



Mary Taylor, CPA
Auditor of State

HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY

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Mary Taylor, CPA
Auditor of State

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 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 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 23, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Highland County Agricultural Society
Highland County
P.O. Box 564
Hillsboro, OH 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, 2007 and 2006. 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.

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 GAAP presentation requirements. The Auditor of State permits, but does not require 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 statements referred to above for the years ended November 30, 2007 and 2006 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, 2007, or its changes in financial position for the years then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, 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 23, 2008

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2007 and 2006**

	2007	2006
Operating Receipts:		
Admissions	\$311,332	\$288,265
Privilege Fees	76,395	73,805
Rentals	53,802	53,423
Sustaining and Entry Fees	17,599	17,917
Sales by Fair Board	6,200	21,989
Other Operating Receipts	63	7,864
Total Operating Receipts	465,391	463,263
Operating Disbursements:		
Wages and Benefits	46,679	44,374
Utilities	42,348	40,876
Professional Services	174,849	142,356
Equipment and Grounds Maintenance	26,970	63,670
Senior Fair	46,674	46,205
Junior Fair	41,282	27,272
Capital Outlay	28,168	30,087
Other Operating Disbursements	48,207	49,923
Total Operating Disbursements	455,177	444,763
Excess of Operating Receipts Over Operating Disbursements	10,214	18,500
Non-Operating Receipts (Disbursements):		
State Support	6,348	6,451
County Support	6,000	6,000
Donations/Contributions	17,211	20,231
Investment Income	5,203	4,017
Debt Service	(30,091)	(33,948)
Net Non-Operating Receipts (Disbursements)	4,671	2,751
Excess of Receipts Over Disbursements	14,885	21,251
Cash Balance, Beginning of Year	152,408	131,157
Cash Balance, End of Year	\$167,293	\$152,408

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

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**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2007 AND 2006**

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 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. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Society recognizes receipts when received in cash rather than when earned, and recognizes 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, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and investments at November 30, 2007 and 2006 follows:

	2007	2006
Demand deposits	\$115,500	\$152,408
Certificates of deposit	51,793	0
Total deposits	\$167,293	\$152,408

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

3. DEBT

Debt outstanding at November 30, 2007 was as follows:

	Principal	Interest Rate
Note Payable for County Loan	\$73,000	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 2007 and 2006, the Society prepaid \$27,000 and \$25,000 respectively in principal to the County on the loan.

The Highland County Agricultural Society took out a lease to purchase agreement for \$22,223 with John Deere Credit on June 14, 2006 for the purchase of a 5425 Utility Tractor. The Society paid \$10,000 down on the tractor. The Society has two scheduled payments, one on June 20, 2007 totaling \$8,148.66 and June 20, 2009 totaling \$4,074.34. There is no annual percentage rate on the lease to purchase agreement.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2007 AND 2006
(Continued)**

3. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

Year ending November 30:	County Loan	Interest	Total
2008	5,000	5,973	\$10,973
2009	6,000	5,762	11,762
2010	6,000	5,510	11,510
2011	6,000	5,258	11,258
2012	6,000	5,005	11,005
2013-2017	37,000	20,778	57,778
2018-2022	7,000	12,366	19,366
2023-2025	0	2,650	2,650
Total	<u>\$73,000</u>	<u>\$63,302</u>	<u>\$136,302</u>

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides the retirement benefits, including survivor and disability benefits to participate. For 2007 and 2006, 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, 2007.

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 \$50,000.

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 \$23,333 in 2007 and \$25,947 in 2006 directly to the Junior Fair Board, and \$18,139 in 2007 and \$1,325 in 2006 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Highland County paid the Society \$6,000 each year to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2007 AND 2006
(Continued)**

6. JUNIOR FAIR BOARD (Continued)

The Junior Fair Board's financial activity for the years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 28,161	\$ 15,702
Receipts	41,914	23,822
Disbursements	(53,990)	(11,363)
Ending Cash Balance	\$ 16,085	\$ 28,161

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 years ended November 30, 2007 and 2006 follows:

	2007	2006
Beginning Cash Balance	\$ 13,329	\$ 13,382
Receipts	473,995	571,390
Disbursements	(475,870)	(571,443)
Ending Cash Balance	\$ 11,454	\$ 13,329

8. SUBSEQUENT EVENT

The Society obtained a line of credit from Merchant's National Bank in June 2008 for \$70,000. The line of credit was to finance the construction of the rabbit and poultry barn and general operating expenses of the fair.



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*

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, Highland County, Ohio (the Society), as of and for the years ended November 30, 2007 and 2006, and have issued our report thereon dated October 23, 2008, wherein we noted the Society followed 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 as a basis for designing our audit procedures for expressing our opinions 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 the 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 described above.

We noted certain internal control matters that we reported to the Society's management in a separate letter dated October 23, 2008.

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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We intend this report solely for the information and use of the management and Board of Directors. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

October 23, 2008

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2007 AND 2006**

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

FINDING NUMBER 2007-001

Finding For Recovery Repaid Under Audit

Chad Thatcher was approved to work as a Highland County Agricultural Society employee at a rate of \$7.50 per hour. On July 16, 2006, Mr. Thatcher was to be paid \$38.50 for 5.5 hours worked; however, he was paid \$385.00 for 55 hours worked, resulting in an overpayment of \$346.50.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Chad Thatcher, Highland County Agricultural Society employee in the amount of \$346.50, in favor of the Highland County Agricultural Society.

The Highland County Agricultural Society was reimbursed for \$346.50 on September 28, 2008.

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**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	No formal budgetary process.	No	Not Corrected – Reported in the Management Letter
2005-002	Lack of supporting documentation for receipts.	No	Partially Corrected – Reported in the Management Letter



Mary Taylor, CPA
Auditor of State

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
NOVEMBER 13, 2008**