these reviews should be documented.

The Society includes a profit & loss worksheet, as well as, an outstanding bill listing in the monthly report package submitted to the Board. The Board's package; however, does not include monthly bank reconciliations nor is the Board's review of the financial reports documented in the minutes or within the reporting package. The Society did not perform timely monthly bank to book reconciliations throughout fiscal year 2014 and they reconciled year-end balances utilizing the wrong month (December 31 rather than November 30). See adjustments related to cash balances noted in Finding 2014-001.

Failure to include receipts, expenditures, and bank reconciliations within the board reviewed documents prohibits the Board of Directors from reviewing all the data necessary to adequately monitor the financial activity of the Society. Failure to perform monthly bank to book reconciliations timely and using the appropriate months' balances for year-end reporting could result in errors or irregularities occurring which could go undetected by management.

We recommend the Society reconcile all bank and book balances on a monthly basis and develop a policy to utilize the proper fiscal year-end reconciliations in their annual reports. In this process, all reconciling items and/or errors should be identified and reviewed by someone independent of the reconciliation process to help ensure timely follow up and corrective action. We recommend unidentified reconciling items be investigated to resolve bank to book differences. We also recommend the Society document in the minutes or within the reporting package the Board's approval of the bank statements and bank reconciliations, as well as any other monthly financial reports. Further, the Society's Board of Directors should help ensure that strong monitoring practices of the Society's financial activities are implemented and operating effectively.

FINDING NUMBER 2014-007

Other Operating Receipts – Significant Deficiency

Implementing effective internal controls is an important responsibility of management. Effective internal controls can help ensure transactions are complete, actually occurred, are accurately reported, properly posted and classified in the financial statements. In addition, management should periodically monitor control procedures to verify they are functioning effectively.

For 2014 and 2013, five instances were noted where receipt documentation beyond the pre-numbered receipt and deposit ticket was not maintained by the Society. See Finding 2014-002.

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-007 (Continued)

Other Operating Receipts – Significant Deficiency (Continued)

Failure to establish and implement effective internal controls impairs management's ability to effectively monitor the Society's finances and could result in the theft or loss of property without management's detection.

We recommend the Society formally adopt policies and procedures to provide controls over other operating receipts to help ensure all receipts are properly posted. The policy and procedures should, at a minimum, identify approved authorizers, establish a level of documentation to be submitted and maintained, and establish channels of monitoring by appropriate levels of management.

FINDING NUMBER 2014-008

IRS 501(c)(3) Status – Material Noncompliance

The Society is eligible to have an exemption from tax as indicated by **26 U.S. Code §501(c)(3)**. Organizations eligible under this chapter will not be treated as tax exempt unless they apply for recognition of exemption by filing a Form 1023.

The Society's **501(c)(3)** exempt status lapsed in 2011. The Society has received donations from a large number of individuals in 2013 and 2014 for building projects. Due to the Society's failure to keep its **501(c)(3)** status current, individual donations could be at risk to not qualify as tax-free donations on the donors' personal federal tax returns. The Society completed and filed Form 1023 and is currently waiting on confirmation from the IRS.

The Society should inform individual donors of their current status with regard to tax exemptions. If the Society is going to accept donations in the future, the Society should implement procedures to avoid this status lapsing.

This matter has been referred to the Internal Revenue Service.

FINDING NUMBER 2014-009

Quarterly Payroll Filing – Penalties & Interest – Material Noncompliance

26 U.S.C. §§ 3401, 3402, 3403, 3404, 3405, and 3102(a) require the employing government to withhold federal income and employment related taxes (such as Medicare). These Sections also require the government to report and remit those tax matters to the appropriate tax authorities and the recipients.

The Fiscal Officer failed to timely submit the required federal payroll taxes or quarterly 941 Tax Forms as required by the Internal Revenue Service for the following tax periods:

- | | | |
|------------------|------------------|------------------|
| - September 2005 | - December 2005 | - September 2006 |
| - December 2006 | - September 2007 | - December 2007 |
| - September 2008 | - December 2008 | - December 2010 |

**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2014-009 (Continued)

Quarterly Payroll Filing – Penalties & Interest – Material Noncompliance (Continued)

The total amount owed to the IRS as of June 2016, including penalties and interest, was \$9,780.43.

In addition, the Society has yet to file the 941 Tax Forms for the following tax periods:

- June 2009
- March 2012
- June 2012
- December 2012

Failure to implement controls over the payroll process has caused the Society to endure penalties and interest to the IRS. The Society's costs associated with failing to file the payroll tax returns with the IRS have been included within Finding 2014-003.

The Fiscal Officer should implement controls to aid in submitting the required reports and contribution/withholding remittances in a timely manner to help ensure compliance with applicable laws and regulations and to avoid interest and penalties.

This matter has been referred to the Internal Revenue Service.

Officials' Response:

We have chosen to respond to all of these findings as one. Each of these findings is a result during the audit period of poor controls and no oversight. We have corrected all of these issues beginning in December 2015. Financial reporting is done in the QuickBooks software and full reports are reviewed monthly by the Board. Bank statements and reconciliations are completed monthly and are reviewed by either the Secretary or the Vice President of the Board. The detailed general ledger is reviewed for accuracy by the finance committee. Any mispostings are corrected. We have and continue to develop policies and procedures for documenting receipts, contributions, payments of invoices, and documentation for each disbursement. We have also developed procedures for accounting for all gate receipts for events including the fair, grandstand, and pit entry.

No one signs blank checks. All payroll reports, 1099's, 990's, and any other required filings are completed and paid timely. We have filed for re-instatement of our non-profit status under 501(c)(3) by completing the Form 1023. The IRS has not yet ruled on this.

A set of policies and procedures for all areas of financial reporting will be completed so that as we go into the future, the next Society Treasurer will be able to follow the procedures and with Board approval and oversight transitions will be smooth.

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**MADISON COUNTY AGRICULTURAL SOCIETY
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED NOVEMBER 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Bank Reconciliations & Monitoring	No	Not Corrected, See Finding 2014-006
2012-02	Financial Reporting	No	Not Corrected, See Finding 2014-001

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Dave Yost • Auditor of State

MADISON COUNTY AGRICULTURAL SOCIETY

MADISON 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
MAY 4, 2017**