



Mary Taylor, CPA
Auditor of State

**AGRICULTURAL SOCIETY
PERRY COUNTY**

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Mary Taylor, CPA
Auditor of State

Agricultural Society
Perry County
5445 State Route 37 East
P.O. Box 189
New Lexington, Ohio 43764

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 statement 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 statement presents are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statement you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Agricultural Society
Perry County
5445 State Route 37 East
P.O. Box 189
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the accompanying financial statement of the Agricultural Society, Perry County, Ohio (the Society), as of and for the years ended November 30, 2009 and 2008. 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.

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.

GAAP require presenting entity-wide statements and also presenting the Society's larger (i.e., major) funds separately. 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 statements. The Society has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statement referred to above for the years ended November 30, 2009 and 2008 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, 2009 and 2008, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Agricultural Society, Perry County, Ohio, as of November 30, 2009 and 2008, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 19, 2010

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2009 AND 2008**

	2009	2008
Operating Receipts:		
Admissions	\$194,645	\$205,935
Privilege Fees	37,551	34,530
Sales Activity	903	4,104
Rentals	43,093	40,279
Sustaining and Entry Fees	42,927	40,632
	319,119	325,480
Operating Disbursements:		
Wages and Benefits	51,471	56,057
Supplies	20,332	33,615
Utilities	36,028	39,514
Professional Services	151,872	163,715
Equipment and Grounds Maintenance	38,019	39,018
Repairs	2,223	9,867
Senior Fair	2,044	3,050
Junior Fair	31,692	32,791
Capital Outlay	18,225	10,573
Other Operating Disbursements	25,431	32,032
	377,337	420,232
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(58,218)	(94,752)
Non-Operating Receipts (Disbursements):		
State Support	6,560	5,722
County Support	10,959	9,752
Donations/Contributions	175,490	97,483
Investment Income	357	532
Other Non-Operating Receipts	6,099	5,924
Other Non-Operating Disbursements	(559)	(306)
Loan to Junior Fair Board		(16,000)
Loan Repaid from Junior Fair Board	16,000	
Debt Service	(195,051)	(63,703)
	19,855	39,404
Excess (Deficiency) of Receipts Over (Under) Disbursements	(38,363)	(55,348)
Cash Balance, Beginning of Year	94,354	149,702
Cash Balance, End of Year	\$55,991	\$94,354

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

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**AGRICULTURAL SOCIETY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2009 AND 2008**

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 Agricultural Society, Perry 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 1954 to operate an annual agricultural fair. The Society sponsors the week-long Perry County Fair during July. Perry County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 18 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Perry 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 other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including tug pulls, horse riding, bull riding, concerts, and truck and tractor pulls. The reporting entity does not include private activities occurring at the fairgrounds, such as the "Gun Bash", nor any other activities or entities of Perry 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.

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2009 AND 2008
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

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.

F. Accumulated Leave

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

2. CASH

The carrying amount of cash at November 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$55,991</u>	<u>\$94,354</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. SOCIAL SECURITY

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2009 and 2008, employees contributed 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2009.

4. RISK MANAGEMENT

The Society provided health coverage until August 12, 2009 for its full-time employee through Medical Mutual of Ohio.

The Perry County Commissioners provide general insurance coverage for all the buildings on the Perry County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. Haas and Wilkerson Insurance Company provides general liability insurance, with limits of \$5,000,000 aggregate. Crime coverage for employee dishonesty, with limits of liability of \$60,000, is provided by the Haas and Wilkerson Insurance Companies.

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

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2009 AND 2008
(Continued)**

5. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H organization representatives, is responsible for the Junior Fair Division activities of the Perry County Fair. The Society disbursed \$31,692 for 2009 and \$32,791 for 2008 directly to vendors to support Junior Fair Activities. These expenses are reflected in the accompanying financial statement as Junior Fair Disbursements. Perry County paid the Society \$5,479 during 2009 and \$4,876 during 2008 to support Junior Club work. The Society was reimbursed \$4,635 and \$5,141 by the State of Ohio for its support of Junior Fair activity for fiscal years 2009 and 2008, respectively. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Board's financial activity for the years ended November 30, 2009 and 2008 follows:

	2009	2008
Beginning Cash Balance	\$1,260	\$343
Receipts	1,000	2,122
Disbursements	(1,267)	(1,205)
Ending Cash Balance	\$993	\$1,260

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 auction. A commission of 6 percent on auction sales of the grand champion and reserve grand champion livestock, and a 4.5 percent commission for all other livestock covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2009 and 2008 follows:

	2009	2008
Beginning Cash Balance	\$14,494	\$12,417
Receipts	13,740	14,224
Disbursements	(10,851)	(12,147)
Ending Cash Balance	\$17,383	\$14,494

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Mary Taylor, CPA

Auditor of State

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

Agricultural Society
Perry County
5445 State Route 37 East
P.O. Box 189
New Lexington, Ohio 43764

To the Board of Directors:

We have audited the financial statement of the Agricultural Society, Perry County, Ohio (the Society), as of and for the years ended November 30, 2009 and 2008, and have issued our report thereon dated November 19, 2010, 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 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 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 presented, or detected and timely corrected. We consider findings 2009-001 and 2009-002 described in the accompanying Schedule of Findings to be material weaknesses.

