



Dave Yost • Auditor of State

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

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Dave Yost • Auditor of State

Lawrence County Agricultural Society
Lawrence County
P.O. Box 85
Scottown, Ohio 45678

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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 7, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Lawrence County Agricultural Society
Lawrence County
P.O. Box 85
Scottown, Ohio 45678

To the Board of Directors:

We have audited the accompanying financial statement of the Lawrence County Agricultural Society, Lawrence County, Ohio (the Society), as of and for the years ended November 30, 2010 and 2009. This financial statement is the responsibility of the Society's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as noted in paragraph 6 below, 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 this financial statement 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 statement 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 statement does not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require agricultural societies to reformat their statement. 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 statement referred to above for the years ended November 30, 2010 and 2009 does 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.

We were unable to obtain sufficient evidential matter supporting the amount recorded as disbursements in the amount of \$355,248 or 54% of total disbursements for the years ended November 30, 2010 and 2009. The Society could not provide canceled checks for this amount and without this evidential matter we were unable to assure ourselves about the accuracy or completeness of disbursements. We were unable to gain assurances through alternative procedures.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding expenditures, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Lawrence County Agricultural Society, Lawrence County, Ohio as of November 30, 2010 and 2009, and its cash receipts 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 statement.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 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.



Dave Yost
Auditor of State

April 7, 2011

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

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

	2010	2009
Operating Receipts:		
Admissions	\$231,664	\$213,718
Privilege Fees	35,417	30,143
Rentals	22,415	25,225
Other Operating Receipts	14,140	9,745
 Total Operating Receipts	 303,636	 278,831
Operating Disbursements:		
Wages and Benefits	24,117	23,280
Utilities	17,860	18,292
Professional Services	88,295	110,007
Equipment and Grounds Maintenance	59,659	52,152
Senior Fair	29,102	20,768
Junior Fair	9,695	11,189
Capital Outlay	77,882	1,500
Other Operating Disbursements	63,802	50,923
 Total Operating Disbursements	 370,412	 288,111
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (66,776)	 (9,280)
Non-Operating Receipts:		
State Support	5,307	6,364
County Support	2,500	5,800
Donations/Contributions	41,861	27,558
 Net Non-Operating Receipts	 49,668	 39,722
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (17,108)	 30,442
 Cash Balance, Beginning of Year	 57,862	 27,420
 Cash Balance, End of Year	 \$40,754	 \$57,862

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, 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 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 including. The reporting entity does not include any other activities or entities of Lawrence County, Ohio.

Notes 5 and 6, 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, 2010 AND 2009
(Continued)**

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2010 and 2009 was as follows:

	2010	2009
Demand deposits	\$40,754	\$57,862

Deposits are insured by the Federal Deposit Insurance Corporation.

3. DEBT

Debt outstanding at November 30, 2010 was as follows:

	Principal	Interest Rate
Loan for Mower	\$7,700	0.00%
Loan for Tractor	19,311	0.00%
Total	\$27,011	

The \$7,700 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 \$19,311 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 payments began on the original loan amount of \$20,447 in August 2010. This is due to be paid off in August 2016.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	Mower Loan	Tractor Loan	Total
2011	\$1,925	\$3,408	\$5,333
2012	1,925	3,408	5,333
2013	1,925	3,408	5,333
2014	1,925	3,408	5,333
2015		3,408	3,408
2016-2020		2,271	2,271
Total	\$7,700	\$19,311	\$27,011

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

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

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 and Treasurer are 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 December 2010.

5. 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.

6. 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, 2010 and 2009 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, 2010 and 2009 is as follows:

	2010	2009
Beginning Cash Balance	\$ 1,890	\$ -
Receipts	257,176	202,169
Disbursements	(255,166)	(200,279)
Ending Cash Balance	\$ 3,900	\$ 1,890

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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*

Lawrence County Agricultural Society
Lawrence County
P.O. Box 85
Scottown, Ohio 45678

To the Board of Directors:

We have audited the financial statement of the Lawrence County Agricultural Society, Lawrence County, Ohio (the Society), as of and for the years ended November, 30, 2010 and 2009, and have issued our report thereon dated April 7, 2011, wherein we noted the Society prepared its financial statement using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We qualified our report on the Society's disbursements because we could not assure ourselves regarding the accuracy or completeness of disbursements. Except as discussed in the preceding sentence, 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 statement, 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 and another deficiency we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and timely corrected. We consider Finding 2010-01 described in the accompanying Schedule of Findings to be a material weakness.

