



**Auditor of State
Betty Montgomery**

HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY

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**Auditor of State
Betty Montgomery**

Highland County Agricultural Society
Highland County
P.O. Box 564
Hillsboro, Ohio 45133

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 15, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Highland County Agricultural Society
Highland County
P.O. Box 564
Hillsboro, Ohio 45133

To the Board of Directors:

We have audited the accompanying financial statements of the Highland County Agricultural Society, Highland County, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements 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 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.

As described more fully in Note 1, the Society has prepared these financial statements 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 statements 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 years ended November 30, 2005 and 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 statements. 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 statements referred to above for the years ended November 30, 2005 and 2004 do 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, 2005 and 2004, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Highland County Agricultural Society, Highland County, as of November 30, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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, 2005 and 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 15, 2006, 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 15, 2006

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2005**

	2005
Operating Receipts:	
Admissions	\$290,943
Privilege Fees	75,625
Rentals	47,852
Sustaining and Entry Fees	16,864
Sales by Fair Board	7,432
Other Operating Receipts	1,955
Total Operating Receipts	440,671
Operating Disbursements:	
Wages and Benefits	45,952
Utilities	37,920
Professional Services	127,218
Equipment and Grounds Maintenance	70,438
Senior Fair	39,655
Junior Fair	29,879
Capital Outlay	172,646
Other Operating Disbursements	44,751
Total Operating Disbursements	568,459
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(127,788)
Non-Operating Receipts (Disbursements):	
State Support	6,740
County Support	6,000
Debt Proceeds	150,000
Donations/Contributions	22,488
Investment Income	992
Debt Service	(25,000)
Net Non-Operating Receipts (Disbursements)	161,220
Excess of Receipts Over Disbursements	33,432
Cash Balance, Beginning of Year	97,725
Cash Balance, End of Year	\$131,157

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

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2004**

	2004
Operating Receipts:	
Admissions	\$290,094
Privilege Fees	72,404
Rentals	48,210
Sustaining and Entry Fees	20,087
Sales by Fair Board	12,766
Other Operating Receipts	713
Total Operating Receipts	444,274
Operating Disbursements:	
Wages and Benefits	41,690
Utilities	39,778
Professional Services	122,187
Equipment and Grounds Maintenance	87,271
Senior Fair	38,883
Junior Fair	30,367
Capital Outlay	64,046
Other Operating Disbursements	45,691
Total Operating Disbursements	469,913
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(25,639)
Non-Operating Receipts (Disbursements):	
State Support	7,134
Donations/Contributions	28,522
Investment Income	290
Net Non-Operating Receipts (Disbursements)	35,946
Excess of Receipts Over Disbursements	10,307
Cash Balance, Beginning of Year	87,418
Cash Balance, End of Year	\$97,725

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

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004**

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 Highland County Agricultural Society, Highland 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 1948 to operate an annual agricultural fair. The Society sponsors the week-long Highland County Fair during September. Highland County is not financially accountable for the Society. The Board of Directors manages the Society. The Board is made up of 19 directors serving staggered three-year terms. Society members elect Board members from its membership. Members of the Society must be residents of Highland 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. The reporting entity does not include any other activities or entities of Highland County, Ohio.

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

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

B. Basis of Accounting

These financial statements follow 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.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Deposits

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.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2005 and 2004 follows:

	2005	2004
Total deposits	\$131,157	\$97,725

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance. The remainder was uninsured and uncollateralized.

3. DEBT

Debt outstanding at November 30, 2005 was as follows:

	Principal	Interest Rate
Note Payable for County Loan	\$125,000	4.21%

Highland County loaned the Society \$150,000 on April 28, 2005 for the purchase of real estate. The Society must repay the loan to the County ten days prior to the due date of the County's payment over the term of the County's repayment schedule for the funds borrowed on behalf of the Society. During 2005, the Society prepaid \$25,000 to the County on the loan.

Amortization of the above debt is scheduled as follows:

Year ending November 30:	County Loan	Interest	Total
2006	5,000	8,970	\$13,970
2007	5,000	6,077	11,077
2008	5,000	5,867	10,867
2009	6,000	5,636	11,636
2010	6,000	5,384	11,384
2011-2015	33,000	22,944	55,944
2016-2020	42,000	15,057	57,057
2021-2025	23,000	5,426	28,426
Total	\$125,000	\$75,361	\$200,361

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2005 AND 2004
(Continued)**

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides the retirement benefits, including survivor and disability benefits to participants. For 2005 and 2004 employees contributed to 6.2% of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2005.

5. RISK MANAGEMENT

The Highland County Commissioners provide general insurance coverage for all the buildings on the Highland 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 \$1,000,000 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$30,000.

