

**AUDIT REPORT
OF
PLATTE COUNTY AGRICULTURAL SOCIETY
OCTOBER 1, 2019, THROUGH SEPTEMBER 30, 2020**

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the Auditor of Public Accounts.**

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Issued on January 6, 2021

PLATTE COUNTY AGRICULTURAL SOCIETY

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PLATTE COUNTY AGRICULTURAL SOCIETY
822 15th Street
Columbus, NE 68601

LIST OF SOCIETY OFFICIALS

At September 30, 2020

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Directors	Brock Pillen – Chairman	Jan. 2022
	Paul Wilke – Vice Chairman	Jan. 2021
	John McPhail – Treasurer	Jan. 2022
	Trevor Luchsinger – Secretary	Jan. 2022
	Cathy Johnson	Jan. 2023
	Lance Schmidt	Jan. 2021
	John Dubray III	Jan. 2021
	Todd Stuthman	Jan. 2022
	Tony Delancey	Jan. 2023
	Jeremy Janssen	Jan. 2021
	Chris Finn	Jan. 2022
	Gregg Melliger	Jan. 2021
	Russell Placzek	Jan. 2023
	Jarad Drinnin	Jan. 2021
Mike Cieloha	Jan. 2021	
General Manager	Brian Palmer	



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PLATTE COUNTY AGRICULTURAL SOCIETY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Platte County Agricultural Society
Columbus, Nebraska

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Platte County Agricultural Society (Society), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Society as of September 30, 2020, and the respective changes in modified cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Emphasis of Matters – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis is different from the accrual basis performed in the prior fiscal year. Our opinions are not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole, which collectively comprise the Society's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information on page 13 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, on our consideration of the Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

January 4, 2021

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
September 30, 2020

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 224,759
Cash on Hand with County Treasurer	69,167
TOTAL ASSETS	293,926
 NET POSITION	
Restricted	-
Unrestricted	293,926
TOTAL NET POSITION	\$ 293,926

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

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended September 30, 2020

Functions/Programs:	Program Receipts/Revenues		Net (Disbursements/Expenses) Receipts/Revenue and Changes in Net Position		
	Disbursements/ Expenses	Charges for Services	Primary Government		
			Governmental Activities	Business-Type Activities	Total
Governmental Activities:					
General Government	\$ 739,353	\$ -	\$ (739,353)	\$ -	\$ (739,353)
Culture and Recreation-Fair	100,519	320,886	220,367	-	220,367
Capital Projects	25,095	-	(25,095)	-	(25,095)
Debt Service	-	-	-	-	-
Total Governmental Activities	864,967	320,886	(544,081)	-	(544,081)
General Receipts/Revenues:					
Debt/Loan Proceeds			74,243	-	74,243
Taxes:					
Property Taxes			447,762	-	447,762
Interest Income			212	-	212
Other Miscellaneous Receipts/Revenues			21,660	-	21,660
Total General Receipts/Revenues			543,877	-	543,877
Increase in Net Position			(204)	-	(204)
Net Position - Beginning of year			294,130	-	294,130
Net Position - End of year			\$ 293,926	\$ -	\$ 293,926

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

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
 September 30, 2020

	General Fund	Fair Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 217,304	\$ 7,455	\$ 224,759
Cash on Hand with County Treasurer	53,796	15,371	69,167
Restricted Cash and Cash Equivalents	-	-	-
TOTAL ASSETS	\$ 271,100	\$ 22,826	\$ 293,926
FUND BALANCE			
Committed To: Fair	\$ -	\$ 22,826	\$ 22,826
Unassigned	271,100	-	271,100
TOTAL CASH BASIS FUND BALANCES	\$ 271,100	\$ 22,826	\$ 293,926

