



Dave Yost • Auditor of State

HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY

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Dave Yost • 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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Dave Yost
Auditor of State

June 18, 2012

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Dave Yost • Auditor of State

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, 2011 and 2010. 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 Governments 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, 2011 and 2010 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, 2011 and 2010, 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 fund cash balances as of November 30, 2011 and 2010 of Highland County Agricultural Society, Highland County, Ohio, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, 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.

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Dave Yost
Auditor of State

June 18, 2012

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2011 AND 2010**

	2011	2010
Operating Receipts:		
Admissions	\$252,524	\$322,823
Privilege Fees	71,570	74,564
Rentals	61,524	55,500
Sustaining and Entry Fees	11,248	17,802
Sales by Fair Board	4,545	4,074
Other Operating Receipts	0	687
 Total Operating Receipts	 401,411	 475,450
Operating Disbursements:		
Wages and Benefits	74,910	73,480
Utilities	39,111	38,704
Professional Services	178,624	158,339
Equipment and Grounds Maintenance	81,315	59,112
Senior Fair	62,579	26,981
Junior Fair	21,241	66,690
Capital Outlay	6,543	19,416
Other Operating Disbursements	17,653	22,614
 Total Operating Disbursements	 481,976	 465,336
 Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	 (80,565)	 10,114
Non-Operating Receipts (Disbursements):		
State Support	5,748	6,152
County Support	2,300	2,300
Donations/Contributions	47,842	4,536
Investment Income	990	850
Debt Service	(257)	(2,805)
 Net Non-Operating Receipts (Disbursements)	 56,623	 11,033
 Excess (Deficiency) of Receipts Over (Under) Disbursements	 (23,942)	 21,147
 Cash Balance, Beginning of Year	 110,256	 89,109
 Cash Balance, End of Year	 \$86,314	 \$110,256

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, 2011 AND 2010**

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. 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. Deposits

The Society maintained all funds in interest bearing checking. Interest earned is recognized and recorded when received.

D. Property, Plant, and Equipment

The Society records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Restricted Support

Restricted support includes amounts that donors restrict for specific uses. This is included in the Donations/Contributions line item in the accompanying financial statement.

2. DEPOSITS

The carrying amount of deposits at November 30, 2011 & 2010 were as follows:

	2011	2010
Demand deposits	\$86,314	\$110,256

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. DEBT

Debt outstanding at November 30, 2011 was as follows:

	Principal	Interest Rate
Note Payable for County Loan	\$64,000	4.21%

Highland County loaned the Society \$152,000 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. The Society made principal pre-payments to the County, so the remaining principal balance is lower than that as outlined on the Society's debt amortization schedule. The Society does continue to make the interest payments per the amortization schedule. Based on the Society's principal pre-payments, the next principal pre-payment is due in 2017.

Amortization of the above debt is scheduled as follows:

2012	0	5,005	\$5,005
2013	0	4,753	4,753
2014	0	4,458	4,458
2015	0	4,164	4,164
2016	0	3,870	3,870
2017-2021	23,000	14,174	37,174
2022-2025	41,000	4,374	45,374
Total	\$64,000	\$40,798	\$104,798

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

4. SOCIAL BENEFIT PLAN

All employees contribute to Social Security. This plan provides the retirement benefits, including survivor and disability benefits to participate. For 2011 and 2010, employees contributed 4.2% & 6.5% respectively of their gross salaries. The Society contributed an amount equal to 6.2% of participant's gross salaries through November 30, 2011.

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, cyber liability and vehicle insurance, with limits of \$2,000,000, \$1,000,000 and \$2,000,000 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. Coverage is currently in effect through November 30, 2011.

6. RELATED PARTY TRANSACTIONS

A Board member is part owner of a company from which the Society acquired two trailers (use for shuttles), and labor and materials to paint and repair bleachers during the two year audit period. The Society paid \$17,803 in 2011 and \$24,028 in 2010 for these goods and services.

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 Highland County Fair. The Society disbursed \$21,241 in 2011 and \$66,690 in 2010 to support the Junior Fair Board activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Highland County paid the Society \$2,300 in 2011 and \$2,300 in 2010 to support Junior Club work. The Junior Fair Board accounts for its activities separately. These accompanying financial statements do not include this activity. The Junior Fair Board's financial activity for the year ended November 30, 2011 and 2010 as follows:

	2011	2010
Beginning Cash Balance	26,756	23,261
Receipts	4,796	40,218
Disbursements	(8,297)	(36,723)
Ending Cash Balance	\$ 23,255	\$ 26,756

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2011 AND 2010
(Continued)**

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 Highland County's auction. Monies to cover the cost of the auction are generated through a per head, per group of animals (pen) commission, and 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, 2011 and 2010 follows:

	2011	2010
Beginning Cash Balance	\$ 13,490	\$ 8,431
Receipts	473,974	487,757
Disbursements	<u>(470,071)</u>	<u>(482,698)</u>
Ending Cash Balance	<u>\$ 17,393</u>	<u>\$ 13,490</u>



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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 Highland County Agricultural Society, Highland County, Ohio (the Society), as of and for the years ended November 30, 2011 and 2010, and have issued our report thereon dated June 18, 2012, wherein we noted the Society prepared its financial statements using 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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*.

Highland County Agricultural Society
Highland County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated June 18, 2012.

We intend this report solely for the information and use of management, the audit committee, Board of Directors, and others within the Society. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

June 18, 2012

**HIGHLAND COUNTY AGRICULTURAL SOCIETY
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	OAC 117-2-02(A), Management oversight over acct and reconciliation process	No	Significantly Corrected: Management Letter in Current Audit
2009-002	ORC 149.351 – Destruction of Records	Yes	
2009-003	OAC 117-2-01(D) Designing the public office's system of internal control.	No	Significantly Corrected: Management Letter in Current Audit

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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 12, 2012