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

6. JUNIOR FAIR BOARD

The Junior Fair Board, which is comprised of 4-H, FFA, Boy Scout, Girl Scout, and Farm Bureau Youth organization representatives, is responsible for the Junior Fair Division activities of the Highland County Fair. The Society disbursed \$29,879 in 2005 and \$30,367 in 2004 to the Junior Fair Board to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2005 and 2004 follows:

	2005	2004
Beginning Cash Balance	\$ 15,530	\$ 23,629
Receipts	42,333	33,476
Disbursements	(42,161)	(41,575)
Ending Cash Balance	\$ 15,702	\$ 15,530

7. 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 Highland County's auction. Monies to cover the cost of the auction are generated through a commission and are retained by the Junior Livestock Committee. The accompanying financial statement does not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the year ended November 30, 2005 and 2004 follows:

Beginning Cash Balance	\$ 5,589	\$ 19,463
Receipts	514,056	499,497
Disbursements	(506,263)	(513,371)
Ending Cash Balance	\$ 13,382	\$ 5,589

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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*

Highland County Agricultural Society
Highland County
P.O. Box 564
Hillsboro, Ohio 45133

To the Board of Directors:

We have audited the financial statements of the Highland County Agricultural Society, Ohio (the Society), as of and for the years ended November 30, 2005 and 2004, and have issued our report thereon dated November 15, 2006 wherein we noted the Society follows accounting practices the Auditor of State prescribes 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 to determine our auditing procedures in order to express our opinion on the financial statements 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 2005-001 and 2005-002.

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. However, we do not believe the reportable conditions described are material weaknesses. In a separate letter to the Society's management dated November 15, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Society's financial statements are 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 intend this report solely for the information and use of the management, and the Board of Directors, and 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 15, 2006

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Reportable Condition (Budgetary Process)

The Uniform System of Accounting for Agricultural Societies Manual states that each agricultural society shall prepare an annual budget of its revenues and expenses. The budget shall cover the period December 1st through November 30th. 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 the 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 shall be compared to budgeted amounts each month, and reported to and reviewed by the board of directors. The board of directors shall determine the reasons why actual expenses exceed or are less than budgeted expenditures by making inquiries to fair management about the reasons.

The Agricultural Society does not have a formal budgetary process. A budget helps to control spending and sets organizational goals. By not comparing budget to actual data overspending could result. Also without a budget, organizational goals are unclear and not met and financial reporting is incomplete.

The Society should also use purchase orders to prior authorize uncommitted funds before purchases are made and contracts are entered into. By using purchase orders, expenditures will be made only on budgeted items and budgetary limits.

The Society should adopt an annual budget by resolution/ordinance and implement procedures to properly monitor the budget. The Society should record budgeted amounts in the ledgers and periodically compare them to actual receipts and expenditures. Proper monitoring of estimated receipts and expenditures will aid the Society in properly accounting for budgetary transactions.

FINDING NUMBER 2005-002

Reporting Condition (Supporting Documentation for Receipts)

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements.

Building contracts were not presented for off -season rental receipts. Ticket Accountability Reports are the only supporting documentation for admission receipts and they were not signed as being reviewed. Proper supporting documentation should be maintained for all receipts. Failure to maintain appropriate accounting records may adversely affect the decisions of management and could result in inaccurate financial reporting. Efforts should be made by the Society to maintain all accounting records. We recommend the following:

1. Contracts should be completed and maintained for all rental activities of the Society. These contracts should be executed by both the renter/vendor and an appropriate member of the Society's management. All contracts should be dated and all required information on the contracts should be completed. All contracts should be marked "paid in full" once the payment has been received.

**FINDING NUMBER 2005-002
(Continued)**

2. A Ticket Accountability Report is completed at the end of each day of the fair for each gate's admissions receipts. There were no signatures on the reports indicating the preparer or the reviewer. To provide additional controls over the admission's receipts, we recommend that both the individual collecting the money and the depositor sign the form as evidence of their review and verification of the listed deposited amounts reconcile to the tickets sold and the amounts collected.

During each fair day, money is collected from each gate and brought back to the office to be counted. Money is picked up from the gates multiple times and by multiple people, who must have a badge to collect the money. Since there are multiple individuals picking up the money, we recommend that the pick up individuals sign the tally sheets as evidence of their receipt of money. We recommend that those individuals and the counters agree on the amount collected by signing the sheet. We also recommend that the executive secretary count the money before taking it to the bank to confirm the amount and place their signature on the ticket tally sheet.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Ohio Rev. Code 5709.10 property tax exemption.	Yes	Fully corrected.
2003-002	No formal budgetary process.	No	Not corrected – Repeated as Finding 2005-001
2003-003	Lack of supporting documentation for receipts.	No	Not corrected - Repeated as Finding 2005-002



**Auditor of State
Betty Montgomery**

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AGRICULTURAL SOCIETY

HIGHLAND 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, 2006**