



**Auditor of State
Betty Montgomery**

LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY

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**Auditor of State
Betty Montgomery**

Lawrence County Agricultural Society
Lawrence County
9515 County Road 2
Willow Wood, Ohio 45696

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 a February 2, 2005 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 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 28, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Lawrence County Agricultural Society
Lawrence County
9515 County Road 2
Willow Wood, Ohio 45696

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, 2004 and 2003. 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 described in the following paragraph, 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.

We were unable to obtain the necessary assurances concerning the accuracy of the recorded disbursements for the year ended November 30, 2003. It was not practical to perform alternative procedures.

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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statement. Since the Society does not use GAAP to measure financial statement amounts, 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 year ended November 30, 2004 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, 2004, or its change in financial position or cash flows for the year then ended.

Also, in our opinion, except for such adjustments, if any, that would have been necessary had sufficient, competent, evidential matter been available to assure the accuracy of the recorded disbursements for the year ended November 30, 2003, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Lawrence County Agricultural Society, Lawrence County, as of November 30, 2004 and 2003, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As disclosed in Note 7, the Society is experiencing certain negative financial conditions. Note 7, discloses those conditions.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the year ended November 30, 2004. 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 November 28, 2005, 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.



Betty Montgomery
Auditor of State

November 28, 2005

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2004 AND 2003**

	2004	2003
Operating Receipts:		
Admissions	\$158,110	\$105,030
Privilege Fees	30,819	24,665
Rentals	21,265	20,196
Other Operating Receipts	12,703	9,060
Total Operating Receipts	222,897	158,951
Operating Disbursements:		
Wages and Benefits	22,355	25,926
Utilities	20,255	19,030
Professional Services	103,527	53,710
Equipment and Grounds Maintenance	59,342	57,134
Senior Fair	14,047	10,439
Junior Fair	9,721	9,387
Capital Outlay		45,803
Other Operating Disbursements	48,877	63,095
Total Operating Disbursements	278,124	284,524
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(55,227)	(125,573)
Non-Operating Receipts (Disbursements):		
State Support	7,093	6,592
County Support	2,500	2,400
Debt Proceeds		30,000
Proceeds from the Sale of Assets		60,016
Donations/Contributions	24,964	24,136
Investment Income	242	427
Debt Service		(30,000)
Net Non-Operating Receipts (Disbursements)	34,799	93,571
Excess (Deficiency) of Receipts Over (Under) Disbursements	(20,428)	(32,002)
Cash Balance, Beginning of Year	23,232	55,234
Cash Balance, End of Year	\$2,804	\$23,232

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, 2004 AND 2003**

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 and the annual bluegrass festival, started in 2004. Other year round activities at the fairgrounds including facility rental and community events, such as trade shows and swap meets. 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. 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 statement does not include 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, 2004 AND 2003
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30 follows:

	2004	2003
Demand deposits	<u>\$2,804</u>	<u>\$10,116</u>
Certificates of deposit		<u>13,116</u>
Total deposits	<u><u>\$2,804</u></u>	<u><u>\$23,232</u></u>

Deposits: The bank balance was covered by the Federal Deposit Insurance Corporation.

3. DEBT

Lawrence County loaned the Society \$30,000 on April 30, 2003 for improvements to the fairgrounds. According to the agreement, the Society was to repay the loan to the County upon receipt of proceeds from the sale of real estate to the State of Ohio. The loan was to carry no interest according to the agreement. The Society repaid the loan September 12, 2003. No balance was outstanding at November 30, 2003 or 2004.

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 aggregate with \$1,000 deductible. The Society's Treasurer and Secretary are bonded with coverages of \$20,000 and \$15,000 respectively.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through February, 2005.