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

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	General Fund	Fair Fund	Total
RECEIPTS			
Taxes	\$ 349,103	\$ 98,659	\$ 447,762
Charges for Services	309,283	11,603	320,886
Interest Income	173	39	212
Miscellaneous	11,915	-	11,915
TOTAL RECEIPTS	<u>670,474</u>	<u>110,301</u>	<u>780,775</u>
DISBURSEMENTS			
General Government	739,353	-	739,353
Culture and Recreation - Fair	-	100,519	100,519
Capital Projects	25,095	-	25,095
TOTAL DISBURSEMENTS	<u>764,448</u>	<u>100,519</u>	<u>864,967</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>(93,974)</u>	<u>9,782</u>	<u>(84,192)</u>
OTHER FINANCING SOURCES (USES)			
PPP Debt Proceeds	74,243	-	74,243
Insurance Proceeds and Other	9,745	-	9,745
Transfers In	33,559	-	33,559
Transfers Out	-	(33,559)	(33,559)
TOTAL OTHER FINANCING SOURCES	<u>117,547</u>	<u>(33,559)</u>	<u>83,988</u>
Net Change in Modified Cash Basis Fund Balances	<u>23,573</u>	<u>(23,777)</u>	<u>(204)</u>
CASH BASIS FUND BALANCES - BEGINNING	<u>247,527</u>	<u>46,603</u>	<u>294,130</u>
CASH BASIS FUND BALANCES - ENDING	<u><u>\$ 271,100</u></u>	<u><u>\$ 22,826</u></u>	<u><u>\$ 293,926</u></u>

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

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

The Platte County Agricultural Society (Society) is located in Platte County, Nebraska. According to its Articles of Incorporation, the object and purpose of the Society is as follows:

The object and purposes of the corporation shall comply with the County Agricultural Society Act which shall include providing for the organization, procedure, and financial support of Nebraska citizens who seek (1) to improve segments of the agricultural history, homes and communities of the state; (2) to cooperate with and to supplement and compliment the programs of the Institute of Agriculture and Natural Resources of the University of Nebraska and other state or local organizations; and (3) to educate the general public and to encourage the improvement in all things in pertaining to the interest of the agriculturalist, the mechanic, the merchant, and the citizen of any calling, by aiding such interest that are most conducive to the public good; to that end, this corporation shall have power to acquire, take, receive, own, improve, lease, hold and appropriate personal property and so much real estate as may be necessary, not exceeding 160 acres of land, for the purpose of holding County Fairs and to enter into any and all contracts necessary and advisable for the proper execution in carrying into effect the powers and functions of this corporation. A further object and purpose of this Society shall be to encourage improvement in all things pertaining to agriculture, industry, merchandising, domestic science and good citizenship. Said corporation is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code.

In addition to other activities, the Society hosts the annual Platte County Fair. Columbus Exposition and Racing, Inc. (CER) rents the race track and simulcasting equipment from the Society to provide horse racing activities.

The following is a summary of the significant accounting policies utilized in the accounting system of the Society.

A. Reporting Entity

The Society is established under and governed by the laws of the State of Nebraska (State), and it is managed by 15 Directors who are elected to three-year terms. The Society is exempt from State and Federal income taxes on most of its activities. The financial statements include all funds of the Society that are not legally separate. The Society has also considered all potential component units for which it is financially accountable, as well as other organizations that are either fiscally dependent on the Society or maintain a significant relationship with the Society, such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Society to impose its will on that organization, or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Society.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Society (the primary government). No component units were identified.

B. Basis of Presentation

Government-Wide Financial Statements. The Statement of Net Position - Modified Cash Basis and Statement of Activities - Modified Cash Basis display information about the activities of the Society and are in the format of government-wide statements, as required by GASB Statement Number 34. These statements include all the financial activities of the Society, except for fiduciary activities. Internal

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

activities in these statements were considered immaterial and have not been eliminated. Governmental GAAP requires internal activity to be eliminated to minimize double counting. The Society reports governmental activities only. Governmental activities are generally financed through taxes, intergovernmental receipts, and other nonexchange transactions. In addition to these activities, the Society is financed partially by fees charged to external parties for goods, services, entertainment, and gaming.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segment is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include the following: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements. The fund financial statements provide information about the Society's funds. GAAP requires separate statements by fund category – governmental, proprietary, and fiduciary. The Society uses only the governmental and proprietary fund categories. The Society Board is the highest level of decision-making authority and has the authority, by resolution, to establish, modify, or rescind the commitment or assignment of a fund balance to a specific purpose. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Society reports the following major governmental funds:

General Fund. This is the Society's primary operating fund. It accounts for all resources of the Society, except those required to be accounted for in another fund.