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. We consider Finding 2010-02 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 April 7, 2011.

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



Dave Yost
Auditor of State

April 7, 2011

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE 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 2010-01

Material Weakness

Auditor of State Bulletin 2004-010 indicates that, in accordance with the federal Check Clearing for the 21st Century Act, banks are no longer required to issue or return the original canceled checks to customers, including governmental entities. It further indicates that, in absence of the governmental entity's bank providing them with actual canceled checks, the governmental entity should request that their banks send images of the front and back of all issued checks. Banks may ask customers to accept some other record of checks charged to the account including electronic images of the check (front and back) via CD-ROM.

For the time periods of December 2008 - March 2009 and May 2010 - November 2010, the Society's bank did not provide them with canceled checks. During these time periods, the Society did not request imaged copies of the canceled checks from the bank. This resulted in the inability to determine if the checks were properly endorsed by the payee or whether the checks were manually altered before submission which resulted in potentially fraudulent conditions.

We recommend the Society request imaged copies of both the fronts and backs of all canceled checks. This will enable the Society to review and scrutinize the transactions to ensure that the payees as well as the various endorsements are appropriate. As monthly bank statements are received, reconciliation between check numbers and the amounts paid should be conducted promptly. If questionable items are identified, the Society should immediately request their bank investigate these items for possible adjustment of the Society's account. Furthermore, the Society may request a substitute check or the best available source document from the bank (e.g. copy of the front and back of the check) when a questionable item is identified that requires investigation.

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

FINDING NUMBER 2010-02

Significant Deficiency

According to the November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies, salaries and wages of Society employees shall be authorized by the board of directors. The Society should also have sound internal controls policies in place that require the Society to maintain documentation supporting the payroll disbursements of all employees. However, it was noted during the testing of the Society's payroll expenditures, that the Society has several areas where this was not the case. Below each individual issue has been listed:

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2010-02 (Continued)

Significant Deficiency (Continued)

1. We noted during testing that the Society did post the majority of their net payroll checks to the wages account code (4xxx). However, in some instances, employees wages were posted to other accounts, such as grounds and maintenance expenditures. In other instances, an employee would be charged to the wages account; however, they were not ran through the payroll system. In addition to this, we noted that the Society did not properly adjust the expenditures from the withholding account at year end to move those expenditures back to wages to allow the 4xxx account to properly report gross wages. These discrepancies made it very difficult and cumbersome to ensure the payroll registers from the Quickbooks system did agree to what was posted on the General Ledger as gross payroll.

2. Hourly employees are required to keep timesheets to support the number of hours they are paid for. However, we noted six of the twenty checks tested for hourly workers did not have timesheets on file to support the number of hours worked. The Society did have a spreadsheet on file that showed the number of hours they paid the employees for, but these hours were not supported by an actual timesheet. In addition to this, AOS also noted that the timesheets that were kept on file were not approved by any type of supervisor. Lack of this type of documentation could lead to questions arising to the validity of the employee's pay.

3. In 2010, hourly employees were paid various rates ranging from \$7/hr to \$10/hr. However, per review of Society's minute record, the only rate approved in 2010 was the security's rate of \$10. The other types of workers such as gate workers or grounds workers were not documented. Without documented approval of pay rates, it is impossible to ensure if employees were properly paid.

4. In 2009 and 2010, we also noted that the Board did not individually approve hiring specific individuals and the position they were to work. This makes it impossible to determine who was approved to work and for what position they should be paid for.

We recommend the Secretary and Treasurer of the Society work with the accounting firm they utilize for assistance in accounting functions and ensure that payroll is properly posted to the system prior to issuing the annual financial statements and W-2's. Additionally, we recommend the Society ensure all hourly employees are completing timesheets for each period in which they are paid. The timesheets should clearly document the time period covered, the number of hours worked and should be reviewed and approved by an appropriate supervisory individual prior to the preparation of the payroll checks. The timesheets should be signed by the individual reviewing and approving the payments and should be maintained on file to support the payroll disbursements. Lastly, we recommend the Board of Directors formally authorize the employment of each individual as well as the rate of pay and position they will be working. This authorization should be documented in the minutes.

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

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Timesheets not on file	No	Partially Corrected. However, still problems noted. This is included in Finding 2010-02.
2008-002	Employee Approvals	No	Partially Corrected. However, still problems noted. This is included in Finding 2010-02.
2008-003	Sponsorship/Donation Support not maintained	No	Partially Corrected. Issued a Management Letter comment.

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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
MAY 5, 2011**