



Mary Taylor, CPA
Auditor of State

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

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Mary Taylor, CPA
Auditor of State

Shelby County Agricultural Society
Shelby County
P.O. Box 4281
Sidney, Ohio 45365

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 a February 2, 2005 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 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.

Mary Taylor

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Auditor of State

October 16, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Shelby County Agricultural Society
Shelby County
P.O. Box 4281
Sidney, Ohio 45365

To the Board of Directors:

We have audited the accompanying financial statements of Shelby County Agricultural Society, Shelby County, (the Society) as of and for the years ended November 30, 2006 and 2005. 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.

Revisions to GAAP would require the Society to reformat its financial statement presentation and make other changes effective for the year ended November 30, 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Society has elected not to reformat its statements. Since the Society does not use GAAP to measure financial statement amounts, 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position or cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Shelby County Agricultural Society, Shelby County, as of November 30, 2006 and 2005, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Society to include Management's Discussion and Analysis for the years ended November 30, 2006 and 2005. The Society has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, 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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

October 16, 2007

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2006**

Operating Receipts:	
Admissions	\$189,739
Privilege Fees	43,050
Rentals	48,954
Sustaining and Entry Fees	33,325
Parimutuel Wagering Commission	926
Other Operating Receipts	24,241
Total Operating Receipts	<u>340,235</u>
Operating Disbursements:	
Wages and Benefits	25,193
Utilities	51,731
Professional Services	104,911
Equipment and Grounds Maintenance	45,352
Race Purse	62,244
Senior Fair	23,924
Junior Fair	17,368
Capital Outlay	1,449
Other Operating Disbursements	88,087
Total Operating Disbursements	<u>420,259</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(80,024)</u>
Non-Operating Receipts (Disbursements):	
State Support	29,155
County Support	2,700
Restricted Support	1,781
Unrestricted Support	31,275
Investment Income	381
Debt Service	(49)
Net Non-Operating Receipts (Disbursements)	<u>65,243</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	(14,781)
Cash Balance, Beginning of Year	<u>25,264</u>
Cash Balance, End of Year	<u><u>\$10,483</u></u>

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

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEAR ENDED NOVEMBER 30, 2005**

Operating Receipts:	
Admissions	\$197,269
Privilege Fees	42,006
Rentals	65,066
Sustaining and Entry Fees	33,220
Parimutuel Wagering Commission	2,438
Other Operating Receipts	23,980
Total Operating Receipts	<u>363,979</u>
Operating Disbursements:	
Wages and Benefits	24,281
Utilities	56,848
Professional Services	110,990
Equipment and Grounds Maintenance	41,640
Race Purse	66,639
Senior Fair	25,283
Junior Fair	17,406
Capital Outlay	4,083
Other Operating Disbursements	73,149
Total Operating Disbursements	<u>420,319</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>(56,340)</u>
Non-Operating Receipts (Disbursements):	
State Support	32,044
County Support	2,700
Restricted Support	1,180
Unrestricted Support	23,925
Investment Income	52
Debt Service	(1,489)
Net Non-Operating Receipts (Disbursements)	<u>58,412</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	2,072
Cash Balance, Beginning of Year	<u>23,192</u>
Cash Balance, End of Year	<u><u>\$25,264</u></u>

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

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Shelby County Agricultural Society, Shelby County, (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 on October 15, 1851, to direct the operation of an annual agricultural fair. The Society sponsors the week-long Shelby County Fair during July. During the fair, harness races are held, culminating in the running of the Super Stakes. Shelby 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 28 directors serving staggered three-year terms, elected from the membership of the Society. Members of the Society must be residents of Shelby 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, harness racing during fair week and simulcast relating to harness racing. Other year round activities at the fairgrounds including facility rental, track and stall rental, and community events including trade shows. The reporting entity does not include any other activities or entities of Shelby 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

The 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.

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

C. Cash and Investments

The society maintained a checking account during the period which is valued at cost.

D. Property, Plant, and Equipment

The Society's accounting basis records acquisitions of property, plant, and equipment as capital outlay disbursements when paid. The accompanying financial statements do not include these items as assets.

E. Restricted Support

Restricted support includes amounts that donors restrict for specific uses.

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Race Purse

Super Stake races are conducted during the Shelby County Fair. The Society pays all Sustaining and Entry fees and the required portion of the cash received from the Ohio Fairs Fund as Race Purse to winning horses.

Sustaining and Entry Fees

Horse owners and Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. These payments must be made before a horse can participate in a stake race. These fees are reflected on the accompanying financial statement as Sustaining and Entry Fees.

Ohio Fairs Fund

The State of Ohio contributes money to the Society from the Ohio Fairs Fund to help supplement race purse. See Note 3 for additional information.

H. Pari-mutuel Wagering

A wagering system totals the amounts wagered and adjusts the payoff to reflect the relative amount bet on different horses and various odds. The total amount bet (also known as the "handle"), less commission, is paid to bettors in accordance with the payoffs, as determined by the parimutuel wagering system. The Society contracts with a totalizer service to collect bets and provide the parimutuel wagering system.