Fair Fund. This fund accounts for earnings from revenues that are either legally restricted for expenditures or allocated to finance county fair functions.

The Society designates fund balances as follows:

Restricted. The fund balance is restricted by external impositions, such as creditors, grantors, or laws or regulations of other governments.

Committed. The fund balance has been designated by the Society Board for a specific purpose.

Assigned. The fund balance has not been designated by the Society Board for a specific purpose, but it has been separated based on the type of revenue. Under Society Board policy, only the Board or General Manager can designate funds to specific purposes.

Unassigned. This portion of the General Fund is not restricted, committed, or assigned for a specific purpose.

C. **Measurement Focus, Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The accounting records of the Society are maintained and the government-wide financial statements were reported on the modified basis of cash receipts and disbursements. Consequently, these statements represent a summary of the modified cash activity of the various funds of the Society and

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

do not include certain transactions that would be included if the Society prepared its financial statements in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units. As such, the measurement focus includes only those assets, liabilities, and fund balances arising from cash transactions on the Statement of Net Position - Modified Cash Basis and the Statement of Activities - Modified Cash Basis. Under the modified cash basis, receipts are recognized when collected rather than when earned, and expenses are recognized when paid rather than incurred. This differs from governmental GAAP, which requires the government-wide financial statements to be reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recorded when earned, and disbursements are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements were also reported on the modified cash receipt and disbursement basis of accounting. As such, the same measurement focus and basis of accounting were used, as described above. This differs from governmental GAAP, which requires governmental fund financial statements to be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus and basis of accounting, receipts are recognized as soon as they are both measurable and available. Receipts are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Disbursements are generally recorded when a liability is incurred, as under accrual accounting. However, disbursements related to compensated absences and claims and judgments are recorded only when payment is due.

D. Assets and Net Position

Cash and Cash Equivalents. The Society's cash and cash equivalents are considered to be cash on hand and demand deposits.

Capital Assets. Under the cash receipts and disbursements basis of accounting, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as disbursements in governmental funds. GAAP requires capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), to be reported in the applicable governmental activities columns in the government-wide financial statements.

Depreciation expenses on capital assets were not recorded on the Modified cash basis financial statements. Under GAAP, depreciation expenses would be recorded in the Statement of Activities. The cost of normal maintenance and repairs that does not add to the value of the asset or extend asset life is not capitalized.

Compensated Absences. Vested or accumulated vacation leave that is liquidated with expendable available financial resources is reported as a disbursement of the Society funds as paid. Upon termination, employees are paid for any unused vacation. Furthermore, employee vacation not used at the end of each calendar year is paid out. Under the modified cash basis of accounting, the liabilities for compensated absences are not reported since they do not represent liabilities arising from cash transactions. Under GAAP, the compensated absences liability would be reported in the government-wide financial statements.

Restricted Net Position. When both restricted and unrestricted resources are available for use, it is the Society's policy to use restricted resources first, then the unrestricted resources, as they are needed. Net position is reported as restricted when constraints placed on its use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. **Summary of Significant Accounting Policies** (Concluded)

Budgetary Process. The Society adopts an annual budget in accordance with the statutory requirements of the Nebraska Budget Act. The budget is prepared on the cash receipts and disbursements basis of accounting. The budget contains only those receipts actually received by the Society. The Society does not utilize an encumbrance accounting system. All appropriated spending authority lapses at the end of the fiscal year.

