

Lawrence County Agricultural Society
Lawrence County
Regular Audit
For the Years Ended November 30, 2014 and 2013



Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com



Dave Yost • Auditor of State

Board of Directors
Lawrence County Agricultural Society
PO Box 399
Proctorville, Ohio 45669

We have reviewed the *Independent Auditor's Report* of the Lawrence County Agricultural Society, Lawrence County, prepared by Millhuff-Stang, CPA, Inc., for the audit period October 31, 2012 through November 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lawrence County Agricultural Society is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

December 17, 2015

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Lawrence County Agricultural Society
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For the Years Ended November 30, 2014 and 2013

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Lawrence County Agricultural Society, Lawrence County, (the Society) as of and for the years ended November 30, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to opine on these financial statements 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 statements are 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 statements 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 opinions.

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

As described in Note 1 of the financial statements, the Society prepared these financial statements 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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 statements referred to above do 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balance of the Lawrence County Agricultural Society, Lawrence County, as of November 30, 2014 and 2013, 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(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2015, 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 2, 2015

Lawrence County Agricultural Society
Statement of Receipts, Disbursements, and
Changes in Fund Balance (Cash Basis)
For the Years Ended November 30, 2014 and 2013

| | 2014 | 2013 |
|-------------------------------------------------------------------|-----------|-----------|
| Operating Receipts: | | |
| Admissions | \$235,373 | \$246,636 |
| Privilege Fees | 36,380 | 38,106 |
| Rentals | 42,880 | 38,391 |
| Other Operating Receipts | 10,763 | 16,151 |
| Total Operating Receipts | 325,396 | 339,284 |
| Operating Disbursements: | | |
| Utilities | 33,466 | 26,912 |
| Wages and Benefits | 19,738 | 28,053 |
| Professional Services | 169,601 | 193,734 |
| Equipment and Grounds Maintenance | 83,462 | 87,614 |
| Junior Fair | 17,317 | 19,534 |
| Capital Outlay | 35,480 | 20,736 |
| Other Operating Disbursements | 29,078 | 37,028 |
| Total Operating Disbursements | 388,142 | 413,611 |
| Deficiency of Operating Receipts Under Operating Disbursements | (62,746) | (74,327) |
| Non-Operating Receipts (Disbursements): | | |
| State Support | 6,717 | 6,592 |
| County Support | 25,000 | 31,780 |
| Donations/Contributions | 60,954 | 103,981 |
| Investment Income | 22 | 18 |
| Debt Proceeds | 0 | 9,537 |
| Debt Service | (54,623) | (53,709) |
| Sale of Fixed Assets | 0 | 2,202 |
| Total Non-Operating Receipts (Disbursements) | 38,070 | 100,401 |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | (24,676) | 26,074 |
| Fund Cash Balance, Beginning of Year | 68,140 | 42,066 |
| Fund Cash Balance, End of Year | \$43,464 | \$68,140 |

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

Lawrence County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 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, 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 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 sixteen 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

This reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair, and 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 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. Basis of Accounting

This financial statement follows the accounting basis the Auditor of State prescribes or permits, which is similar to the cash receipts and disbursements basis of accounting. This basis recognizes receipts when received in cash rather than when earned, and 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. Deposits and Investments

The Society maintains all money in demand deposits and held no investments. Interest earned is recognized and recorded when received.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

E. 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
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 2 – Deposits

The carrying amount of deposits at year end was as follows:

| | <u>2014</u> | <u>2013</u> |
|-----------------|-------------|-------------|
| Demand Deposits | \$ 43,464 | \$ 68,140 |

Deposits: The Federal Depository Insurance Corporation insures up to \$250,000 of the Society’s bank balance in 2013 and 2014. The remainder was insured by pledged collateral held by the banking institutions.

Note 3 – Debt

Debt outstanding at November 30, 2014 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|---------------------|------------------|----------------------|
| Lawn Mower Loan | \$6,523 | 3.99% |
| Tractor Loan | 5,963 | 0.00% |
| Barn Lease/Purchase | 639,316 | 3.35% |
| Total | \$651,802 | |

The Lawn Mower Loan was to purchase a lawn mower for the Society. The Society traded in another mower toward the purchase in the amount of \$5,100. The Society also rolled the final payment of \$1,925 from their previous mower loan into this new loan. The loan bears an interest rate of 3.99% and is due to AGCO Finance, LLC. The loan was taken out for \$9,537 on January 11, 2013 and matures on September 15, 2018.

