

**HIGHLAND COUNTY AGRICULTURAL SOCIETY  
HIGHLAND COUNTY**

**FINANCIAL STATEMENT  
(AUDITED)**

**FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2016**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Highland County Agricultural Society, Highland County, prepared by Julian & Grube, Inc., for the audit period December 1, 2015 through November 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Highland County Agricultural Society is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

October 30, 2018

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**HIGHLAND COUNTY AGRICULTURAL SOCIETY  
HIGHLAND COUNTY**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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### Independent Auditor's Report

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

To the Board of Directors:

#### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the cash balances, receipts and disbursements, and related notes of the Highland County Agricultural Society, Highland County, Ohio, as of and for the fiscal year ended November 30, 2016.

#### ***Management's Responsibility for the Financial Statement***

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Highland County Agricultural Society's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Highland County Agricultural Society's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statement, the Highland County Agricultural Society prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Highland County Agricultural Society does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Highland County Agricultural Society as of November 30, 2016, and the respective changes in financial position or cash flows thereof for the fiscal year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances, receipts and disbursements, and related notes of the Highland County Agricultural Society, Highland County, Ohio, as of November 30, 2016, for the fiscal year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018, on our consideration of the Highland County Agricultural 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Highland County Agricultural Society's internal control over financial reporting and compliance.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
September 26, 2018



**Highland County Agricultural Society**  
*Highland County*  
*Statement of Receipts, Disbursements and*  
*Change in Fund Balance (Regulatory Cash Basis)*  
*For the Fiscal Year Ended November 30, 2016*

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<b>Operating Receipts</b>	
Admissions	\$302,023
Privilege Fees	68,238
Rentals	60,755
Sustaining and Entry Fees	22,567
Other Operating Receipts	<u>3,841</u>
<i>Total Operating Receipts</i>	<u>457,424</u>
<b>Operating Disbursements</b>	
Wages and Benefits	70,184
Utilities	68,670
Professional Services	98,928
Equipment and Grounds Maintenance	74,499
Senior Fair	19,721
Junior Fair	21,673
Capital Outlay	105,976
Administrative	44,670
Contest Expenses	38,386
Other Operating Disbursements	<u>26,993</u>
<i>Total Operating Disbursements</i>	<u>569,700</u>
<i>Excess (Deficiency) of Operating Receipts</i>	<u>(112,276)</u>
<b>Non-Operating Receipts (Disbursements)</b>	
State Support	53,062
County Support	4,281
Debt Proceeds	35,000
Donations/Contributions	26,932
Investment Income	271
Debt Service	<u>(48,935)</u>
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>70,611</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	(41,665)
Cash Balance, Beginning of Year	<u>64,856</u>
<i>Cash Balance, End of Year</i>	<u><u>\$23,191</u></u>

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

**Highland County Agricultural Society**  
*Highland County*  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended November 30, 2016*

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**Note 1 – Reporting Entity**

The Agricultural Society of Highland County, Ohio (the “Society”), Highland County, is a body politic and corporate 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 1947 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 21 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.

The reporting entity includes all activity occurring on the fairgrounds. Other year round activities at the fairgrounds including facility rental and community events including cancer walk and Hillsboro fireworks. 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Society’s financial statements consist of a statement of receipts, disbursements and change in fund balance (regulatory cash basis).

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Deposits and Investments***

The Society’s accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. As of this reporting, the Society does not have any investments and operates out of an interest-bearing checking account.

***Capital Assets***

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

**Highland County Agricultural Society**  
*Highland County*  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended November 30, 2016*

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***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.

**Note 3 – Deposits**

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30 was as follows:

	<u>2016</u>
Demand deposits	<u>\$ 23,191</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

**Note 4 – Risk Management**

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2018.

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 \$2,000,000 and \$0 aggregate. This policy includes crime coverage for employee dishonesty with limits of liability of \$10,000. The Society's general manager is bonded with coverage of \$10,000.