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 had not had any fundraisers nor do they have a bank account.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2004 AND 2003
(Continued)**

6. 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 Lawrence County's auction. The Committee charges a hauling fee of \$95 per head and pay the people who haul the animals between \$65 and \$75 per head. The Junior Livestock Committee retains the difference. 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, 2004 and 2003 follows:

	2004	2003
Beginning Cash Balance	\$ 4,148	\$ 4,207
Receipts	230,833	171,756
Disbursements	(223,443)	(171,815)
Ending Cash Balance	\$ 11,538	\$ 4,148

7. FINANCIAL CONDITION

The Agricultural Society's cash balance at November 30, 2002 was \$55,234. At November 30, 2003 the cash balance reduced to \$23,232. This reduction resulted in spite of one time revenue of proceeds from the sale of assets of \$60,016 during 2003. It was also noted that the Agricultural Society borrowed \$30,000 from the County during 2003 in anticipation of receiving the proceeds from the sale of real estate to the State of Ohio. Additionally, it was noted that improvements were made to the Fairgrounds during 2003 which resulted in capital outlay expenditures for electric and lighting upgrades, razing and removal of an old barn, etc. This activity accounted for much of the loss during 2003. As of November 30, 2004 the cash balance had reduced to only \$2,804. Much of this loss can be attributed to losses associated with the 1st Annual Bluegrass Festival that the Agricultural Society started during 2004 during which the attendance revenues were far less than the costs of providing the entertainment.

If the negative conditions continue, the Agricultural Society could face a fiscal watch/fiscal emergency condition. Currently, the Agricultural Society is monitoring its financial condition and is making only essential expenditures.

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Auditor of State Betty Montgomery

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
9515 County Road 2
Willow Wood, Ohio 45696

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, 2004 and 2003, and have issued our report thereon dated November 28, 2005, wherein we noted the Society is experiencing certain negative financial conditions and the Society follows accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted there was a lack of adequate documentation to support the accuracy of the recorded disbursements for the year ended November 30, 2003.

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 to determine our auditing procedures to express our opinion on the financial statement and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Society's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-002 through 2004-010.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2003-002 through 2004-005 listed above to be material weaknesses. In a separate letter to the Society's management dated November 28, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 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 2004-001. In a separate letter to the Society's management dated November 28, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 28, 2005

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding for Recovery

The Society sold general admissions tickets to the County Fair for 2003 and 2004 for the price of six dollars per ticket. The Society maintained ticket accountability forms to document the number of tickets sold and the calculated receipts for each day and entrance to the fair. The general admissions receipts were tested as part of the audit. Tests performed revealed discrepancies between the calculated amount of admissions receipts per the ticket accountability forms, and the receipts recorded to the ledgers. The discrepancies indicated that the recorded receipts were less than the calculated amount as shown in the table below.

Year	Number of Tickets per the Ticket Accountability Forms	Price per Ticket	Calculated General Admissions Receipts	Recorded General Admissions Receipts	Overage (Shortage)
2003	15,780	\$6.00	\$94,680.00	\$94,454.15	(\$225.85)
2004	25,000	\$6.00	\$150,000.00	\$148,827.55	(\$1,172.45)
Totals	40,780		\$244,680.00	\$243,281.70	(\$1,398.30)

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for money due but not collected is hereby issued against Wanda Carpenter, Board Member and Gate Manager, former Society Treasurer, Leslie Brock, and SAFECO Insurance Company, the Treasurer's Bonding Company, jointly and severally, in the amount of one thousand three hundred ninety-eight dollars and thirty cents (\$1,398.30) and in favor of the Lawrence County Agricultural Society.

FINDING NUMBER 2004-002

Material Weakness – Disbursements Support

According to the November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies, expenses shall be recorded, when paid, in the appropriate expense account. Sufficient documentation shall be retained to support the expense. Such documentation may include invoices, receipts, purchase orders, contracts, or other documentation of what was purchased, from whom it was purchased, and the purpose of the purchase if not obvious from the existing documentation.

The Society did not provide supporting documentation for all of its disbursements. Seventeen percent of the 2003 disbursements selected for testing were not accompanied by sufficient supporting documentation. The lack of supporting documentation resulted in our inability to gain adequate assurance regarding the accuracy of the recorded disbursements.

We recommend the Society maintain adequate documentation to substantiate all of the disbursements.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-003

Material Weakness – Timesheets

Sound internal control policies require the Society to maintain documentation supporting the payroll disbursements of all employees. The Society hired several hourly employees to prepare the fairgrounds for the annual fair, as well as perform maintenance and other duties during and immediately following the annual fair. The payroll disbursements for these employees was based on the number of hours worked. No timesheets were provided to document the hours worked by the hourly employees during 2003 for 43 of the 57 hourly payroll disbursements. As a result, insufficient supporting documentation was provided for 48 percent of the payroll disbursements tested for 2003. No timesheets were provided to document the hours worked by the hourly employees during 2004 for any of the 41 payroll disbursements made to hourly employees. As a result, insufficient supporting documentation was provided for 55 percent of the payroll disbursements tested for 2004.