On or before August 1, the Society budget-making authority prepares and transmits a budget for each Society fund to the Society Board. The budget includes the requirements, the outstanding warrants, the operating reserves to be maintained, the cash on hand at the close of the preceding fiscal year, the receipts from sources other than taxation, and the amount to be raised by taxation. The Society Board must hold at least one public hearing on the proposed budget. On or before September 20, the Society Board adopts the budget and appropriates the amounts specified in the budget for the activities and funds of the Society.

The Society Board is authorized to transfer budgeted amounts between departments within any fund through resolution; however, if revisions are made that alter the total disbursements of any fund, an additional public hearing must be held. The legal level of budgetary control for the General Fund is at the function level, and the special revenue fund types are at the fund level. The Society Board is also authorized to budget for the transfer of money between Society funds.

2. **Deposits and Investments**

Cash and cash equivalents included in the financial statement of the Society at September 30, 2020, consisted of the following:

Breakdown of Cash as of September 30, 2020

Cash	\$ 4,800
Checking Accounts	219,959
Total Cash	<u>\$ 224,759</u>

For purposes of classifying categories of custodial risk, the bank balances of the Society's deposits, as of September 30, 2020, were either entirely insured or collateralized with securities held by the Society's agent in the Society's name. The society had no investments; therefore, its exposure to interest rate fluctuation and credit risk was effectively eliminated.

3. **Property Taxes**

Property taxes are levied by the Society's Board on or before September 20 of each year for all political subdivisions in the Society. Real estate and personal property taxes are due and attach as an enforceable lien on January 1 following the levy date, and they become delinquent in two equal installments on May 1 and September 1. Motor vehicle taxes are due when application is made for registration of a motor vehicle.

The county board may levy a tax upon all of the taxable property within the county for the operation of the county agricultural society up to \$.035/\$100 of assessed valuation for general governmental services other than the payment of principal and interest on bonded debt. Agricultural Societies may levy taxes in addition to the 3.5-cent limitation upon a vote of the people.

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Concluded)

3. **Property Taxes** (Concluded)

The levy set in September 2019, for the 2019 taxes, which will be materially collected in May and September 2020, was set at \$.008212/\$100 of assessed valuation. The levy set in September 2018, for the 2018 taxes, which were materially collected in May and September 2019, was set at \$.011008/\$100 of assessed valuation.

Additionally, there is currently a statutory lid limitation, which limits taxation to the prior year's level, with provisions for growth. The lid may be increased by 1% upon the approval of a three-fourths majority of the Society Board.

4. **Risk Management**

The Society is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; fair participants, audiences, and facility renters; and natural disasters. There have been no significant reductions in insurance coverage from the prior year.

The Society pays workers' compensation coverage premiums annually based upon an estimate of salaries paid to employees. Ultimately, the premiums are retrospectively rated, basing the amount on actual salaries paid. Any additional or excess premium due to an adjustment to the ultimate cost is indeterminable.

As well, the Society is subject to laws and regulations relating to the protection of the environment. Society policy is to disclose any environmental or cleanup-related costs when it is both probable that a liability has been incurred and the amount can be reasonably estimated.

5. **Charges for Services**

Charges for services include revenues from a wide range of activities provided by the Society. Numerous revenue sources are included within charges for services, including ticket sales, concessions, rental fees, resale of food/beverages, and various other charges to users.

6. **Transfers**

The Society set up several new bank accounts during the fiscal year. As a result, the Society transferred funds between accounts until property tax monies were received. Transfers from the Fair Fund were to cover monthly payroll and other costs paid from the General Fund.

7. **Short-Term Debt**

In April 2020, the Society obtained a \$74,242.50 Paycheck Protection Program (PPP) loan for the purpose of paying payroll due to COVID-19. The Society made no principal or interest payments during the fiscal year. On November 16, 2020, the PPP loan was forgiven. The Society's short-term debt is recorded in the governmental General Fund. Because this fund operates under the cash basis of accounting, a liability is not recorded in the government-wide financial statements or the governmental fund financial statements.