**Note 5 – Social Security**

Society employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participants' gross salaries. The Society has paid all contributions required through November 30, 2016.

**Note 6 – Debt**

Debt outstanding at November 30, 2016, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Highland County Commissioners	<u>\$ 72,000</u>	4.21%

The \$152,000 Highland County Commissioners Loan bears an interest rate of 4.21 percent and is due to the Highland County Commissioners. The note was entered into on June 30, 2005 and matures June 1, 2025. Proceeds of the note were used to purchase land and are collateralized by the land.

**Highland County Agricultural Society**  
*Highland County*  
*Notes to the Financial Statement*  
*For the Fiscal Year Ended November 30, 2016*

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Amortization of the above debt is scheduled as follows:

Year Ending November 30:	Commissioners
2017	\$8,000
2018	8,000
2019	8,000
2020	8,000
2021	8,000
2022 - 2025	32,000
	<u>\$72,000</u>

The Society also utilized a line of credit from Merchants National Bank. The Society borrowed and repaid \$35,000 during the fiscal year.

**Note 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 \$2,644 directly to the Junior Fair Board and \$19,029 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 \$4,281 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, 2016, follows:

	2016
Beginning Cash Balance	\$ 28,818
Receipts	10,931
Disbursements	<u>(7,514)</u>
Ending Cash Balance	<u>\$ 32,235</u>

**Note 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. A commission of 1.75 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, 2016, follows:

	2016
Beginning Cash Balance	\$ 17,814
Receipts	537,212
Disbursements	<u>(537,492)</u>
Ending Cash Balance	<u>\$ 17,534</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of the cash balances, receipts and disbursements of the Highland County Agricultural Society, Highland County, Ohio, as of and for the fiscal year ended November 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated September 26, 2018, wherein we noted the Highland County Agricultural Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Highland County Agricultural Society's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Highland County Agricultural Society's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Highland County Agricultural Society's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2016-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Highland County Agricultural Society's financial statement is 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, opining 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's Response to Finding***

The Highland County Agricultural Society's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject the Highland County Agricultural Society's response to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Highland County Agricultural Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Highland County Agricultural Society's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
September 26, 2018

**HIGHLAND COUNTY AGRICULTURAL SOCIETY  
HIGHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
NOVEMBER 30, 2016**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2016-001

Significant Deficiency - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and the Board of Directors with objective and timely information to enable well-informed decisions.

The following audit adjustments were made to correct misstatements identified in the audit of the Society's financial statement and note disclosures.

- It was necessary to record an audit adjustment to increase Debt Proceeds Non-Operating Receipts by \$35,000 and increase Debt Service Non-Operating Disbursements by the same amount on the Statement of Receipts, Disbursements and Change in Fund Balance (Regulatory Cash Basis) to record the use of the Society's line of credit during the fiscal year.
- It was necessary to record an audit adjustment to increase Administrative Operating Disbursements by \$44,670, increase Contest Expenses Operating Disbursements by \$38,386 and decrease Other Operating Disbursements by \$83,056 on the Statement of Receipts, Disbursements and Change in Fund Balance (Regulatory Cash Basis) to properly classify the type of disbursement in accordance with standard financial presentation.

The Society's financial statement, note disclosures, and records have been updated to reflect these adjustments.

The presentation of a materially correct financial statement and related footnotes is the responsibility of management.

We recommend the Society implement additional control procedures that enable management to timely record information/transactions in their accounting system as well as prevent or detect and correct potential misstatements in the financial statement and related footnotes prior to filing.

Client Response: The Society will include a line item on the financial report for debt proceeds borrowed and debt proceeds paid back even if it is all paid back in the same fiscal year. In addition, the Society now better understands the Hinkle requirements and should have no problem filing the correct statements in the future.

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# Dave Yost • Auditor of State

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  
NOVEMBER 13, 2018