

**AUDIT REPORT
OF THE
PLATTE COUNTY AGRICULTURAL SOCIETY
OCTOBER 1, 2021, THROUGH SEPTEMBER 30, 2022**

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the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
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Issued on March 28, 2023

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, 2022

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Board of Directors	Gregg Melliger – Chairman	Jan. 2024
	Travis Schultz – Vice Chairman	Jan. 2024
	Beau Klug – Treasurer	Jan. 2024
	Tyler Engstrom – Secretary	Jan. 2025
	Cathy Johnson	Jan. 2023
	Lance Schmidt	Jan. 2024
	Craig Jarosz	Jan. 2025
	Jerry Osten	Jan. 2024
	Tony Delancey	Jan. 2023
	David Hellbusch	Jan. 2023
	Chris Finn	Jan. 2025
	Fletcher Schmid	Jan. 2025
	Jarad Drinnin	Jan. 2024
	Mike Cielocha	Jan. 2024
Josh Johnson	Jan. 2025	
General Manager	Vacant	



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PLATTE COUNTY AGRICULTURAL SOCIETY

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Platte County Agricultural Society
Columbus, Nebraska

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities and each major fund of the Society as of September 30, 2022, and the respective changes in cash-basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – 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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Society's basic financial statements. The budgetary comparison information, page 15, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 March 23, 2023, on our consideration of 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 solely 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 effectiveness of the Society's 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 Society's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dakota Christensen". The signature is written in a cursive style with a horizontal line underlining the name.

Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska

March 23, 2023

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF NET POSITION - CASH BASIS

September 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 940,983
Cash on Hand with County Treasurer	<u>23,358</u>
TOTAL ASSETS	<u>\$ 964,341</u>
NET POSITION	
Unrestricted	<u>\$ 964,341</u>
TOTAL NET POSITION	<u>\$ 964,341</u>

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

**PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF ACTIVITIES - CASH BASIS**

For the Year Ended September 30, 2022

Functions/Programs:	Cash Disbursements	Program Cash Receipts	Net (Disbursement) Receipts and Changes in Net Position
		Charges for Services	
Governmental Activities:			
General Government	\$ 879,355	\$ 513,769	\$ (365,586)
Culture and Recreation-Fair	116,038	48,908	(67,130)
Capital Projects	34,377	764	(33,613)
Total Governmental Activities	1,029,770	563,441	(466,329)
General Receipts:			
Property Taxes			578,724
Interest Income			520
Other Miscellaneous Receipts			35,286
Total General Receipts			614,530
Change in Net Position			148,201
Net Position - Beginning of year			816,140
Net Position - End of year			\$ 964,341

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

PLATTE COUNTY AGRICULTURAL SOCIETY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
September 30, 2022

	General Fund	Fair Fund	Sinking Fund	Total
ASSETS				
Cash and Cash Equivalents	\$ 765,914	\$ 125,724	\$ 49,345	\$ 940,983
Cash on Hand with County Treasurer	11,380	5,989	5,989	23,358
TOTAL ASSETS	\$ 777,294	\$ 131,713	\$ 55,334	\$ 964,341
 FUND BALANCE				
Committed To:				
Fair	\$ -	\$ 131,713	\$ -	\$ 131,713
Society Buildings	-	-	55,334	55,334
Unassigned	777,294	-	-	777,294
TOTAL CASH BASIS FUND BALANCES	\$ 777,294	\$ 131,713	\$ 55,334	\$ 964,341

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 CASH BASIS FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	General Fund	Fair Fund	Sinking Fund	Total
RECEIPTS				
Property Taxes	\$ 281,926	\$ 148,384	\$ 148,414	\$ 578,724
Charges for Services	513,769	48,908	764	563,441
Interest Income	448	56	16	520
Miscellaneous Income	35,286	-	-	35,286
TOTAL RECEIPTS	<u>831,429</u>	<u>197,348</u>	<u>149,194</u>	<u>1,177,971</u>
DISBURSEMENTS				
General Government	702,752	-	176,603	879,355
Culture and Recreation - Fair	-	116,038	-	116,038
Capital Outlay/Improvements	8,675	1,497	24,205	34,377
TOTAL DISBURSEMENTS	<u>711,427</u>	<u>117,535</u>	<u>200,808</u>	<u>1,029,770</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS				
	<u>120,002</u>	<u>79,813</u>	<u>(51,614)</u>	<u>148,201</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	64,428	64,428
Transfers Out	(23,077)	(41,351)	-	(64,428)
TOTAL OTHER FINANCING SOURCES	<u>(23,077)</u>	<u>(41,351)</u>	<u>64,428</u>	<u>-</u>
Net Change in Cash Basis Fund Balances	<u>96,925</u>	<u>38,462</u>	<u>12,814</u>	<u>148,201</u>
CASH BASIS FUND BALANCES - BEGINNING	<u>680,369</u>	<u>93,251</u>	<u>42,520</u>	<u>816,140</u>
CASH BASIS FUND BALANCES - ENDING	<u>\$ 777,294</u>	<u>\$ 131,713</u>	<u>\$ 55,334</u>	<u>\$ 964,341</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, 2022

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 purposes of the Society are 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 racetrack 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 – Cash Basis and Statement of Activities – 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 activities in these statements were considered immaterial and have not been eliminated. Governmental GAAP requires internal activity

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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 fund categories. The Society's Board of Directors (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.