8. **Subsequent Events**

Subsequent events have been evaluated from the balance sheet date through January 4, 2021, the date at which the financial statements were available to be issued. Nothing of significance was noted.

PLATTE COUNTY AGRICULTURAL SOCIETY

SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCE**

BUDGET AND ACTUAL - GENERAL ALL-PURPOSE FUND

For the Year Ended September 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
RECEIPTS			
Property Taxes	\$ 441,185	\$ 447,762	\$ 6,577
Other Local Receipts	890,000	320,886	(569,114)
Interest Income	-	212	212
Miscellaneous Income	-	21,660	21,660
Debt/Loan Proceeds	-	74,243	74,243
TOTAL RECEIPTS	<u>1,331,185</u>	<u>864,763</u>	<u>(466,422)</u>
DISBURSEMENTS			
Operating Expenses	1,330,670	839,872	490,798
Capital Outlay	190,000	25,095	164,905
TOTAL DISBURSEMENTS	<u>\$ 1,520,670</u>	<u>864,967</u>	<u>\$ 655,703</u>
Net Change in Cash Basis Fund Balance		<u>(204)</u>	
ACCRUAL/MODIFIED CASH BASIS FUND			
BALANCE - BEGINNING		<u>294,130</u>	
ACCRUAL/MODIFIED CASH BASIS FUND			
BALANCE - ENDING		<u>\$ 293,926</u>	

Notes to the Budgetary Comparison Schedule

As described in Note 1 to the financial statements, an all-purpose budget is adopted on the cash basis of accounting which is consistent with the financial reporting basis for governmental funds in the fund financial statements.



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PLATTE COUNTY AGRICULTURAL SOCIETY
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Platte County Agricultural Society
Columbus, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Platte County Agricultural Society (Society), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements, and have issued our report thereon dated January 4, 2021. The report notes the financial statements were prepared on the modified cash basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness:

- The Society lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Inadequate segregation of duties could lead to the misappropriation of assets or improper reporting. Due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Additional Items

We also noted certain matters that we reported to the management of the Society in a separate letter dated January 4, 2021.

Platte County Agricultural Society's Response to Findings

The Society's response to the findings identified in our audit is described in the attached Management Letter. The Society's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Society's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

January 4, 2021



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 4, 2021

Board of Directors
Platte County Agricultural Society
Columbus, Nebraska

Dear Directors:

We have audited the basic financial statements of the Platte County Agricultural Society (Society) for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 4, 2021. In planning and performing our audit of the basic financial statements of the Society, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the Society's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. Segregation of Duties – Control Environment

We noted that the Society lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. The Society performs several cash transactions, which adds to the importance of proper controls. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost.

Additionally, the Auditor of Public Accounts (APA) identified the following control environment issues:

- There was a lack of policy regarding employee meals and discounts. During testing in the current fiscal year, we did not note any employees who received a discount on purchases other than food; nonetheless, we still recommend the Society create a formal policy on employee meals and discounts.
- There was a lack of policy regarding employee spending while in travel status. The APA noted during testing that employees were reimbursed for expenses in travel status on a per diem basis; however, this policy has not been formally approved. During payroll testing, the APA noted a reimbursement for personal expenses that had been charged to the Society's debit card in the prior fiscal year. The Society has implemented procedures to limit debit card use; however, a formal policy on debit or credit card purchases should be put in place.
- For accumulated leave, the Society lacked a formalized policy for when such leave should be paid out at the end of each year or upon termination of employment. The employee handbook states only, "Vacation time accumulated **will not** carry over into the new year." According to Society staff, any accumulated vacation is paid out at the end of the year or upon termination.

- There was a lack of formal capitalization policy that provides the threshold for when items should be added to inventory or fixed asset lists. There was also a lack of an annual inventory of fixed assets.