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 November 19, 2010.

The Society's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Society's responses and, accordingly, we express no opinion on them.

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 on one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 19, 2010

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Material Weakness – Non-Payroll Disbursements

A well-designed system of internal control relating to non-payroll related expenditures will assure that transactions are properly authorized. In accordance with the Uniform System of Accounting for Agricultural Societies, revised November 2002, at the end of each month, fair management should present the Board of Directors with a list of all unpaid bills for goods or services already received and another list of all items ordered and not yet received. This provides the Board with the opportunity to review the bills and authorize them for payment.

The Board of Directors policy only required bills in excess of \$500 to be approved prior to payment, except that any bill in excess of \$500 could be paid without prior approval only if it was authorized by a contract or was a routine monthly bill. Otherwise, the Board received a listing of paid bills at its meeting and reviewed it at that time. Only one signature was required on the Society's checks.

Because the Society's current staffing does not permit segregating the responsibilities for (1) preparing checks, (2) recording checks in the accounting system and (3) reconciling the bank accounts, the Board's review is the only practical control to assure payments were proper. The Board's current procedures increase the likelihood that checks could be issued for improper purposes without being detected by the Board in a timely manner.

We recommend that once checks are prepared for the payment of bills, the Society prepare a voucher for each check. The voucher number should correspond to the check number and would include the date, payee, amount and appropriate account coding where the expenditure will be charged. Supporting documentation, such as invoices, should be attached to vouchers. Checks and vouchers should then be presented to the Board (or its designated committee, such as a finance committee) whereby the Board members should review the vouchers, invoices, and checks. Once the Board performed its review, then it should formally authorize the payment of bills. Checks should then be signed and sent to the various payees. Approvals by the Board or its designated committee should be evidenced by the signatures and dates of those individuals approving payments. The voucher and supporting documentation should then be filed in numerical sequence by check number.

Officials' Response: The Board Secretary will prepare all bills for payment and the Finance Committee will then approve each for payment. The Treasurer will then process these bills and issue checks for payment.

FINDING NUMBER 2009-002

Material Weakness – Bank Reconciliations

Proper controls are imperative in determining budget, reconciliations, and general oversight over the Society's various transactions. Proper controls must exist to ensure all funds are collected for services performed by the Society. Furthermore, a well-designed system of internal control relating to bank reconciliations will assure not only the timely completion of bank reconciliations but also the accuracy of the reconciliations.

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2009 AND 2008
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2009-002 (Continued)

Material Weakness – Bank Reconciliations (Continued)

Bank reconciliations were prepared by the accounting clerk and presented to the Treasurer. However, bank reconciliations from the Quickbooks system for the months of July and August 2009 were unavailable and not presented for audit. Bank reconciliations for the months of July 2008 through November 2008 included a deposit in transit of \$3,001. A receipt of this amount had been posted twice to the Quickbooks system in July 2008 and subsequently deleted from the system in December 2008. An independent review of the reconciling items included on the reconciliations was not performed by an individual other than the accounting clerk. As a result, the Society's book balance was out of balance with the bank balance, and Board management was unaware of this out-of-balance condition. Our review of bank reconciliations indicated that improper and/or invalid reconciling items were included on the 2008 and 2009 year-end reconciliations. We noted numerous instances where checks were deleted from the system rather than voided and reissued.

Failure to adequately review bank reconciliations by an individual independent of the reconciliation process increases the likelihood that further errors and irregularities could occur and remain undetected by the Board. An out-of-balance condition could result in the Society being declared unauditible.

We recommend the Board adopt a policy requiring bank reconciliations to be reviewed by an individual independent of the person preparing the reconciliation and that reviewed reconciliations be presented to the Board monthly. When necessary, checks should be voided from the system rather than deleted. This procedure would allow the Board to monitor the Society's cash activity and assure that effective reviews of bank reconciliations have been performed. The individual(s) performing the review should sign and date the reconciliations, to attest to its accuracy.

Officials' Response: After the account clerk prepares the monthly reconciliations, the Finance Committee will then review, approve and sign off to attest their accuracy.

**AGRICULTURAL SOCIETY
PERRY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Material weakness over non-payroll disbursements requiring dual signatures and preparation of vouchers.	No	Not corrected – repeated as Finding Number 2009-001.
2007-002	Significant deficiency over payroll disbursements recommending time records be maintained to account for comp time.	Yes	
2007-003	Material weakness over bank reconciliations being reviewed by a person independent of preparing the reconciliations.	No	Not Corrected - repeated as Finding Number 2009-002.
2007-004	Material weakness over cash collections requiring the use of pre-numbered triplicate receipt books, calculator tapes and ticket logs.	Yes	

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Mary Taylor, CPA
Auditor of State

PERRY COUNTY AGRICULTURAL SOCIETY

PERRY 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 14, 2010**