



Dave Yost • Auditor of State

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lawrence County Agricultural Society
Lawrence County
P.O. Box 399
Proctorville, Ohio 45669

To the Board of Directors:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of the Lawrence County Agricultural Society, Lawrence County, Ohio (the Society) as of and for the years ended November 30, 2012 and 2011.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Society's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statement, the Society prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of Lawrence County Agricultural Society, Lawrence County, Ohio as of November 30, 2012 and 2011, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2013, on our consideration of the Society's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Society's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2013

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

| | 2012 | 2011 |
|---|-----------------|-----------------|
| Operating Receipts: | | |
| Admissions | \$182,730 | \$211,834 |
| Privilege Fees | 34,715 | 35,053 |
| Rentals | 29,800 | 50,205 |
| Other Operating Receipts | 13,792 | 11,190 |
| Total Operating Receipts | 261,037 | 308,282 |
| Operating Disbursements: | | |
| Wages and Benefits | 26,180 | 27,647 |
| Utilities | 30,256 | 21,903 |
| Professional Services | 90,621 | 99,252 |
| Equipment and Grounds Maintenance | 83,995 | 58,978 |
| Senior Fair | 29,340 | 14,240 |
| Junior Fair | 14,091 | 13,402 |
| Capital Outlay | 733,913 | 72,374 |
| Other Operating Disbursements | 46,401 | 51,310 |
| Total Operating Disbursements | 1,054,797 | 359,106 |
| Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements | (793,760) | (50,824) |
| Non-Operating Receipts (Disbursements): | | |
| State Support | 4,703 | 4,540 |
| County Support | 15,500 | 5,000 |
| Debt Proceeds | 400,000 | 0 |
| Donations/Contributions | 87,551 | 39,550 |
| Investment Income | 12 | 4 |
| Debt Service | (414,539) | (32) |
| Proceeds from Sale of Assets | 0 | 3,607 |
| Inception of Capital Lease | 700,000 | 0 |
| Net Non-Operating Receipts (Disbursements) | 793,227 | 52,669 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | (533) | 1,845 |
| Cash Balance, Beginning of Year | 42,599 | 40,754 |
| Cash Balance, End of Year | \$42,066 | \$42,599 |

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

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**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2012 AND 2011**

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 Lawrence County Agricultural Society, Lawrence County (the Society), as a body corporate and politic. The Society is a county agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1855 to operate an annual agricultural fair. The Society sponsors the week-long Lawrence County Fair during July. Lawrence County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 15 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Lawrence 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. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events. The reporting entity does not include any other activities or entities of Lawrence County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

B. Accounting Basis

This financial statement follows 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.

This statement includes 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 statement does 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.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2012 AND 2011
(Continued)**

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2012 and 2011 was as follows:

| | | |
|-----------------|-------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| Demand deposits | \$42,066 | \$42,599 |

Deposits are insured by the Federal Deposit Insurance Corporation.

3. DEBT

Debt outstanding at November 30, 2012 was as follows:

| | Beginning Balance at 11/30/10 | Additions | Deletions | Ending Balance at 11/30/12 | <u>Interest Rate</u> |
|---------------------|-------------------------------------|--------------------|------------------|----------------------------------|----------------------|
| Loan for Mower | \$7,700 | \$0 | \$3,850 | \$3,850 | 0% |
| Loan for Tractor | 19,311 | 0 | 6,532 | 12,779 | 0% |
| Barn Bond Issuance | 0 | 400,000 | 400,000 | 0 | 2.99% |
| Barn Lease/Purchase | 0 | 700,000 | 7,234 | 692,766 | 3.3% |
| Total | <u>\$27,011</u> | <u>\$1,100,000</u> | <u>\$417,616</u> | <u>\$709,395</u> | |

The \$3,850 Mower loan bears an interest rate of 0 percent and is due to Jim's Farm Equipment. The purchase was made in September 2009 and due to be paid off in September 2013.

The \$12,779 Tractor loan bears an interest rate of 0 percent and is due to Jim's Farm Equipment. The purchase was made in June 2010 and due to be paid off in August 2016.

The \$400,000 issuance and subsequent payoff was related to the original attempt by the Society to have Lawrence County Commissioners issue bonds on the Society's behalf in the amount of \$400,000 to pay for the construction of a new barn. The bonds were issued by the County and construction costs were incurred; however, the Society decided to take a different approach to funding and entered into a subsequent lease/purchase agreement with the Lawrence County Port Authority in the amount of \$700,000. The funds from this agreement were used to payoff the bonds issued from Lawrence County.

The \$692,766 Barn Lease/Purchase agreement bears an interest rate of 3.30 percent and was entered into with the Lawrence County Port Authority. The purchase was made in July 2012 and payments began on the original loan amount of \$700,000 in September 2012. This is due to be paid off in August 2027.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2012 AND 2011
(Continued)**

3. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

| Year ending November 30: | Mower Loan | Tractor Loan | Barn Lease | Total |
|-----------------------------|----------------|-----------------|------------------|------------------|
| 2013 | \$1,925 | \$3,692 | \$25,522 | \$31,139 |
| 2014 | 1,925 | 3,408 | 26,378 | 31,711 |
| 2015 | | 3,408 | 27,261 | 30,669 |
| 2016 | | 2,271 | 28,175 | 30,446 |
| 2017 | | | 29,119 | 29,119 |
| 2018-2022 | | | 160,897 | 160,897 |
| 2023-2027 | | | 395,414 | 395,414 |
| Total | <u>\$3,850</u> | <u>\$12,779</u> | <u>\$692,766</u> | <u>\$709,395</u> |

4. RISK MANAGEMENT

The Lawrence County Commissioners provide general insurance coverage for all the buildings on the Lawrence 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 \$1,000,000. The Society's secretary/treasurer is bonded with coverage of \$20,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through June 2013.