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.

Sinking Fund. This fund accounts for the costs associated with necessary construction and improvements to Society buildings and is primary funded with tax revenues.

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 Board for a specific purpose.

Assigned. The fund balance has not been designated by the Board for a specific purpose, but it has been separated based on the type of revenue. Under 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 basis of cash receipts and disbursements. As such, the measurement focus includes only those assets and fund balances arising from cash transactions on the

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis. Receipts are recognized when received, and disbursements are recognized when warrants are paid. 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 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 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.

Cash on Hand with County Treasurer. The County Treasurer's cash represents revenues collected by the County Treasurer not yet remitted to the Society.

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 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 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.

The Society follows these procedures in establishing the budgetary data reflected in the accompanying financial statements:

- 1) The Society prepares a budget for the fiscal year commencing October 1. The budget includes proposed expenditures and resources available.
- 2) The budget is published with subsequent public hearings to obtain taxpayer comments.
- 3) Prior to September 30, the Board adopts the budget, which is then filed with the appropriate State and County officials.
- 4) Total expenditures may not legally exceed total appropriations. Appropriations lapse at year end, and any revisions require Board approval.
- 5) The property tax requirements resulting from the budget process are utilized by the County Assessor to establish the tax levy. Taxes are levied annually on or before October 15. Real property taxes and personal property taxes are due December 31, with the first half being delinquent on May 1 and the second half being delinquent on September 1.

2. **Deposits and Investments**

Cash and cash equivalents included in the financial statement of the Society at September 30, 2022, consisted of the following:

Breakdown of Cash as of September 30, 2022

Cash	\$ 12,358
Checking Accounts	<u>928,625</u>
Total Cash	<u>\$ 940,983</u>

For purposes of classifying categories of custodial risk, the bank balances of the Society's deposits, as of September 30, 2022, 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 County Board on or before October 15 of each year for all political subdivisions in the County. 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.

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Continued)

3. **Property Taxes** (Concluded)

The County Board may levy a tax upon all of the taxable property within the County for the operation of the 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 \$.035/\$100 limitation upon a vote of the people.

The levy set in October 2021, for the 2021 taxes, which will be materially collected in May and September 2022, was set at \$.009863/\$100 of assessed valuation. The levy set in October 2020, for the 2020 taxes, which were materially collected in May and September 2021, was set at \$.0103/\$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's Board of Directors.

4. **Risk Management**

The Society is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Society is a member of the Nebraska Intergovernmental Risk Management Association (NIRMA), a public entity risk pool (Pool) currently operating as a common risk management and insurance program for 106 counties and local governments throughout Nebraska.

The Society pays an annual deposit premium as calculated by the administrator of the Pool. The premium is based on the losses and exposures of each member and the entire Pool. If the Pool becomes insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the Society may be assessed for an additional contribution. Each member shall remain liable for such assessments, regardless of such member's withdrawal from participation or the termination of the agreement, and for liabilities of the Pool incurred during such member's period of membership.

The Society has not paid any additional assessments to the Pool or paid out any amounts that exceeded coverage provided by the Pool in the last three fiscal years. There were no significant reductions in insurance coverage from the prior year coverage.

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. **Lease Agreement**

On September 12, 2022, the Society entered into an agreement to lease part of the Society's grounds and buildings to Harrah's Nebraska LLC (Harrah's) to operate a casino. The agreement has a term of 15 months with an option to extend the lease for up to five additional 30-day periods. In addition to a \$25,000 one-time fee, the Society is to receive \$50,000 each month for the term of the agreement.

PLATTE COUNTY AGRICULTURAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

(Concluded)

7. Transfers

The Society set up several bank accounts during a previous fiscal year. The Society deposits County Treasurer funds to the main checking account and then transfers property taxes to the appropriate bank accounts. Transfers from the Fair Fund were to cover monthly payroll and other costs paid from the General Fund.

