



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Directors:

We have audited the accompanying financial statement of the Highland County Agricultural Society, Highland County, Ohio (the Society), as of and for the year ended November 30, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Society prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of the Society as of November 30, 2001, and its cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2002, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Directors, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 24, 2002

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2001**

Operating Receipts:

Admissions	\$314,175
Privilege Fees	45,825
Rentals	42,050
Sustaining and Entry Fees	15,586
Other Operating Receipts	208
Total Operating Receipts	417,844

Operating Disbursements:

Wages and Benefits	43,589
Utilities	30,857
Professional Services	144,148
Equipment and Grounds Maintenance	33,440
Senior Fair	49,613
Junior Fair	32,372
Capital Outlay	27,473
Other Operating Disbursements	36,020
Total Operating Disbursements	397,512

Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	20,332
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Non-Operating Receipts (Disbursements):

State Support	8,683
County Support	6,000
Debt Proceeds	15,000
Donations/Contributions	53,015
Investment Income	1,002
Debt Service	(47,779)
Net Non-Operating Receipts (Disbursements)	35,921

Excess (Deficiency) of Receipts Over (Under) Disbursements	56,253
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Cash Balance, Beginning of Year	9,667
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Cash Balance, End of Year	\$65,920
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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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Highland County Agricultural Society, Highland County, Ohio (the Society) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Society is a County agricultural society corporation formed under Chapter 1711 of the Ohio Revised Code. The Society was founded in 1948 to direct the operation of 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 responsibility for management of the affairs of the Society is vested in the Board of Directors. The Board is made up of 19 directors serving staggered three-year terms, elected from the membership of the Society. 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.

The financial activity of the Junior Fair Board and the Junior Livestock Sale Committee is summarized in Note 6 and Note 7, respectively.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

This statement includes adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Interest earned is recognized and recorded when received.

D. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statement.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Income Tax Status

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society has also been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(v1). Management is not aware of any actions or events that would jeopardize the Society's tax status.

2. DEPOSITS

The carrying amount of cash at November 30, 2001 follows:

Total demand deposits	<u><u>\$65,920</u></u>
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Deposits: The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

3. DEBT

Debt outstanding at November 30, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Installment Loan - Uniloader	<u><u>\$3,950</u></u>	7.90%

The original \$15,800 Uniloader Loan bears an interest rate of 7.90% and is payable to the Case Credit Corporation. The loan was entered into on September 25, 1998 and matures September 25, 2002. Proceeds of the loan was used to purchase a Uniloader and is collateralized by the Uniloader.

Amortization of the above debt including interest, is scheduled as follows:

<u>Year ending November 30:</u>	<u>Uniloader Loan</u>
2002	\$4,762

4. RETIREMENT SYSTEM

Effective July 1, 1991 all employees not otherwise covered by the Public Employees Retirement System have the option to choose Social Security or the Public Employees Retirement System. As of November 30, 2001, all employees of the Society have elected Social Security. Employees contribute 6.2 percent of their gross wages. The Society's liability is also 6.2 percent of wages paid.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
NOVEMBER 30, 2001
(Continued)**

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 Section 1711. 24. General liability and vehicle coverage is provided by an Insurance Company 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. Coverage is currently in effect through November 30, 2001.

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 \$6,433 directly to the Junior Fair Board and \$25,939 directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. All Junior Fair Board activity is accounted for in a separate account by the Junior Fair Board. The accompanying financial statement does not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the year ended November 30, 2001 follows:

Beginning Cash Balance	\$4,870
Receipts	35,613
Disbursements	<u>(35,475)</u>
Ending Cash Balance	<u><u>\$5,008</u></u>

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 activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2001 follows:

Beginning Cash Balance	\$19,069
Receipts	419,100
Disbursements	<u>(421,616)</u>
Ending Cash Balance	<u><u>\$16,553</u></u>

8. COMPLIANCE

Contrary to Ohio Rev. Code, Section 5709.10, the Society paid property tax on Society owned real estate.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Directors:

We have audited the financial statement of Highland County Agricultural Society, Highland County, Ohio (the Society), as of and for the year ended November 30, 2001, and have issued our report thereon dated June 24, 2002. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Society's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2001-60368-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Society in a separate letter dated June 24, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Society's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 judgement, could adversely affect the Society's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2001-60368-002 and 2001-60368-003.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses.

Highland Agricultural Society
Highland County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

We also noted other matters involving the internal control structure over financial reporting that do not require inclusion in this report that we have reported to the management of the Society in a separate letter dated June 24, 2002.

This report is intended solely for the information and use of management and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 24, 2002

**HIGHLAND AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2001**

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

FINDING NUMBER 2001-60368-001

Noncompliance and Reportable Condition (Property Taxes)

Ohio Rev. Code, Section 5709.10, states that property used as a county fairgrounds that is owned by the board of county commissioners or by a county agricultural society shall be exempt from taxation. The Highland County Agricultural Society owns land and did not file for a property tax exemption with the county auditor. This resulted in real estate taxes being billed to and paid by the Society. The total amount of real estate tax paid on potentially exempt property beginning in 1997 to the present was \$3,901.

FINDING NUMBER 2001-60368-002

Reportable Condition (Budgetary Process)

The Agriculture 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 entered into. By using purchase orders, expenditures will be made only on budgeted items and within budgetary limits.

We recommend that the Agriculture Society review Chapter 5705 of the Ohio Revised Code as a source of effective budgetary management practices. 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 2001-60368-003

Reportable Condition (Supporting Documentation for Receipts)

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:

FINDING NUMBER 2001-60368-003
(Continued)

1. Contracts should be completed for all rental activities of the Society (buildings, fair booths, concessions, camping, ect.) 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.
2. General Admission - We recommend that ticket reconciliations be recalculated by gate for accuracy when admission money is deposited and variances be immediately investigated and documented. Reconciliations should be signed off as being correct by at least two Board members.

**HIGHLAND AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
002	Budgetary Process	No	Not Corrected - Repeated as finding 2001-60368-002



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HIGHLAND COUNTY 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
JULY 16, 2002**