



**Auditor of State
Betty Montgomery**

HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY

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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 year ended November 30, 2003 and 2002. 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 *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 statements referred to above presents fairly, in all material respects, the cash balances of the Society as of November 30, 2003 and 2002, and its cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2004 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 the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2004

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
Operating Receipts:		
Admissions	\$296,334	\$313,773
Privilege Fees	71,584	64,188
Rentals	57,569	49,203
Sustaining and Entry Fees	17,844	27,282
Other Operating Receipts	<u>3,002</u>	<u>1,253</u>
 Total Operating Receipts	 <u>446,333</u>	 <u>455,699</u>
Operating Disbursements:		
Wages and Benefits	55,184	45,307
Utilities	36,013	32,949
Professional Services	141,227	129,259
Equipment and Grounds Maintenance	70,145	78,590
Senior Fair	45,260	42,239
Junior Fair	31,493	35,849
Capital Outlay	41,406	75,629
Other Operating Disbursements	<u>38,663</u>	<u>37,636</u>
 Total Operating Disbursements	 <u>459,391</u>	 <u>477,458</u>
(Deficiency) of Operating Receipts (Under) Operating Disbursements	 <u>(13,058)</u>	 <u>(21,759)</u>
Non-Operating Receipts:		
State Support	7,541	8,139
County Support	6,000	12,000
Donations/Contributions	4,927	16,193
Investment Income	<u>636</u>	<u>1,118</u>
 Net Non-Operating Receipts	 <u>19,104</u>	 <u>37,450</u>
 Excess of Receipts Over Disbursements	 6,046	 15,691
 Cash Balance, Beginning of Year	 <u>81,372</u>	 <u>65,681</u>
 Cash Balance, End of Year	 <u><u>\$87,418</u></u>	 <u><u>\$81,372</u></u>

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 STATEMENTS
NOVEMBER 30, 2003 AND 2002**

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 5 and Note 6, respectively.

The Society's management believes these financial statements present all activities for which the Society is financially accountable.

B. Basis of Accounting

These financial statements follow 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.

These statements include 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 STATEMENTS
NOVEMBER 30, 2003 AND 2002
(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, 2003 and 2002 follows:

	<u>2003</u>	<u>2002</u>
Total demand depositis	<u>\$87,418</u>	<u>\$81,372</u>

Deposits: The bank balance was covered by Federal Depository Insurance Corporation (FDIC).

3. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2003 and 2002 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, 2003.

4. 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. 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 July 2004.

5. 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 \$31,493 in 2003 and \$35,849 in 2002 directly to the Junior Fair Board and 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 statements do not include the activities of the Junior Fair Board. The Junior Fair Board's financial activity for the years ended November 30, 2003 and 2002 follows:

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2003 AND 2002
(Continued)**

5. JUNIOR FAIR BOARD (Continued)

	2003	2002
Beginning Cash Balance	\$ 10,855	\$5,008
Receipts	45,833	36,270
Disbursements	(33,060)	(30,423)
Ending Cash Balance	\$ 23,628	\$10,855

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 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 statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the years ended November 30, 2003 and 2002 follows:

	2003	2002
Beginning Cash Balance	\$ 8,717	\$16,553
Receipts	428,384	417,842
Disbursements	(417,638)	(425,678)
Ending Cash Balance	\$ 19,463	\$8,717

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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 Highland County Agricultural Society, Highland County, Ohio (the Society), as of and for the years ended November 30, 2003 and 2002, and have issued our report thereon dated July 14, 2004. 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 statements are 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 2003-001.

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 judgment, 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 2003-002 and 2003-003.

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 misstatement in amounts that would be material in relation to the financial statement 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 County Agricultural Society
Highland County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
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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 management of the Society in a separate letter dated July 14, 2004.

This report is intended solely for the information and use of the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 14, 2004

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2003 AND 2002**

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

FINDING NUMBER 2003-001

Noncompliance (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 and paid by the Society. The total amount of real estate tax paid on potentially exempt property beginning in 1997 to present is \$5,199. In May, 2004, the Society obtained the property tax exemption.

FINDING NUMBER 2003-002

Reportable Condition (Budgetary Process)

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 within 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 2003-003

Reportable Condition (Supporting Documentation for Receipts)

Contracts were not maintained for all 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 (buildings, fair booths, concessions, camping, etc). 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 contract should be completed. All contracts should be marked "paid in full" once the payment has been received.
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 ticket seller and the depositor sign the form as evidence of their review and verification of the listed deposit amounts reconcile to the tickets sold and the amounts collected.

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**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-60368-001	The Society did not file a tax exemption and paid real estate taxes.	No	Not Corrected – Repeated as Finding 2003-001 – The Society obtained the property tax exemption in May, 2004.
2001-60368-002	No formal budgetary process.	No	Not Corrected – Repeated as Finding 2003-003
2001-60368-003	Lack of supporting documentation for receipts.	No	Not Corrected – Repeated as Finding 2003-004



**Auditor of State
Betty Montgomery**

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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
SEPTEMBER 21, 2004**