Additionally, testing revealed several instances in 2003 in which payments were made only a few days apart for large numbers of hours. For example, a review of the payments made to Benny Call, a grounds worker, during 2003 revealed that payments were made July 3, July 8, July 9, and July 12 for 40 hours, 46 hours, 120 hours, and 142 hours respectively. No supporting documentation, such as timesheets, was provided for the July 8, July 9, or July 12 payments. Similar occurrences were noted for employees Marvin Stephens and Steve Walters on the same dates. Similar situations occurred in 2004 as well. For instance, Marvin Stephens, Steve Walters and Benny Call each received payments dated July 15, July 17, and July 18, 2004. There was no documentation of the number of hours worked for the July 15, and July 17 payments and the gross pay amount was not divisible by the regular rate of pay of five dollars per hour. Most of the remaining payments during 2003 and 2004 were divisible by the regular rate of pay. No supporting documentation, such as time sheets, was provided for these payments to substantiate the amounts. Additionally, there was no documentation of the time period that these payments covered. Absent adequate supporting documentation, the accuracy of the payroll disbursements could not adequately be assured.

We recommend the Society require hourly employees to complete timesheets for each period for which they are paid. The timesheets should clearly document the time period covered, 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.

FINDING NUMBER 2004-004

Material Weakness – Rental Receipts

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that deposits and intermediate and final payments for fairground or building rentals shall be receipted and deposited separate as cash receipts. Contracts associated with the rental shall indicate the receipt number assigned to account for the deposit and interim and final payments. In addition, the Society should utilize written contracts/agreements to clearly document the terms of the rental including, but not limited to, the rental rates, duration of the rental, total amount due, when payments are due, and the rental termination policies and procedures. These contracts can serve as documentation to support the recorded receipts.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-004 (Continued)

Material Weakness – Rental Receipts (Continued)

The Society received receipts from renting the use of the grounds, and various buildings located at the County Fairgrounds throughout the year. However, there were no agreements/contracts for the rental of the items listed above, with the exception of the lease agreement on the 4-H Building. There was a general lack of documentation supporting the amount of the recorded receipts. For instance, in the case of receipts from the rental of grounds/buildings of the Society, there were no written contracts or agreements outlining the amounts and terms of the rental. Grounds rental receipts without written rental agreements or contracts amounted to \$4,401 in 2003 and \$4,760 in 2004. Additionally, the Secretary prepared duplicate receipts for ground and building rental receipts after the Treasurer deposited the monies, rather than the Society member collecting the fees at the time of receipt. The lack of documentation to substantiate the amount of receipts and the process of collection described above could result in questions regarding the completeness of the receipts paid into the Treasurer and recorded in the ledgers of the Society.

We recommend the Society develop and utilize written rental agreements/contracts for the rental of the grounds, buildings, etc. The rental agreement should include the agreed upon price as well as the terms including the rules for the use of the assets. The agreement should document the number of days that the grounds, buildings, stalls, etc. are to be rented and the cost per day. Additionally, a duplicate receipt should be prepared by the individual collecting the rent payments for each individual receipt. The receipt should be signed by the individual receiving payment and a copy provided to the individual or organization making the payment. Once the money has been collected, the money should be paid to the Treasurer of the Agricultural Society in accordance with Ohio Rev. Code Section 9.38. A pay-in should be prepared by the Treasurer. The receipt should be recorded in the receipts ledger and cash book and be deposited in the designated depository.