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. In particular, a satisfactory system of internal control should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end. Proper internal control also requires policies to govern the operations of the Society, providing guidance on such things as meals, travel, debit card use, accumulated leave, capitalization, and inventory.

The lack of a good internal control plan increases the risk of loss or misuse of Society funds.

This comment – including the lack of segregation of duties, which was addressed in the previous audit and continues to be a material weakness – was noted in the prior year.

We recommend the Society review this situation and consider the need for a proper segregation of duties. As always, the Society must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties. We also recommend the Society strengthen control procedures by implementing policies for the proper governance of its operations, including meals, travel, debit card use, accumulated leave, capitalization, and inventory.

Society Response: These items will all be reviewed by the IA/HR committee and discuss need for board action.

2. Lack of Compliance with Bylaws

The Society has created articles of incorporation, a constitution, and bylaws as a public benefit corporation under the Nebraska Nonprofit Corporation Act. The APA identified several issues while reviewing those governing documents during the fiscal year 2019 audit.

At the February 24, 2020, meeting of its Board of Directors (Board), the Society approved amendments to its constitution and bylaws. This corrected most of the issues noted during the prior-year audit. However, one section of the bylaws, regarding the approval of all funds paid, remains a concern.

Article VI, “Funds,” of the amended constitution and bylaws provides the following:

All funds of the Agricultural Society shall be kept in a bank, or banks, in Platte County, Nebraska, and shall be paid out only upon checks or drafts authorized by the Board of Directors and issued by the president, treasurer or general manager, or other designee, in accordance with this Constitution and Bylaws.

(Emphasis added.) Currently, the Board is not authorizing all funds to be paid out upon checks or drafts. As noted in Comment and Recommendation Number One (“Segregation of Duties – Control Environment”) herein, the Society has a debit card for incidental purchases. Any debit card purchases come directly out of the Society’s bank account without any authorization by the Board.

Good internal control requires procedures to ensure compliance with the provisions of the Society’s own governing documents.

Without such procedures, there is an increased risk for unauthorized activities and possible loss of funds.

We recommend the Society implement procedures to ensure compliance with the requirements of its own governing documents or amend such provisions accordingly.

Society Response: Discussion and action will be held in a near future board meeting to resolve this oversight.

3. Payroll Issues

During testing of the Society’s payroll practices, the APA noted the following issues:

- The Society gave bonuses and other gifts to its employees. The Board has granted the General Manager broad authority to oversee Society operations; however, the Society’s policy manual should contain specific provisions governing bonuses or gifts. Otherwise, the Board should approve each such award.

The table below details the employee bonuses and gifts distributed by the Society during the fiscal year:

Date	Type of Bonus	Vendor	Amount
12/27/2019	Bonus for two Employees	Payroll	\$ 1,934
12/31/2019	Employee Christmas Gifts (30 lbs. Snow Crab, Ham, Turkey)	Sysco	\$ 975
12/23/2019	Christmas Gift Cards	Hy-Vee	\$ 300
Total			\$ 3,209

Article VI, “Funds,” of the Society’s amended constitution and bylaws provides the following:

All funds of the Agricultural Society shall be kept in a bank, or banks, in Platte County, Nebraska, and shall be paid out only upon checks or drafts authorized by the Board of Directors and issued by the president, treasurer or general manager, or other designee, in accordance with this Constitution and Bylaws.

- During testing, it was noted that the time-in and time-out information recorded on multiple timesheets appears to have been recorded manually, instead of using the Society’s time clock system.
- The General Manager lives in a house located on the agricultural park grounds, and the Society pays for that dwelling’s utilities. The APA questions whether this should be included as a taxable fringe benefit to the employee. The Internal Revenue Service (IRS) has established a three-part test to determine whether the value of lodging should be excluded. Internal Revenue Service (IRS) Publication 15-B (2019), “Employer’s Tax Guide to Fringe Benefits,” states the following:

Any fringe benefit you provide is taxable and must be included in the recipient’s pay unless the law specifically excludes it.

