

***HOLMES COUNTY AGRICULTURAL SOCIETY***

**HOLMES COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended November 30, 2014 & 2013**







# Dave Yost • Auditor of State

Board of Directors  
Holmes County Agricultural Society  
P.O. Box 232  
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of the Holmes County Agricultural Society, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period December 1, 2012 through November 30, 2014. 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 Holmes 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

July 10, 2015

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**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY  
November 30, 2014 and 2013**

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**INDEPENDENT AUDITOR'S REPORT**

Holmes County Agricultural Society  
Holmes County  
P.O. Box 232  
Millersburg, Ohio 44654

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of the Holmes County Agricultural Society, Holmes County, Ohio (the Society) as of and for the years ended November 30, 2014 and 2013.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements 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 these financial statements 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 statements are 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 Society's preparation and fair presentation of the financial statements 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 Society's internal control. Accordingly, we express no 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 opinions.

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

As described in Note 1 of the financial statements, the Society prepared these financial statements 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 statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Society does not intend these statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Society as of November 30, 2014 and 2013, or changes in financial position thereof for the years then ended.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Holmes County Agricultural Society, Holmes County as of November 30, 2014 and 2013, and its cash receipts and disbursements for the years 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 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2015, 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. 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 Society's internal control over financial reporting and compliance.



***Charles E. Harris & Associates, Inc.***

April 16, 2015

**Holmes County Agricultural Society**  
**Holmes County**

*Statement of Receipts, Disbursements, and  
Changes in Fund Balances  
For the Years Ended November 30, 2014 and 2013*

	2014	2013
<b>Operating Receipts:</b>		
Admissions	\$107,603	\$110,347
Privilege Fees	61,108	59,012
Sales	1,016	765
Rentals	8,477	8,610
Fees	14,360	15,215
<i>Total Operating Receipts</i>	<u>192,564</u>	<u>193,949</u>
<b>Operating Disbursements:</b>		
Wages and Benefits	43,569	40,861
Administrative	14,371	13,493
Supplies	10,494	15,861
Utilities	30,975	25,734
Professional Services	102,564	57,396
Property Services	45,338	49,454
Advertising	9,085	9,171
Insurance	15,976	15,346
Rent and Leases	23,408	22,559
Senior Fair	1,753	3,118
Junior Fair	15,901	16,625
Contests	18,645	18,674
Capital Outlay	1,103,918	226,383
Other Operating Disbursements	38,653	32,037
<i>Total Operating Disbursements</i>	<u>1,474,650</u>	<u>546,712</u>
<i>Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements</i>	<u>(1,282,086)</u>	<u>(352,763)</u>
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	6,716	6,242
County Support	11,000	8,500
Restricted Support	942,018	463,443
Unrestricted Support	17,555	47,529
Investment Income	171	14
Sale of Assets	-	123,224
Debt Service	(8,813)	(7,961)
<i>Net Non-Operating Receipts (Disbursements)</i>	<u>968,647</u>	<u>640,991</u>
<i>Excess (Deficiency) of Receipts Over (Under) Disbursements</i>	<u>(313,439)</u>	<u>288,228</u>
Cash Balance, Beginning of Year	<u>343,345</u>	<u>55,117</u>
<b>Cash Balance, End of Year</b>	<u><u>\$29,906</u></u>	<u><u>\$343,345</u></u>

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

**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2014 and 2013**

**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 Holmes County Agricultural Society, Holmes 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 1966 to operate an annual agricultural fair. The Society sponsors the week-long Holmes County Fair during August. Holmes 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 Holmes 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 include facility rental and community events. The reporting entity does not include any other activities or entities of Holmes County, Ohio.

Notes 6 and 7, respectively, summarize the Junior Fair Board's and Junior Livestock Sale Committee's financial activity.

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

**B. Accounting Basis**

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 Society 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.

**C. 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.

The Society values common stock at cost (or fair value when donated).

**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.

**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2014 and 2013  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**F. 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. DEPOSITS AND INVESTMENTS**

The Society maintains a deposit and investment pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at November 30, 2014 and 2013 follows:

	2014	2013
Demand deposits	\$29,906	\$338,174
Other time deposits (savings and NOW accounts)	0	5,171
Total deposits	\$29,906	\$343,345

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Society.

**3. DEBT AND LEASES**

Debt outstanding at November 30, 2014 was as follows:

	Principal	Interest Rate
Promissory Note	\$215,000	3.50%
Equipment Lease	\$7,109	
Total	\$222,109	

The Promissory Note was originally issued on July 30, 2012 for \$215,000 and bears an interest rate of 3.5%. The note was obtained from The Commercial and Savings Bank and the proceeds were used to purchase a parcel of land related to the relocation of the fairgrounds. This note matures July 30, 2015.