The Tractor Loan was to purchase a tractor for the Society. It bears an interest rate of 0% and is due to Jim’s Farm Equipment. The loan was taken out for \$20,447 on June 16, 2010 and matures on August 16, 2016.

The Barn Lease/Purchase was for the construction of a new barn for the Society. It bears an interest rate of 3.35% and is due to the Lawrence County Port Authority. The lease/purchase was entered into on July 11, 2012 in the amount of \$700,000 and matures on July 10, 2032.

Amortization of the above debt is scheduled as follows:

| Year ending November 30: | <u>Lawn Mower Loan</u> | | <u>Tractor Loan</u> | <u>Barn Lease/Purchase</u> | | Total |
|-----------------------------|------------------------|-----------------|-------------------------|----------------------------|-----------------|------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Principal</u> | <u>Interest</u> | |
| 2015 | \$ 1,535 | \$ 260 | \$ 3,408 | \$ 26,988 | \$ 21,012 | \$ 53,203 |
| 2016 | 1,597 | 199 | 2,555 | 27,906 | 20,094 | 52,351 |
| 2017 | 1,660 | 135 | - | 28,856 | 19,144 | 49,795 |
| 2018 | 1,731 | 64 | - | 29,838 | 18,162 | 49,795 |
| 2019 | - | - | - | 30,853 | 17,147 | 48,000 |
| 2020-2024 | - | - | - | 170,749 | 69,251 | 240,000 |
| 2025-2029 | - | - | - | 201,849 | 38,151 | 240,000 |
| 2030-2032 | - | - | - | 122,277 | 5,724 | 128,001 |
| Total | \$ 6,523 | \$ 658 | \$ 5,963 | \$ 639,316 | \$208,685 | \$ 861,145 |

Lawrence County Agricultural Society
Notes to the Financial Statements
For the Years Ended November 30, 2014 and 2013

Note 4 - Risk Management

The Lawrence County Commissioners provide general insurance coverage for all the buildings on the Adams County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. A private company provides general liability and vehicle insurance, with limits of \$5,000,000 and \$1,000,000 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 2016.

Note 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.

Note 6 – Junior Livestock Sales 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 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 years ended November 30, 2014 and 2013 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, 2014 and 2013 are as follows:

| | <u>2014</u> | <u>2013</u> |
|------------------------|------------------|------------------|
| Beginning Cash Balance | \$ 8,899 | \$ 9,044 |
| Receipts | 272,348 | 280,698 |
| Disbursements | <u>(267,043)</u> | <u>(280,843)</u> |
| Ending Cash Balance | <u>\$ 14,204</u> | <u>\$ 8,899</u> |

Note 7 – Compliance

The Society had total outstanding debt that exceeded 25% of its total revenues at November 30, 2014 and 2013, which is contrary to Ohio Revised Code Section 1711.13.

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*

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

We have audited, in accordance with the 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 Lawrence County Agricultural Society, Lawrence County, (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2015, wherein we noted the Society followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Society's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 entity'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 did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2014-002 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Society's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as items 2014-001.

Society's Responses to Findings

The Society's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Society's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.

October 2, 2015

Lawrence County Agricultural Society
Schedule of Findings and Responses
For the Years Ended November 30, 2014 and 2013

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2014-001

Noncompliance – Debt Exceeds Maximum Allowed

Ohio Revised 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 (25%) percent of its annual revenues.

The Society had total outstanding debt that exceeded 25% of its total revenues at both year-end 2013 and year end 2014. The Society should reduce its outstanding debt to be in compliance with Ohio Revised Code.

Client Response:

We cannot reduce our debt at this point, but we will do so as quickly as possible.

FINDING NUMBER 2014-002

Material Weakness – Financial Reporting

A monitoring system by the Society should be in place to prevent or detect misstatements for the fair presentation of the Society's financial statements. Misclassifications of debt payments were identified during the course of testing. Additionally, debt proceeds and the related refinancing of other debt were not recorded. The Society should implement monitoring procedures to ensure that items are properly recorded and classified during the fiscal year.

Client Response:

We will try to monitor this better.

Lawrence County Agricultural Society
Schedule of Prior Audit Findings
For the Years Ended November 30, 2014 and 2013

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------|-----------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| Finding 2012-01 | Noncompliance with ORC Section 1711.13 | No | Reissued as Finding 2014-001 |
| Finding 2012-02 | Material Weakness – Financial Reporting | No | Reissued as Finding 2014-002 |

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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
DECEMBER 29, 2015