Furthermore, 26 CFR 1.119-1(b) provides, in relevant part, the following:

The value of lodging furnished to an employee by the employer shall be excluded from the employee’s gross income if three tests are met:

- (1) The lodging is furnished on the business premises of the employer,*
- (2) The lodging is furnished for the convenience of the employer, and*
- (3) The employee is required to accept such lodging as a condition of his employment.*

The requirement of subparagraph (3) of this paragraph that the employee is required to accept such lodging as a condition of his employment means that he be required to accept the lodging in order to enable him properly to perform the duties of his employment.

While the first two criteria appear to have been met, no formal agreement with the Board was ever made to establish that the lodging is a condition of employment. Any such agreement should establish guidelines covering what benefits or privileges are allowed to be received, including profiting from cattle or other personal property kept on the Society grounds. Furthermore, the General Manager did not move into the house initially upon his hire, as it was being rented out. Thus, it would appear that, at least initially, such residency was not a condition of employment.

Good internal control requires procedures to ensure that all provisions for employee compensation, including those allowing for certain fringe benefits, are specified in written policies formally approved by the Society's Board. Additionally, the procedures should provide for determining whether fringe benefits given to Society employees must be included in their taxable wages. Those same procedures should ensure also that employee bonuses or gifts are either governed by a formal policy or approved by the Board. Finally, the procedures should specify proper time clock usage.

Without such procedures, there is an increased risk for not only loss or misuse of Society funds but also inaccurate tax filings with the IRS.

This comment – including the concern regarding possible fringe benefit taxation consequences of the General Manager's housing arrangement – was noted in the prior-year audit.

We recommend the Society implement procedures to ensure that all provisions for employee compensation, including those allowing for certain fringe benefits or other privileges, are specified in written policies or agreements formally approved by the Society's Board. This would include approving agreements for the use or leasing of personal property and/or cattle utilized, maintained, or stored by the Society. Additionally, the procedures should provide for determining whether fringe benefits given to Society employees must be included in their taxable wages. Those same procedures should ensure also that employee bonuses or gifts are either governed by a formal policy or approved by the Board. Finally, the procedures should specify proper time clock usage.

Society Response: This section will be discussed within our Budget and Finance committee and make any needed recommendations to the board for action.

4. Receipt Processes

In testing receipts, the APA noted certain inconsistencies with the Society's contracting and billing for the use of its buildings and equipment and other charges. Those issues are summarized below:

- On July 1, 2020, the General Manager paid \$349.74 to the Society for nine bottles of off-sale liquor at cost and two hay bales. However, due to how QuickBooks calculated the tax, the General Manager underpaid the Society \$10.99. On December 8, 2020, the General Manager wrote a check to the Society for the underpaid amount.
- The APA noted specific inconsistencies for when fees are waived or reduced for certain customers. According to one invoice, the customer received a \$1,216 donation, as the Society waived table and chair fees. One customer received a 10% cash bar donation credit, and another customer paid only for the use fee while the other fees were waived. One customer's contract provided for the waiver of fees; however, a use fee and a fee for tables and chairs were charged nonetheless. Finally, one customer paid a \$200 use fee for a paint horse event, but that use fee could not be traced to a contract or agreement. The Society lacked a clear policy for waiving or invoicing fees.
- In two cases, the Society did not receive payment for invoiced fees and uses for over six months after the invoice date. The Society should review options to charge late fees to prevent untimely payments.
- The most recent arrangement between the Society and Columbus Exposition and Racing, Inc. (CER) should document adequately all accepted terms as either properly adopted addendums to the original usage agreement or newly formed independent agreements. Over the years, changes to the original agreement have not been documented adequately and signed by both parties.