FINDING NUMBER 2004-005

Material Weakness – Season Tickets Accountability

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that all tickets for admission to the fair and its events shall be consecutively pre-numbered. Separate tickets shall be used to account for each type of admission. The numbered sequence of tickets given to distributions locations shall be recorded. All unsold tickets and cash for sold tickets shall be returned and compared against the tickets issued. The cash returned should equal the expected revenue from the tickets sold. A single pre-numbered cash receipt shall be issued for each batch of tickets sold. For example, revenue from the tickets sold by the fair office shall be reconciled with pre-numbered tickets assigned to the fair office for sale. Separate reconciliations shall be performed for groups of tickets assigned to each local merchant for sale. A single, pre-numbered cash receipt shall be assigned to account for the cash associated with all reconciliations.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-005 (Continued)

Material Weakness – Season Tickets Accountability (Continued)

The Society maintained ticket accountability forms for the gate admission tickets but did not maintain numerical control over all of the season tickets. The Society did document the total number of season tickets sold at the gates to the fair and the amount of cash collected on the ticket accountability forms. However, they did not record the ticket numbers. Additionally, we noted that the amount collected for these season tickets as documented on the ticket accountability forms did not agree to the number of tickets sold times the price per ticket. The amounts collected were less than the calculated amounts. This is the result of the Society allowing patrons to make installment payments on the season tickets. The Society did not maintain documentation to support the admissions receipts from the sale of season tickets except the duplicate receipts written by the Secretary. The duplicate receipts did not document the season ticket number of the tickets for which the monies were received. All of the tickets issued for entrance to the fair contained preprinted numbers that would allow for numerical control through the use of ticket accountability forms. The lack of ticket accountability could result in individuals gaining access to the fairgrounds without paying for the tickets. This also does not provide sufficient evidence to assure the completeness of the recorded season ticket receipts.

We recommend the Society utilize ticket accountability forms for all tickets issued. Season tickets not issued at the gates should be accounted for utilizing ticket accountability forms. A form should be used to total all of the tickets available for sale, the total tickets sold, and the amount of money collected. Additionally, the Board of Directors should collect all unsold tickets to ensure that all of the season tickets were either sold or returned to the Board of Directors. We further recommend the Society reconcile the number of tickets sold to the amount of cash collected. This will help to provide assurance regarding the completeness of the recorded receipts.

FINDING NUMBER 2004-006

Reportable Condition – Employee Approvals

According to the November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies, salaries or wages of society employees shall be authorized by its board of directors. The net amount of payroll expense shall be recorded in the appropriate payroll account. Payroll net amount equals gross payroll less withholdings and deductions.

Testing of the Society's 2003 and 2004 payroll disbursements revealed that the Society employed several hourly employees for a period of time to prepare the fairgrounds for the annual fair, and to clean-up and perform maintenance after the fair. During 2003, the Society did not document the Board's authorization to hire 7 hourly employees within the minutes. Additionally, in fiscal year 2004, the Society did not document evidence of the Board's authorization to hire any of the hourly employees, nor were the approved pay rates documented in the minutes. This could lead to unauthorized employees being hired and paid at unauthorized rates.

We recommend that the Board of Directors formally authorize the employment of each individual as well as the rate of pay. This authorization should be documented in the minutes. Additionally, since the employees are only temporary employees, we further recommend that this authorization be documented in the minutes each year.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-007

Reportable Condition – Donations/Contributions Receipts

Sound internal control policies require management and the Board to monitor the financial activity of the Society. The Society received money for sponsorship of entertainment and other donations/contributions on the accompanying financial statement. However, there were no agreements/contracts for the sponsorships or the donations/contributions. There was a general lack of documentation supporting the amount of the recorded receipts. The Society did not maintain written contracts or agreements documenting the date and amount of sponsorship. Also, Board of Directors approval of the sponsorships was not noted in the minutes, nor were receipts from donations/contributions. Generally, the only supporting documentation for the donations was the duplicate receipts prepared by the Secretary when the receipts were paid in to be recorded in the ledgers and deposited. This could result in questions regarding the completeness of the recorded receipts.

We recommend the Society develop and utilize written agreements/contracts for the sponsorship of the fair, etc. The sponsorship agreement should include the agreed upon sponsorship donation as well as the date of the entertainment to be sponsored. We further recommend the Board of Directors formally accept all donations in open meetings and document the donations in the minutes of those meetings. The documentation should include the person/organization from which the donation was received as well as the amount of the donation. We further recommend the Society maintain a copy of the check, remittance advice or any letter accompanying a donation to help substantiate the amounts recorded in the ledgers.

