



Dave Yost • Auditor of State

LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY

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Dave Yost • Auditor of State

Lucas County Agricultural Society
Lucas County
1406 Key Street
Maumee, Ohio 43537-2416

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

August 25, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lucas County Agricultural Society
Lucas County
1406 Key Street
Maumee, Ohio 43537-2416

To the Board of Directors:

We have audited the accompanying financial statements of Lucas County Agricultural Society, Lucas County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Society has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

While the Society does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require societies to reformat their statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended November 30, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of Lucas County Agricultural Society, Lucas County, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2011, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Dave Yost
Auditor of State

August 25, 2011

**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	2010	2009
Operating Receipts:		
Admissions	\$106,817	\$149,087
Privilege Fees	33,439	41,916
Rentals	64,810	61,084
Sustaining and Entry Fees		29,725
Other Operating Receipts	35,223	47,989
Total Operating Receipts	240,289	329,801
Operating Disbursements:		
Wages and Benefits	34,678	45,367
Utilities	17,657	36,221
Professional Services	88,165	101,206
Equipment and Grounds Maintenance	54,463	53,824
Race Purse		42,244
Senior Fair	7,581	9,189
Junior Fair	8,003	10,854
Capital Outlay	4,951	11,974
Other Operating Disbursements	67,921	52,387
Total Operating Disbursements	283,419	363,266
Excess of Operating Disbursements Over Operating Receipts	(43,130)	(33,465)
Non-Operating Receipts (Disbursements):		
State Support	1,738	23,704
County Support	33,400	30,900
Donations/Contributions	7,612	10,744
Miscellaneous	4,687	81
Debt Service	(2,663)	(24,610)
Net Non-Operating Receipts	44,774	40,819
Excess of Receipts Over Disbursements	1,644	7,354
Cash Balance, Beginning of Year	12,180	4,826
Cash Balance, End of Year	\$13,824	\$12,180

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

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**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Lucas County Agricultural Society, Lucas County, Ohio (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1858 to operate an annual agricultural fair. The Society sponsors the week-long Lucas County Fair during July. During the fair, harness races were held in 2009 and discontinued for 2010. Lucas County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of nineteen directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Lucas County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, harness racing during fair week, which took place in 2009 at Raceway Park and was discontinued in 2010. Other year round activities at the fairgrounds include Northwest Ohio Rib-Off, M.S. Bike to Bay, grounds rental, and winter storage for vehicles, boats, and trailers. The reporting entity does not include any other activities or entities of Lucas County, Ohio.

Note 7 summarize the Junior Livestock Sale Committee's financial activity.

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

B. Accounting Basis

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Property, Plant, and Equipment

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

D. Income Tax Status

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Race Purse

Super stake races were held during the Lucas County Fair at Raceway Park for 2009 and discontinued in 2010. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Northwest Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statement report these fees as Sustaining and Entry Fees.

Ohio Fairs Fund

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

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The Society's basis of accounting does not report these amounts as liabilities.

2. DEPOSITS

The carrying amount of deposits at November 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	<u>\$13,824</u>	<u>\$12,180</u>

Deposits are insured by the Federal Depository Insurance Corporation.

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the year ended November 30, 2009 was \$19,069, as State Support and racing was discontinued for 2010.

**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

4. DEBT

Debt outstanding at November 30, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Line of Credit	\$18,284	8.00%
Fair Board, Ltd.	25,000	12.00%
Total	<u>\$43,284</u>	

Original \$25,000 line of credit bears an interest rate of 8 percent and is due to Fifth Third Bank. Payments are automatically withdrawn monthly from the Society's checking account and money is no longer being drawn down from the line of credit as it is collateralized by the faith and credit of David Pruss, ex-Board President.

Society paid \$10,000 payment in September 2009 to the Fair Board, Ltd. Loans are due and payable at a default interest of 12% per annum. Currently the Society is behind in its payments to Fair Board, Ltd.

5. OPERATING LEASE

Society has a lease with Wells Fargo Financial Leasing, Inc. to lease a copy machine. Future minimum payments required under the operating leases as of November 30, 2010 is \$3,351 for 2011. Currently the Society is behind in its payments to Wells Fargo Financial Leasing, Inc.

6. RISK MANAGEMENT

The Lucas County Commissioners provide general insurance coverage for all the buildings on the Lucas County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability and vehicle insurance, with limits of \$1,000,000 and \$5,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$50,000. The Society's Secretary is bonded with coverage of \$50,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund.

**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee is a separate committee charged with running the Junior Livestock Auction. This auction is held during fair week. Children may sell their animals directly to market or through the Lucas County's auction. A commission of 6 percent of total sale price for Grand & Reserve Champions; 5 percent of total price for Beef Feeders, Dairy Beef, Swine, Sheep, and Goats; \$12 per head for Steers; and \$6 per pen for Market Rabbits and Poultry covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2010 and 2009 follows:

	<u>2010</u>	<u>2009</u>
Beginning Cash Balance	\$ 9,209	\$ 12,703
Receipts	99,439	84,281
Disbursements	<u>(94,717)</u>	<u>(87,775)</u>
Ending Cash Balance	<u>\$ 13,931</u>	<u>\$ 9,209</u>



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Lucas County Agricultural Society
Lucas County
1406 Key Street
Maumee, Ohio 43537-2416

To the Board of Directors:

We have audited the financial statements of Lucas County Agricultural Society, Lucas County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated August 25, 2011, wherein we noted the Society followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Society's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Society's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated August 25, 2011.

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

We intend this report solely for the information and use of management, audit committee, Board of Directors, and others within the Society. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

August 25, 2011

**LUCAS COUNTY AGRICULTURAL SOCIETY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Weakness

Annual Financial Report

Amounts contained in the Annual Financial Reports were the same as those provided from the accounting system amounts, but not in agreement with reconciled fund balance that resulted in a net increase of \$12,363 in FY 2009 and a net decrease \$4,562 in FY 2010 of reported fund balance on the annual financial report. Sales tax was not recorded on the Financial Statements, employee withholdings were included in the gross pay account and in separate withholding line accounts (recorded twice) and employer portion of withholding payments were not reflected on the financial statements.

This resulted in inaccurate annual financial reports submitted to the Department of Agricultural for fiscal years 2010 and 2009. The accompanying financial statements and the Society's accounting records have been adjusted to correct these errors.

We recommend the Society's Board establish procedures to review the Annual Report to assure the amounts in the report and taken from the accounting system represent the actual financial position of the reconciled fund balance of the Society.

Officials' Response:

The Society is working to correct this issue involving the posting of entries and what the system currently automatically does causing the need for many adjustments for the annual financial report.

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LUCAS COUNTY AGRICULTURAL SOCIETY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 20, 2011