Parimutuel wagering commission (commission) is the Society's share of total parimutuel wagers after payment of amounts to winning bettors. The commission is determined by applying a statutory percentage to the total amount bet and is reflected in the accompanying financial statement as Parimutuel Wagering Commission. See Note 3 for additional information.

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

2. CASH AND INVESTMENTS

The carrying amount of cash at November 30, 2006 and 2005 is as follows:

	2006	2005
Demand deposits	\$10,483	\$15,264
Certificates of deposit		10,000
Total deposits	10,483	25,264
Total deposits	\$10,483	\$25,264

Deposits: The Federal Depository Insurance Corporation insures up to \$100,000 of the Society's bank balance.

3. HORSE RACING

State Support Portion of Purse

Ohio Fairs Fund money received to supplement purse for the years ended November 30, 2006 and 2005, was \$24,304 and \$21,704, respectively, and is included within State Support on the accompanying financial statement.

Parimutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompany financial statement, rather, it records the Parimutuel Wagering Commission (commission) which is the Society's share of total parimutuel wagers after paying winning bettors. The expenses of providing the parimutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements, State taxes, which are also paid from Parimutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2006	2005
Total Amount Bet (Handle)	\$4,664	\$12,192
Less: Payoff to Bettors	(3,738)	(9,754)
Parimutuel Wagering Commission	926	2,438
Tote Service Set Up Fee	(600)	(600)
Tote Service Commission	(236)	(1,001)
State Tax	(114)	(298)
Society Portion	(\$24)	\$539

4. Retirement System

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2006 and 2005 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, 2006 and 2005.

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND 2005
(Continued)**

5. RISK MANAGEMENT

The Shelby County Commissioners provide general insurance coverage for all the buildings on the Shelby County Fairgrounds pursuant to Ohio Revised Code § 1711. 24. General liability coverage is provided by Public Entities Pool of Ohio with limits of \$1,000,000 per occurrence. This policy includes wrongful acts coverage with limits of \$1,000,000 per occurrence and property coverage for dishonesty with limits of liability of \$150,000.

The Society provides workers compensation coverage on all employees through the State of Ohio workers compensation fund. Coverage is currently in effect through August 2007.

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 Shelby County Fair. In 2006 and 2005, the Society disbursed \$17,368 and \$17,406, respectively, directly to the Junior Fair Board. These expenses are reflected as a disbursement in the accompanying financial statement as Junior Fair Disbursement. In 2006 and 2005, the Society was reimbursed \$3,845 and \$3,852, respectively by the State for its support of Junior Club work. 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, 2006 and 2005 is as follows:

	2006	2005
Beginning Cash Balance	\$ 306	\$ 335
Receipts	5,804	314
Disbursements	(4,363)	(343)
Ending Cash Balance	\$ 1,747	\$ 306

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 Shelby County's auction. The accompanying financial statements do not include the activities of the Junior Livestock Committee. The Junior Livestock Committee's financial activity for the year ended November 30, 2006 and 2005 follows:

	2006	2005
Beginning Cash Balance	\$4,486	\$5,997
Receipts	274,284	247,952
Disbursements	(276,324)	(249,463)
Ending Cash Balance	\$2,446	\$4,486



Mary Taylor, CPA

Auditor of State

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

Shelby County Agricultural Society
Shelby County
P.O. Box 4281
Sidney, Ohio 45365

To the Board of Directors:

We have audited the financial statements of the Shelby County Agricultural Society, Shelby County (the Society) as of and for the years ended November 30, 2006 and 2005, and have issued our report thereon dated October 16, 2007, wherein we noted the Society follows accounting practices the Auditor of State prescribes 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-001. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We do not consider the reportable condition listed above not to be a material weakness. In a separate letter to the Society's management dated October 16, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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*.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

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Mary Taylor, CPA
Auditor of State

October 16, 2007

**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2006 AND 2005**

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

FINDING NUMBER 2006-001

REPORTABLE CONDITION

Rental Revenue Contracts

The Agricultural Society rents ground space, building space, camp sites, horse stalls and space for storage of various vehicles during the year, except during the annual county fair. The following weaknesses were noted regarding these contracts:

- Rental contracts that were issued during fiscal years 2005 and 2006 were not pre-numbered, maintained in any sequential order or state the dates the agreement covers. Rental contracts should be pre-numbered and state the length of the agreement in order to determine the completeness of revenue received from rental of the Society's premises during the year.
- Rental contracts could not be located for 22 of the 60 treasurer's receipts for building, ground and storage spaces rentals tested during fiscal years 2005 and 2006. Rental contracts for ground space, building space, and storage space for fiscal year 2005 and 2006 did not always have a copy of the duplicate receipt attached to the back of the rental contract when the fee was paid. The duplicate receipt should state the contract being paid on (i.e., rental of building or stall rental) rental rate and the months being paid.
- The Society does not issue rental contracts to those renting horse stalls. Rental Contracts should be issued for rental of horse stalls, a copy of the duplicate receipt stating the time period the rent covers should be attached to the back of the rental agreement when the fee is received.

The Agricultural Society could lose revenue and not be detected during the normal course of business if the evidence and status of rental contract accounts are not maintained.



Mary Taylor, CPA
Auditor of State

AGRICULTURAL SOCIETY

SHELBY 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, 2007**