



Dave Yost • Auditor of State

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Union County Agricultural Society
Union County
PO Box 678
Marysville, OH 43040-8931

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statement of the cash balances, receipts and disbursements by fund type, and related notes of the Union County Agricultural Society, Union County, Ohio (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 this financial statement 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 a financial statement free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement 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 statement is 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 statement 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 adverse and qualified audit opinion.

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

As described in Note 1 of the financial statements, the Society prepared this financial statement 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 *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 statement referred to above does 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.

Basis for Additional Opinion Qualification

Admissions Receipts are reported at \$119,370 and \$104,856 for the years ended November 30, 2014 and 2013, respectively, which are 31 percent of receipts for the year ended November 30, 2014, and 33 percent of receipts for the year ended November 30, 2013. Donations/Contributions receipts are reported at \$77,026 and \$50,888 for the years ended November 30, 2014 and 2013, respectively, which is 20 percent of total receipts for the year ended November 30, 2014, and 16 percent of total receipts for the year ended November 30, 2013. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as admissions and donations/contributions 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 statement referred to above presents fairly, in all material respects the cash balances of the Union County Agricultural Society, Union County, Ohio 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 December 28, 2016, 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

December 28, 2016

**UNION COUNTY AGRICULTURAL SOCIETY
UNION 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	\$ 119,370	\$ 104,856
Privilege Fees	32,091	37,508
Rentals	71,874	54,111
Sustaining and Entry Fees	8,157	14,189
Pari-mutuel Wagering Commission	213	756
County Fair Sales	8,462	5,452
Membership Fees	2,557	2,189
<i>Total Operating Receipts</i>	242,724	219,061
Operating Disbursements		
Utilities	25,136	26,549
Professional Services	113,817	91,022
Equipment and Grounds Maintenance	60,285	82,632
Race Purse	55,452	42,591
Senior Fair	5,241	21,858
Junior Fair	22,932	16,420
Supplies (Resale)	1,590	-
Other Operating Disbursements	31,973	40,321
<i>Total Operating Disbursements</i>	316,426	321,393
<i>Deficiency of Operating Receipts</i>	(73,702)	(102,332)
Non-Operating Receipts		
State Support	54,527	32,474
County Support	12,000	12,000
Donations/Contributions	77,026	50,888
Investment Income	101	47
<i>Net Non-Operating Receipts</i>	143,654	95,409
Excess (Deficiency) of Receipts Over (Under) Disbursements	69,952	(6,923)
Cash Balance, Beginning of Year	88,789	95,712
Cash Balance, End of Year	\$ 158,741	\$ 88,789

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

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**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 Union County Agricultural Society, Union 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 1846 to operate an annual agricultural fair. The Society sponsors the week-long Union County Fair during July. During the fair, harness races are held, culminating in the running of the Union County Fair Harness Race. Union County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of twenty directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Union 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 including the Union County Independence Celebration. The reporting entity does not include any other activities or entities of Union County, Ohio.

Notes 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.

B. Accounting Basis

The 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The 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.

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.

The Society had no investments.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
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 statement does 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). Management is unaware of any actions or events that would jeopardize the Society's tax status.

F. Race Purse

Stake races are held during the Union 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 Western Ohio Colt Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement reports these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2014 AND 2013
(Continued)**

2. Deposits

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

	2014	2013
Demand deposits	\$101,332	\$31,260
Certificates of deposit	58,127	57,896
Total deposits	159,459	89,156

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

3. Horse Racing

State Support Portion of Purse

The financial statement reports Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2014 and 2013 of \$54,048 and \$15,100 respectively, as State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying 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)	\$ 4,607	\$ 3,306
Less: Payoff to Bettors	(3,680)	(2,631)
Parimutuel Wagering Commission	927	675
Tote Service Set Up Fee	(800)	(700)
Tote Service Commission	(18)	(61)
State Tax	(122)	(95)
Society Portion	\$ (13)	\$ (181)

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2014 AND 2013
(Continued)**

4. Debt

Debt outstanding at November 30, 2014 was as follows:

	Principal	Interest Rate
Note Payable for Barn	\$60,000	4.00%

The \$60,000 Barn Note bears an interest rate of 4.00 percent and is due to Richwood Bank. The note was entered into on April 11, 2013 and matures on December 10, 2023. Proceeds of the note were used for the construction of a new barn.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Barn Note
2015	7,398
2016	7,398
2017	7,398
2018	7,398
2019	7,398
2020-2023	23,008
	\$60,000

5. Risk Management

The Union County Commissioners provide general insurance coverage for all buildings on the Union County Fairgrounds pursuant to Ohio Revised Code 1711.24.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2014, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Society.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2014 AND 2013
(Continued)**

5. Risk Management (Continued)

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Assets	\$35,402,177	\$34,411,883
Liabilities	<u>(12,363,257)</u>	<u>(12,760,194)</u>
Net Assets	<u>\$23,038,920</u>	<u>\$21,651,689</u>

At December 31, 2014 and 2013, respectively, the liabilities above include approximately 11.1 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.8 million and \$11.1 million of unpaid claims to be billed. The Pool's membership increased from 475 members in 2013 to 488 members in 2014. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Society's share of these unpaid claims collectible in future years is approximately \$7,913.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2014	11,989
2013	11,891

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2014 AND 2013
(Continued)**

6. Related Party Transactions

A Board member is owner of BLT Livestock which performs auction services and have auctioned miscellaneous items the Society is no longer in need of. BLT Livestock does not charge the Society for these services.

7. Subsequent Event

On June 25, 2015, the Society obtained a promissory note from Richwood Bank in the amount of \$100,000 to finance the purchase of a barn. The note has an interest rate of 5% and a final maturity date of September 1, 2025.

8. Junior Fair Board

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Union County Fair. The Society disbursed \$6,935 and \$4,320 directly to the Junior Fair Board and \$15,997 and \$12,100 directly to vendors to support Junior Fair activities as of November 30, 2014 and 2013 respectively. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursements. Union County paid the Society \$130 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30 follows:

	2014	2013
Beginning Cash Balance	\$ 100	\$ 3,714
Receipts	25,081	18,519
Disbursements	(23,425)	(22,133)
Ending Cash Balance	\$ 1,756	\$ 100

9. Junior Livestock Sale Committee

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Union County's auction. A commission of 4 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 years ended December 31, 2014 and 2013 follows:

	2014	2013
Beginning Cash Balance	\$ 19,998	\$ 18,724
Receipts	16,639	19,827
Disbursements	(10,810)	(18,553)
Ending Cash Balance	\$ 25,827	\$ 19,998



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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*

Union County Agricultural Society
Union County
PO Box 678
Marysville, OH 43040-8931

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 statement of the cash balances, receipts, and disbursements of the Union County Agricultural Society, Union County, Ohio (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statement, and have issued our report thereon dated December 28, 2016, 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. We also qualified our opinion for Admission and Donations/Contributions revenues for both years.

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 opinion on the financial statement, 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 statement. We consider findings 2014-001 and 2014-002 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 finding 2014-003 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 statement is 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Society's Response to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Society's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 28, 2016

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2014-001

**Admission Receipts
Material Weakness**

Implementing effective internal controls, both application and monitoring, is an important responsibility of management. Effective internal controls can help assure that transactions are complete, occurred, are accurately reported, properly cutoff, and properly classified. In addition, management should periodically monitor control procedures to verify they are functioning effectively. Safe cash handling controls include:

- Require daily verification of the starting balance by the responsible cashier to assign accountability.
- Require collections for each individual cash drawer be reconciled daily, documented, signed off by the responsible cashier and deposited in a timely manner.
- Segregate duties between collection, recordation, reconciliation and deposit processes.
- Overages should be recorded as other revenue and shortages should be recorded as other expenditures.
- Management should encourage cashiers to report overages and shortages.
- Require management to verify the daily receipt and reconciliation process.
- Require management to monitor and track daily overages and shortages for each cashier.
- Require management to use trend information regarding overages and shortages as part of the employee's evaluation and performance review.
- Specify the actions to be taken by management based on the dollar amount and/or frequency of overages and shortages.

