



Mary Taylor, CPA
Auditor of State

HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY

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Mary Taylor, CPA

Auditor of State

Holmes County Agricultural Society
Holmes County
P.O. Box 232
Millersburg, Ohio 44654

To the Board of Directors:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Society to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Mary Taylor, CPA
Auditor of State

October 18, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Holmes County Agricultural Society
Holmes County
P.O. Box 232
Millersburg, Ohio 44654

To the Board of Directors:

We have audited the accompanying financial statements of the Holmes County Agricultural Society, Holmes County, Ohio, (the Society) as of and for the years ended November 30, 2006 and 2005. 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 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 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Holmes County Agricultural Society, Holmes County, Ohio, as of November 30, 2006 and 2005, and its 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, 2006. 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 October 18, 2007, 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

October 18, 2007

**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2006 AND 2005**

	2006	2005
Operating Receipts:		
Admissions	\$97,411	\$88,206
Privilege Fees	60,919	54,053
Rentals	3,336	6,080
Other Operating Receipts	6,823	4,966
Total Operating Receipts	168,489	153,305
Operating Disbursements:		
Wages and Benefits	27,437	28,906
Utilities	22,498	20,327
Professional Services	46,918	52,600
Equipment and Grounds Maintenance	69,181	82,423
Senior Fair	12,099	12,068
Junior Fair	17,938	16,745
Capital Outlay	13,057	7,509
Other Operating Disbursements	38,142	38,889
Total Operating Disbursements	247,270	259,467
(Deficiency) of Operating Receipts (Under) Operating Disbursements	(78,781)	(106,162)
Non-Operating Receipts (Disbursements):		
State Support	6,451	6,740
County Support	39,983	27,000
Miscellaneous	25,173	64,324
Investment Income	2,580	1,630
Sale of Assets	0	900
Debt Service	(115)	(111)
Net Non-Operating Receipts (Disbursements)	74,072	100,483
(Deficiency) of Receipts (Under) Disbursements	(4,709)	(5,679)
Cash Balance, Beginning of Year	112,855	118,534
Cash Balance, End of Year	\$108,146	\$112,855

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

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**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005**

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 Holmes County Agricultural Society, Holmes 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 1966 to operate an annual agricultural fair. The Society sponsors the week-long Holmes County Fair during August. Holmes 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 Holmes County and pay an annual membership fee to the Society.

Reporting Entity

The reporting entity includes all activity occurring on the fairgrounds. This includes the annual fair. Other year round activities at the fairgrounds include facility rental and community events. The reporting entity does not include any other activities or entities of Holmes County, Ohio.

Notes 7 and 8, 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 prescribe or permits.

C. Cash and Investments

The Society's accounting basis includes investments in its cash balances. Accordingly, this basis does not report investment purchases as disbursements or investment sales as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. Budgetary Process

The Board of Directors annually prepares an operating budget, including estimated disbursements. The Board approves the budget in its final form during the first six months of each fiscal year. The Board reviews the budget throughout the year and compares it with actual results.

HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY

NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

F. 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. BUDGETARY ACTIVITY

For the year ended November 30, 2006, the Society had budgeted disbursements of \$271,625, actual disbursements of \$247,385, resulting in a variance of \$24,240. For the year ended November 30, 2005, the Society had budgeted disbursements of \$263,925, actual disbursements of \$259,578, resulting in a variance of \$4,347.

3. CASH AND INVESTMENTS

The carrying amount of cash and investments at November 30, 2006 and 2005 follows:

	2006	2005
Demand deposits	<u>\$108,146</u>	<u>\$112,855</u>

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

4. DEBT

The Society secured a line of credit up to \$20,000 for general operations from Commercial and Savings Bank at a rate of 3.75%. The line of credit was canceled in July 2006 because it was not being used. The Society had no outstanding balance on the line of credit at November 30, 2005.

5. RISK MANAGEMENT

The Holmes County Commissioners provide general insurance coverage for all the buildings on the Holmes County Fairgrounds pursuant to Ohio Revised Code Section 1711.24. A private company provides general liability with limits of \$2,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$2,000,000. The Society's Treasurer is bonded with coverage of \$40,000.

**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(Continued)**

5. RISK MANAGEMENT (Continued)

The Society is exposed to various risks of property and casualty losses, and injuries to employees.

The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local Society's. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member Society's pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Society's can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective Society.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(Continued)**

5. RISK MANAGEMENT (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at November 30, 2006 and 2005:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At November 30, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member Society's in the future, as of November 30, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Society's share of these unpaid claims collectible in future years is approximately \$18,762. This payable includes the subsequent year's contribution due if the Society terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2004	\$7,762
2005	\$7,880
2006	\$8,890

**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(Continued)**

5. RISK MANAGEMENT (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

6. RELATED PARTY TRANSACTIONS

Kerry Taylor, Board President, owns Millersburg Electric. The Society paid Millersburg Electric \$12,877 and \$16,524 respectively for 2006 and 2005 for electrical services.

Chris Hanna, Board Vice-President, is employed by Moore's Lawn & Garden. The Society paid Moore's Lawn & Garden \$871 and \$579 respectively for 2006 and 2005 for supplies and repairs.

Dale McKee, a Board member, has part ownership in W.T. McKee Construction. The Society paid W.T. McKee Construction \$1,740 and \$2,841 respectively for 2006 and 2005 for repair work and equipment rental.

Tim Feikert, a Board member, has part ownership in Feikert Sand & Gravel. The Society paid Feikert Sand & Gravel \$1,021 and \$592 respectively for 2006 and 2005 for gravel and limestone.

Jason Mast, a Board member, is employed by Menez Brothers. The Society paid Menez Brothers \$12,879 and \$4,793 respectively for 2006 and 2005 for gravel, blocks, and flood work.

Gail Cochran, Treasurer, works in the loan department of Commercial and Savings Bank where the Society has its bank accounts.

Scott Stallman, Concessions Manager, works in the information technology department of Commercial and Savings Bank where the Society has its bank accounts.

**HOLMES COUNTY AGRICULTURAL SOCIETY
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2006 AND 2005
(Continued)**

7. 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 Holmes County Fair. The Society disbursed \$17,938 and \$16,745 for 2006 and 2005, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Holmes County paid the Society \$500 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$18,794	\$18,829
Receipts	11,013	19,009
Disbursements	(15,445)	(19,044)
Ending Cash Balance	\$14,362	\$18,794

8. 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 Holmes County's auction. A commission of 2 percent on auction sales 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 year ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$15,635	\$21,847
Receipts	283,452	302,406
Disbursements	(281,890)	(299,618)
Ending Cash Balance	\$17,197	\$15,635



Mary Taylor, CPA

Auditor of State

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

Holmes County Agricultural Society
Holmes County
P.O. Box 232
Millersburg, Ohio 44654

To the Board of Directors:

We have audited the financial statements of the Holmes County Agricultural Society, Holmes County, Ohio, (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated October 18, 2007, wherein we noted the Society follows 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 expressing our opinion on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Society's management in a separate letter dated October 18, 2007.

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 did note certain noncompliance or other matters that we reported to the Society's management in a separate letter dated October 18, 2007.

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 18, 2007



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

HOLMES 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 6, 2007**