The Equipment Lease was entered into on March 23, 2011 with John Deere Credit for the lease of a 2010 Skid Steer Loader. While there is stated interest on the lease, the total lease payments exceed the cash purchase price by \$2,960. The lease calls for 60 monthly payments in the amount of \$474, concluding March 23, 2016.

**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2014 and 2013  
(Continued)**

**3. DEBT AND LEASES (Continued)**

Amortization of the above debt is scheduled as follows:

<u>Promissory Note</u>			
Year ending			
<u>November 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$215,000</u>	<u>\$5,058</u>	<u>\$220,058</u>
Total	<u>\$215,000</u>	<u>\$5,058</u>	<u>\$220,058</u>

<u>Equipment Lease</u>			
Year ending			
<u>November 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$5,687	\$0	\$5,687
2016	<u>1,422</u>	<u>0</u>	<u>1,422</u>
Total	<u>\$7,109</u>	<u>\$0</u>	<u>\$7,109</u>

**4. RISK MANAGEMENT**

The Holmes County Commissioners provide general insurance coverage for all the buildings on the Holmes County Fairgrounds pursuant to Ohio Revised Code § 1711.24. A private company provides general liability insurance, with limits of 2,000,000. This policy includes crime coverage for employee dishonesty with limits of liability of \$2,000,000. The Society's Treasurer is bonded with coverage of \$40,000. The Society is exposed to various risks of property and casualty losses, and injuries to employees. The Society insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Society belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. York functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2013, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2014 and 2013  
(Continued)**

**4. RISK MANAGEMENT (Continued)**

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2012 and 2013 (the latest information available).

	2012	2013
Assets	\$34,389,569	\$34,411,883
Liabilities	(14,208,353)	(12,760,194)
Net Position	<u>\$20,181,216</u>	<u>\$21,651,689</u>

At December 31, 2012 and 2013, respectively, the liabilities above include approximately \$13.1 million and \$11.6 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$11.1 million of unpaid claims to be billed to approximately 475 member governments in the future, as of December 31, 2012 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Society's share of these unpaid claims collectible in future years is approximately \$9,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2012	2013
\$12,030	\$12,275

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**5. RELATED PARTY TRANSACTIONS**

Kerry Taylor, Board President, owns Millersburg Electric. The Society paid Millersburg Electric \$9,480 and \$9,484 respectively for 2014 and 2013 for electrical services.

Chris Hanna, Board Vice-President, is employed by Moore's Lawn & Garden. The Society paid Moore's Lawn & Garden \$412 and \$5,801 respectively for 2014 and 2013 for repairs, supplies and a new tractor.

**HOLMES COUNTY AGRICULTURAL SOCIETY  
HOLMES COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2014 and 2013  
(Continued)**

**5. RELATED PARTY TRANSACTIONS (Continued)**

Dale McKee, Board Member, has part ownership in W.T. McKee Construction. The Society paid W.T. McKee Construction \$300 for 2013 for repairs and supplies.

Gail Cochran, Treasurer, worked in the loan department of Commercial and Savings Bank, where the Society has its bank accounts and a promissory note, until she retired on July 1, 2014.

**6. JUNIOR FAIR BOARD**

The Junior Fair Board, which is comprised of 4-H, FFA, and Boy Scout organization representatives, is responsible for the Junior Fair Division activities of the Holmes County Fair. The Society disbursed \$15,901 and \$16,625 for 2014 and 2013, respectively, directly to vendors to support Junior Fair activities. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. Holmes County paid the Society \$500 in both 2014 and 2013 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 years ended November 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$194	\$1,241
Receipts	3,034	2,013
Disbursements	<u>2,920</u>	<u>3,060</u>
Ending Cash Balance	<u>\$308</u>	<u>\$194</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 Holmes County's auction. A commission of 3 percent on auction sales covers auction costs. The Junior Livestock Committee retains this money. The accompanying financial statements do not include the Junior Livestock Committee's activities. The Junior Livestock Committee's financial activity for the years ended November 30, 2014 and 2013 follows:

	<u>2014</u>	<u>2013</u>
Beginning Cash Balance	\$25,171	\$27,556
Receipts	566,334	463,244
Disbursements	<u>(563,866)</u>	<u>(465,629)</u>
Ending Cash Balance	<u>\$27,639</u>	<u>\$25,171</u>

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS

Holmes County Agricultural Society  
Holmes County  
P.O. Box 232  
Millersburg, Ohio 44654

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 statements of Holmes County Agricultural Society, Holmes County, Ohio (the Society) as of and for the years ended November 30, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated April 16, 2015, wherein we noted the 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 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the 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 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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, 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated April 16, 2015.

***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 Society's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Society's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris & Associates, Inc.***  
April 16, 2015

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