8. Subsequent Events

Subsequent events have been evaluated from the balance sheet date through March 23, 2023, 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 - TOTAL OF ALL FUNDS
 For the Year Ended September 30, 2022

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
RECEIPTS			
Property Taxes	\$ 573,557	\$ 578,724	\$ 5,167
Intergovernmental	1,000	-	(1,000)
Other Local Receipts	620,893	563,441	(57,452)
Interest Income	-	520	520
Miscellaneous Income	-	35,286	35,286
Transfers In	-	64,428	64,428
TOTAL RECEIPTS	\$ 1,195,450	\$ 1,242,399	\$ 46,949
DISBURSEMENTS			
Operating Expenses	1,366,550	995,393	371,157
Capital Outlay	210,000	34,377	175,623
Transfers Out	-	64,428	(64,428)
TOTAL DISBURSEMENTS	\$ 1,576,550	\$ 1,094,198	\$ 482,352
Net Change in Cash Basis Fund Balance		148,201	
CASH BASIS FUND BALANCE - BEGINNING		\$ 816,140	
CASH BASIS FUND BALANCE - ENDING		\$ 964,341	

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, 2022, and the related notes to the financial statements, which collectively comprise the Society's basic financial statements, and have issued our report thereon dated March 23, 2023. The report notes the financial statements were prepared on the basis of cash receipts and disbursements.

Report on 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) as a basis for designing 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.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We consider the following deficiency in the Society's internal control 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.

Report on 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 financial statements. 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 March 23, 2023.

Society's Response to Findings

The Society's response to the findings identified in our audit is described in the separate management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the Society's response to the finding identified in our audit and described previously. The Society's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 results 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.

March 23, 2023



Dakota Christensen, CPA, CISA, CFE
Audit Manager
Lincoln, Nebraska



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March 23, 2023

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, 2022, and have issued our report thereon dated March 23, 2023. 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:

Tracking of Expenditures and Fund Balances

There was a lack of policy for tracking expenditures to ensure that appropriate funds were utilized. During the fiscal year, the Society purchased alcohol, paid money for donations, awarded scholarships, and provided employees with cash and gift cards as bonuses. Such disbursements are not allowable uses of public funds, including local property taxes. Those disbursements came from a bank account that contained both public and non-public funds. Because the Society lacked procedures for tracking expenditures, however, the APA was unable to determine whether the purchases at issue were made with public monies.

Furthermore, during fiscal year 2022 and as of September 30, 2022, the Society was unable to provide a report to support the ending Society fund balances. The Society uses QuickBooks accounting software to record its financial activity. QuickBooks was not designed for government fund accounting; therefore, the system did not track the cash balances for each of the Society's funds. The Society does utilize the class function within QuickBooks as different funds; therefore, the Society is able to record receipts and expenditures to different funds. However, when fund balances are not maintained or tracked, the Society is unable to provide accurate fund balances as of certain dates. The Society does maintain separate bank accounts for the separate funds. Per the Society, the reconciled

balances in the bank accounts are considered the fund balances. The financial statements were adjusted to match these reconciled balances by fund.

Accounts Receivable Beginning Balance

The beginning balance for the accounts receivable account in the fiscal year 2022 general ledger was a negative balance (credit) of \$30,603 as of September 30, 2021; however, the ending accounts receivable balance in the fiscal year 2021 general ledger was a negative balance (credit) of \$25,603 as of September 30, 2021, a variance of \$5,000. The Society was unable to explain this change. Although the Society operates on the cash basis of accounting, changes in accounts receivable are still reflected in the revenue accounts of the Society, resulting in a possible adjustment to the financial statements.

Authorized Bank Signers

Two of the Society's checking accounts listed an authorized signer who is not an employee of the Society or a member of its Board of Directors (Board).

Lack of Formal Written Policies and Procedures

We noted the following regarding Society policies and procedures:

- 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 Society has implemented procedures to limit debit card use; however, a formal policy on debit or credit card purchases should be put in place.
- Regarding 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 a 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. Additionally, the Society was unable to provide the APA with a fixed asset listing that contained assets purchased during fiscal year 2022.
- There was a lack of formal policies in place regarding disbursement procedures. For example, the Society stated that all checks written for amounts over \$5,000 must be signed by the General Manager (vacant as of audit fieldwork in March 2023) or the Board Chairperson; however, this policy is not formally documented and maintained in the Society's records.

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 matters as tracking of expenditures, tracking of beginning and ending account balances, tracking of fund balances, authorized signers on bank accounts, meals, travel, purchasing card use, accumulated leave, capitalization, inventory, and disbursement procedures.

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

A similar comment – including the lack of segregation of duties, which was addressed in the previous audit and continues to be a material weakness – was contained in the prior year's report.

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 expenditures, tracking of beginning and ending account balances, tracking of fund balances, authorized signers on bank accounts, meals, travel, purchasing card use, accumulated leave, capitalization, inventory, and disbursement procedures.