During the 2014 and 2013 fair, the following internal control weaknesses were noted in the admission receipts process:

- Daily reconciliations between the amount deposited and actual daily receipts were not completed and therefore not reviewed and/or approved by management in either 2014 or 2013.
- During 2014, the Society did not issue gate tickets and therefore determined the number of tickets sold based on total receipts.
- Daily ticket recapitulation sheets were not completed and therefore not reviewed and/or approved by management in either 2014 or 2013.

Due to the absence of the aforementioned underlying supporting documentation and internal control procedures, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported admissions receipts for both 2014 and 2013 and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

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 implement written policies and procedures over admission receipts. These policies and procedures should, at a minimum, include procedures over daily ticket recapitulation sheets at each gate and daily reconciliations during fair week.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-001 (Continued)

**Admission Receipts (Continued)
Material Weakness**

Officials' Response

The Society is working on a plan of action for procedures regarding admission receipts. At the 2016 fair, gates sheets were started for tickets and change taken to the gate. The new procedures will be ready to be put into place for the 2017 fair.

FINDING NUMBER 2014-002

**Contributions and Donations
Material Weakness**

Implementing effective internal controls, both application and monitoring, is an important responsibility of management. Effective internal controls can help assure that transactions are complete, occurred, are accurately reported, properly cutoff, and properly classified. In addition, management should periodically monitor control procedures to verify they are functioning effectively.

For 2014 and 2013, the Society's process for Contributions and Donations was to provide "sponsorship" contracts for those participating in sponsorship during the fair. Both parties sign the contracts, which are pre-numbered. A receipt for monies donated is then issued and attached to the Society's copy of the contract. The receipts are also pre-numbered, and list who the monies were from, the amount of the donation, the line item in which the donation is to be posted to (restricted/unrestricted), and what the sponsorship is for (if applicable). During 2014 and 2013, multiple instances were noted where signed sponsorship contracts were not maintained by the Society. In the absence of such underlying supporting documentation, the audit opinion was qualified because sufficient assurance could not be obtained over the completeness of reported donations/contributions receipts for both 2014 and 2013 and we were not able to satisfy ourselves as to the completeness of those receipts by other auditing procedures.

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 follow the procedures it has in place over Contributions/Donations to ensure proper financial reporting.

Officials' Response

The Society is aware that the documents during these time periods were not properly maintained. The Society has improved the requirement for proper documentation since 2015 and will make sure this continues.

**UNION COUNTY AGRICULTURAL SOCIETY
UNION COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2014 AND 2013
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENT REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2014-003

**Board Monitoring and Bank Reconciliations
Significant Deficiency**

Monthly bank reconciliations should be performed by the Treasurer to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Documentation supporting all reconciling items should be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board. It is important that the Board monitor financial activity closely, and at each regular monthly meeting, at a minimum, the Board should require that the monthly bank reconciliation be provided for review. Monthly bank reconciliations should be reviewed to ensure bank balances agree with the monthly fund balances. Any reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual.

At November 30, 2013, bank balances exceeded book balances by \$367 and at November 30, 2014, bank balances exceeded book balances by \$718. Additionally, the November 30, 2013 bank reconciliation had an unsupported reconciling item of \$152. Lastly, during fiscal years 2014 and 2013, the Board did not review bank reconciliations.

In order to assure adequate segregation of duties and monitoring of accounting activity, it is essential that an accounting system that is primarily operated by a single individual (Fiscal Officer), be monitored by the Society's Board of Directors.

We recommend the Treasurer perform monthly bank to book reconciliations that properly account for all transactions during the respective month as well as all reconciling items. All receipt and expenditure transactions should be posted to the accounting ledgers in the proper period and in a timely manner to aid in the reconciliation process. In addition, the bank reconciliations, including supporting documentation, should be reviewed by the Board in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner. Furthermore, we recommend the Treasurer investigate the unreconciled balance and determine what factors comprise this balance and properly post the items to the Society's ledgers.

Officials' Response

The treasurer is working on the best process for bank reconciliation for the Society and is open to recommendations from the auditor so the Society can be compliant with this issue.

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Dave Yost • Auditor of State

UNION COUNTY AGRICULTURAL SOCIETY

UNION 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
JANUARY 17, 2017