5. CONTINGENT LIABILITIES

The Society is involved in one lawsuit involving Jeff Simmons of Structural Steel. This individual is being sued for receiving payment for work he did not complete on a construction project related to a new barn. The Society is also being countersued by Mr. Simmons for payment of work he feels was completed. Although the Society's management cannot presently determine the outcome of this suit, they are aware that Mr. Simmons has filed bankruptcy, so any type of outcome from this case is unknown.

6. JUNIOR FAIR BOARD

The Junior Fair Board is comprised of a group of teen leaders who help out during fair week. The Junior Fair Board does not receive, disburse, or hold cash. The Junior Fair Board has not had any fundraisers nor do they have a bank account.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2012 AND 2011
(Continued)**

7. JUNIOR LIVESTOCK SALE COMMITTEE

The Junior Livestock Committee was a separate committee charged with running the Junior Livestock Auction in prior years. However, in July 2009, this committee, which was set up under the 4-H, was replaced with the Lawrence County Sales Committee, which was created by the Agricultural Society, and this new committee began running the Junior Livestock Auction. The auction is held during fair week. Children may sell their animals directly to market or through the Lawrence County's auction. A fee that is taken from the commission based on the type of animal sold and that covers auction costs. The Sales Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee or the Sales Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2012 and 2011 was not material to disclose since they no longer run the auction. However, the activity of the Sales committee for the year ended November 30, 2012 and 2011 is as follows:

| | <u>2012</u> | <u>2011</u> |
|------------------------|------------------|------------------|
| Beginning Cash Balance | \$ 7,638 | \$ 3,900 |
| Receipts | 302,478 | 235,478 |
| Disbursements | <u>(301,072)</u> | <u>(231,740)</u> |
| Ending Cash Balance | <u>\$ 9,044</u> | <u>\$ 7,638</u> |



Dave Yost • Auditor of State

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

Lawrence County Agricultural Society
Lawrence County
P.O. Box 399
Proctorville, Ohio 45669

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the Lawrence County Agricultural Society, Lawrence County, Ohio (the Society), as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statement, and have issued our report thereon dated June 6, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Society's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Society's financial statement. We consider Finding 2012-02 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 statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2012-01.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 6, 2013

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2012 AND 2011**

| |
|--|
| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|--|

FINDING NUMBER 2012-01

Noncompliance Citation

Ohio Rev. Code Section 1711.13 states county agricultural societies may do either or both of the following:

(A) Mortgage their grounds for the purpose of renewing or extending pre-existing debts, and for the purpose of furnishing money to purchase additional land, but if the board of county commissioners has caused money to be paid out of the county treasury to aid in the purchase of the grounds, no mortgage shall be given without the consent of the board. Deeds, conveyances, and agreements in writing, made to and by such societies, for the purchase of real estate as sites for their fairs, shall vest a title in fee simple to the real estate described in those documents, without words of inheritance.

(B) Enter into agreements to obtain loans and credit for expenses related to the purposes of the county agricultural society, provided that the agreements are in writing and are first approved by the board of directors of the society. The total net indebtedness incurred by a county agricultural society pursuant to this division (B) shall not exceed an amount equal to twenty-five percent of its annual revenues.

The Society had debt outstanding at the end of 2012 in the amount of \$709,395. This was in excess of 25% of their annual revenues. This could lead to an inability to make debt payments as required.

We recommend the Society reduce its outstanding debt to be in compliance with the maximum stated above.

Officials' Response: Officials did not respond to this Finding.

FINDING NUMBER 2012-02

Material Weakness

Sound financial reporting is the responsibility of the Board and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

As a result of the audit procedures performed, the financial statement had the following errors that required audit adjustment or reclassification:

For the year ended November 30, 2012:

1. Unrecorded debt proceeds and pay-off in the amount of \$400,000 was posted.
2. Sale of Assets in the amount of \$700,000 was reclassified as Inception of Capital Leases.
3. Capital Outlay in the amount of \$200,000 was reclassified as Debt Service.
4. Other Expenditures in the amount of \$200,000 was reclassified as Debt Service.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2012 AND 2011
(Continued)**

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

FINDING NUMBER 2012-02 (Continued)

Material Weakness (Continued)

To ensure the Society's financial statement and notes to the financial statement are complete and accurate, the Society should adopt policies and procedures, including a final review of the statement and notes by the Board to identify and correct errors or omissions.

Officials' Response: Officials did not respond to this Finding.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2012 AND 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-01 | A material weakness was issued for a lack of cancelled checks to support expenditures. | Yes. | Fully Corrected. |
| 2010-02 | A significant deficiency was issued related to payroll expenditures. | No. | Partially Corrected. Management letter comments were issued to address some of the items noted in prior year Finding. |

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Dave Yost • Auditor of State

LAWRENCE COUNTY AGRICULTURAL SOCIETY

LAWRENCE 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
JUNE 25, 2013**