FINDING NUMBER 2004-008

Reportable Condition – Timely Bank Deposits

When designing the public office's system of internal control and specific control activities, management should consider ensuring adequate security of assets and records as well as verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. Monies received by the Society were not always deposited with the designated depository within a reasonable period of time. For instance, receipts from the rental of grounds and buildings were generally not paid to the Treasurer until the next regular Board meeting. This resulted in receipts being held for a period of up to one month before being deposited. This resulted in cumbersome reconciliations since receipts were written for monies when they were received. Late depositing also does not provide adequate safeguarding for this cash, and increases the risk of loss or theft.

We recommend all monies received totaling less than \$1,000 be deposited with the designated depository by the next business day unless the Board of Directors adopts a policy including an alternate time period, not exceeding three days, and procedures to safeguard the monies. We further recommend that all monies exceeding \$1,000 be deposited by the next business day.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

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

FINDING NUMBER 2004-009

Reportable Condition – Annual Budget

The November, 2002 Revision of the Uniform System of Accounting for Agricultural Societies states that each agricultural society shall prepare an annual budget of its revenues and expenses. The budget shall cover the period December 1 through November 30. The budget shall be considered and approved by the board of directors prior to the first day of the ensuing fiscal year. The budget shall be prepared at the level of accounts from the chart of accounts which are used by the society.

Budgeted revenues and expenses should be distributed to the month they are likely to be received and expended. The distributed monthly budget should be integrated into the society's accounting system.

Actual revenues and expenses should be compared to the budgeted amounts each month, and reported to and reviewed by the board of directors. The board of directors should determine the reasons why actual expenses exceeded or were less than budgeted expenditures by making inquiries to fair management.

The Lawrence County Agricultural Society did not adopt an annual budget for fiscal year 2004 or 2003. An annual budget, if carefully prepared, can be a useful tool for management to monitor the financial activities of the Society.

We recommend the Board of Directors adopt an annual budget that includes both estimated receipts and appropriations. A budget is an effective management tool in monitoring expected revenues and disbursements in relation to amounts actually received and expended. We further recommend the Board of Directors periodically review comparisons of budgeted and actual activity and inquire if actual results depart significantly from expectations.

FINDING NUMBER 2004-010

Reportable Condition – Financial Monitoring

Sound internal control policies require management and the Board to monitor the financial activity of the Agricultural Society. Actual revenues and expenses should be compared to budgeted amounts each month, and reported to and reviewed by the Board of Directors. The Board of Directors should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, Agricultural Societies should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Agricultural Society should look for ways to increase revenues and/or decrease expenditures budgeted in the up coming months so as to achieve the budgeted cash balance.

There is no documentation of the extent to which the Board uses financial information to monitor the financial activity of the Agricultural Society. The lack of financial information provided to the Board for review each month, hampers the Board's ability to effectively monitor the financial activity and position of the Agricultural Society. For each regular Board meeting, the Treasurer should provide a detailed budget and financial statements, lists of investments, cash balances, and checks paid.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2004 AND 2003
(Continued)**

<p>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2004-010 (Continued)

Reportable Condition – Financial Monitoring (Continued)

The Board should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Society. This information can help answer questions such as the following:

Inquiries Relevant to Overall Agricultural Society Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Society maximizing its return on invested cash balances?
- Is the Society able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Society, we recommend the Board members review and accept/approve the monthly financial information provided by the Treasurer. The review of this information should be noted in the minutes of the meetings of the Board.

**LAWRENCE COUNTY AGRICULTURAL SOCIETY
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-60744-001	Inadequate supporting documentation for Rental Receipts	No	Not Corrected. Reissued as Finding Number 2004-004.
2002-60744-002	Inadequate supporting documentation for Donations and Contributions Receipts	No	Not Corrected. Reissued as Finding Number 2004-007.
2002-60744-003	Inadequate supporting documentation for Season Ticket Admissions Receipts	No	Not Corrected. Reissued as Finding Number 2004-005
2002-60744-004	Receipts were not deposited with the designated depository within a reasonable period.	No	Not Corrected. Reissued as Finding Number 2004-008



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
JANUARY 19, 2006**