Society Response: The next meeting agenda has our new handbook on it for approval which includes the vacation paid out and meal discounts and for the business manager to be named as an authorized designee and for the authorized designee to be approved to authorize and/or spend up to \$5,000.00.

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 fiscal year 2019 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 1** (“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 Board authorization.

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.

A similar comment was included in the prior year’s report.

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

Society Response: The next meeting agenda has on it for approval to amend the by-laws regarding the approval of issues checks and/or debit card use and for the business manager to be named as an authorized designee and for the authorized designee to be approved to authorize and/or spend up to \$5,000.00.

3. Payroll Issues

As of audit fieldwork in early March 2023, the current Society groundskeeper lives in a house located on the agricultural park grounds, and the Society pays for that dwelling’s rent and utilities. The APA questions whether this should be included as a taxable fringe benefit for the employee.

To start, Internal Revenue Service (IRS) Publication 15-B (2023), “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, the IRS uses the following three-part test, as set out at 26 CFR 1.119-1(b) (April 1, 2022), to determine whether the value of lodging should be excluded:

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

For the current employee living in the Society’s house, the first two criteria appear to have been met. As for the third requirement, the Society maintains that the lodging is a condition of his employment; however, the Society was unable to provide documentation to support the employee’s acceptance of lodging as an actual condition of his 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 or agreements formally approved by the Board. Additionally, the procedures should provide for determining whether fringe benefits given to Society employees must be included in their taxable wages.

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.

A similar comment was included in the prior year’s report.

We recommend the Society implement procedures to ensure that all provisions for employee compensation, including those allowing for certain fringe benefits, are specified in written policies or agreements formally approved by the Board. Additionally, the procedures should provide for determining whether fringe benefits given to Society employees must be included in their taxable wages.

Society Response: The next meeting agenda has approval of house rental agreement in which states employee is required to live in house as terms of his employment.

4. Interfund Transfers

During the audit, the APA noted that interfund transfers reported in the Society’s accounting system did not agree to the interfund transfers reported on the Society’s financial statements as of September 30, 2022.

The following table summarizes these interfund transfers and variances by fund:

Fund	QuickBooks	Financials	Variance
General Fund	\$104,371.42	(\$23,077.00)	\$127,448.42
Fair Fund	(\$59,402.46)	(\$41,351.00)	(\$18,051.46)
Sinking Fund	(\$44,968.96)	\$64,428.00	(\$109,396.96)
Totals	\$0.00	\$0.00	\$0.00

Sound accounting practices and good internal controls require procedures to ensure that all fund activity, including interfund transfers, is recorded accurately in the accounting records.

Without such procedures, there is an increased risk of not only the Society’s Board of Directors not being fully apprised of the financial status of the Society’s funds but also the loss, theft, or misuse of Society money. A similar comment was included in the prior year’s report.

We recommend the Society implement procedures to ensure that all fund activity, including interfund transfers, is accurately recorded in the accounting records.

Society Response: A conference call was held to help in the understanding of the funding, and we are currently in process of changing the banking.

5. Lack of Supporting Documentation

During testing, the APA noted three receipts for which the Society had no contract or agreement on file. The total amount received on these unsupported receipts was \$9,521.70.

The table below summarizes the three contract receipts:

Name	Description	Date	Amount
Vendor 1	Barrel Racing	11/14/21	\$3,418.00
Vendor 2	Event/Facility Rental	07/01/22	\$4,378.20
Vendor 3	Sale of Hay	08/31/22	\$1,725.50
Total			\$9,521.70

Good internal control and sound business practices require procedures to ensure that all funds received by the Society agree to contracted amounts.

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

A similar comment was included in the prior year’s report.

We recommend the Society implement procedures to ensure that all funds received by the Society agree to contracted amounts.

Society Response: An agreement for the sale of Hay is pending approval and well as the way barrel racing is being recorded.

6. Incorrect Coding

During testing, the APA noted that one claim, totaling \$2,195, was coded incorrectly in the Society’s accounting system. This claim should have had \$1,475 coded to the General Fund and \$720 coded to the Fair Fund; however, the entire amount was coded to the Fair Fund.

Good internal control requires procedures to ensure that all disbursements are coded to the correct fund(s) in the Society’s accounting system.

Without such procedures, there is an increased risk of the Society's financial statements reflecting inaccurate fund balances.

We recommend the Society implement procedures to ensure that all disbursements are coded to the correct fund in its accounting system.

Society Response: A conference call was held to help in the understanding of the funding, and we are currently in process of changing the banking.

* * * * *

It should be noted this report is critical in nature, as it contains only our comments and recommendations on the 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 management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

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.

Sincerely,

A handwritten signature in cursive script that reads "Dakota Christensen".

Dakota Christensen, CPA, CISA, CFE
Audit Manager