Good internal control and sound business practices require procedures to ensure: 1) sales taxes on items sold by the Society are calculated correctly; 2) Society fees, as well as the waiver thereof, are governed by a formal, written policy; 3) late fees are charged on overdue amounts owed to the Society; and 4) all agreements with the Society are formalized in written documents specifying all of the provisions thereof.

Without such procedures, there is an increased risk for the loss or misuse of Society funds.

A similar comment was noted in the prior-year audit.

We recommend the Society implement procedures to ensure that sales taxes on items sold by the Society are calculated correctly. Those same procedures should ensure also that Society fees, as well as the waiver thereof, are governed by a formal, written policy. Such procedures should provide, moreover, for late fees to be charged on overdue amounts owed to the Society. Finally, the procedures should ensure that all agreements with the Society are formalized in written documents specifying all of the provisions thereof.

Society Response: These items will be reviewed by the IA/HR and Budget and Finance Committees to discuss possible recommendations of action to the board.

5. Sales Tax Paid

The APA identified two instances of State sales taxes being paid on purchases made with the Society's debit card, including \$25.94 in sales tax paid at Ramada Worldwide in Kearney, NE, and \$28.83 at Sleep Inn & Suites in Columbus, NE.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Reissue 2018), purchases made by the State or other specified public entities are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any . . . county agricultural society . . .

Good internal control requires procedures to ensure that the Society does not pay State sales tax on any of its purchases.

Without such procedures, there is an increased risk for the loss of Society funds.

We recommend the Society implement procedures to ensure that no sales taxes are paid on any of its purchases.

Society Response: Management will work with accounting firm to find out how to avoid these costs to the Ag Society in the future.

6. Society Payments By Vendor

The Society utilizes QuickBooks to allocate costs; however, a number of County Fair transactions are combined within the General fund. The Society has continued to work with Platte County to report its expenditures of property tax funds received.

During this fiscal year, the Society received \$447,762 in property taxes. The Society has set up multiple bank accounts for allocating property tax monies received. Throughout the fiscal year, though, over a million dollars of transfers occurred between those bank accounts.

The following table details the Society's top payees – each of whom received over \$7,500 during the fiscal year – with a short description of the purpose of those payments:

Name	Amount	APA Description
Payroll Costs	\$ 272,245.25	Payroll Costs
Loup Power District	\$ 86,192.72	Power Utility Costs
NIRMA	\$ 66,640.00	Insurance Costs
Sysco Lincoln	\$ 57,398.09	Food, Paper and Disposables, and Chemical/Janitorial Purchases
City of Columbus	\$ 36,797.41	Water and Sewer Utility Costs
ARM Entertainment	\$ 36,775.00	Fair Entertainment
Jarecki Maul P.C., L.L.O.	\$ 18,840.80	Attorney Fees
Cash	\$ 18,000.00	Fair Premium Money Paid to NE Extension Office
U&I Sanitation	\$ 9,760.00	Garbage Utility Costs
Indoff, Incorporated	\$ 9,385.73	Office and Cleaning Supplies
Southern Glazer's of NE	\$ 9,043.15	Purchases for Resale
Capital City Electric	\$ 8,398.89	Electric Repairs
STEALTH BROADBAND	\$ 7,544.96	Internet Provider
Total for Payees Paid More Than \$7,500	\$ 227,945.00	

Note: Vendors whom the Society paid less than \$7,500 during the fiscal year were not included above.

Good internal control requires procedures to ensure that the Society's expenditure of property tax revenues is properly documented and reported.

Without such procedures, there is an increased risk for the loss or misuse of public funds.

We recommend the Society implement procedures to identify costs allocated for all property tax monies received from Platte County.

* * * * *

It should be noted that this report is critical in nature, as it contains only our comments and recommendations on areas noted for improvement and does not include our observations on any strong features of the Society.

Draft copies of this report were furnished to the Society to provide its management with an opportunity to review this document and to respond to the comments and recommendations included herein. All formal responses received have been incorporated into this report. Where no response has been included, the Society declined to respond. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

This report is intended solely for the information and use of the Society, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor