



Dave Yost • Auditor of State

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

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Dave Yost • Auditor of State

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 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

May 10, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the Agricultural Society, Shelby County, (the Society) as of and for the years ended November 30, 2010 and 2009. 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.

Instead of the fund the accompanying financial statements present, GAAP require presenting entity wide statements. 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 Society's 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, 2010 and 2009 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, 2010 and 2009, 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 cash balances of the Agricultural Society, Shelby County, as of November 30, 2010 and 2009, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 May 10, 2011, 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

May 10, 2011

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

	2010	2009
Operating Receipts:		
Admissions	\$214,988	\$216,987
Privilege Fees	37,148	37,016
Rentals	64,771	61,484
Sustaining and Entry Fees	27,325	19,225
Parimutuel Wagering Commission		88
Other Operating Receipts	26,913	21,144
Total Operating Receipts	371,145	355,944
Operating Disbursements:		
Wages and Benefits	26,574	30,262
Utilities	60,304	51,655
Professional Services	128,794	121,834
Equipment and Grounds Maintenance	83,642	66,452
Race Purse	41,232	37,894
Senior Fair	32,025	32,275
Junior Fair	21,242	19,749
Capital Outlay	8,335	
Other Operating Disbursements	62,100	59,058
Total Operating Disbursements	464,248	419,179
(Deficiency) of Operating Receipts		
(Under) Operating Disbursements	(93,103)	(63,235)
Non-Operating Receipts:		
State Support	22,192	23,704
County Support	3,048	3,048
Donations/Contributions	49,745	40,358
Investment Income		405
Total Non-Operating Receipts	74,985	67,515
Excess (Deficiency) of Receipts Over (Under) Disbursements	(18,118)	4,280
Cash Balance, Beginning of Year	27,852	23,572
Cash Balance, End of Year	<u>\$9,734</u>	<u>\$27,852</u>

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

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**SHELBY COUNTY AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2008 AND 2007**

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 Agricultural Society, Shelby County, (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 1851 to operate 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 Board of Directors manages the Society. The Board is made up of 28 directors serving staggered three-year terms. Society members elect Board members from its membership. 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 and harness racing during fair week. Other year round activities at the fairgrounds include 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.

Notes 6 and 7, 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 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.

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.

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. Race Purse

Super Stake races are held 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 the Western Ohio Colt Racing Association pay fees to the Society to qualify horses for entry into stake races. They must make payment before a horse can participate in a stake race. The accompanying financial statements report these fees as sustaining and entry fees.

Ohio Fairs Fund

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

G. 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 the pari-mutuel wagering system determines. The Society contracts with a totalizer service to collect bets and provide the pari-mutuel wagering system. Pari-mutuel wagering commission (the commission) is the Society's share of total pari-mutuel 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 statements as Pari-mutuel Wagering Commission. See Note 3 for additional information.

2. DEPOSITS

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at November 30, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$9,734	\$27,852

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

3. HORSE RACING

State Support Portion of Purse

The financial statements report Ohio Fairs Fund money, received to supplement purse for the years ended November 30, 2010 and 2009 was \$15,040 and \$16,144, respectively, as part of State Support.

Pari-mutuel Wagering

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statements, rather, it records the Pari-mutuel Wagering Commission (commission) which is the Society's share of total pari-mutuel wagers after paying winning bettors.

The expenses of providing the pari-mutuel wagering system are called Tote Services, and these expenses are included in Professional Service Disbursements. State taxes, which are also paid from Pari-mutuel Wagering Commission, are reflected in Other Operating Disbursements, and the amount remaining is the Society's net portion.

	2010	2009
Total Amount Bet (Handle)	\$4,135	\$3,293
Less: Payoff to Bettors	(3,305)	(2,634)
Parimutuel Wagering Commission	830	659
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(380)	(178)
State Tax	(108)	(84)
Society Portion	\$ 42	\$ 97

4. RETIREMENT SYSTEM

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2010 and 2009, employees contributed 6.2 percent of their gross salaries. The Society contributed an amount equal to 6.2 percent of participant's gross salaries through November 30, 2010.

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. The Public Entities Pool (PEP) of Ohio provides general liability coverage, with limits of \$2,000,000 per occurrence. This policy includes wrongful acts coverage with limits of \$2,000,000 per occurrence.

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

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2010 AND 2009
(Continued)**

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. The Society disbursed \$21,242 and \$19,749 for 2010 and 2009, 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. Shelby County paid the Society \$500 during 2010 and 2009 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, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$1,106	\$1,454
Receipts	4,230	4,876
Disbursements	(4,107)	(5,224)
Ending Cash Balance	\$1,229	\$1,106

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 Fair's auction. 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, 2010 and 2009 follows:

	2010	2009
Beginning Cash Balance	\$ 4,181	\$ 4,677
Receipts	343,951	301,623
Disbursements	(343,207)	(302,119)
Ending Cash Balance	\$ 4,925	\$ 4,181

8. SUBSEQUENT EVENT

On December 15, 2010, the Board of Directors approved the Treasurer to obtain an operating loan, if needed, to pay all of the bills before April. The loan was approved to be no more than \$15,000.



Dave Yost • Auditor of State

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

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, (the Society) as of and for the years ended November 30, 2010 and 2009, and have issued our report thereon dated May 10, 2011, wherein we noted the Society followed 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying schedule of findings to be a material weakness.

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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**Compliance and Other Matters
(Continued)**

We did note certain matters not requiring inclusion in this report that we reported to the Society's management in a separate letter dated May 10, 2011.

The Society's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Society's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, the 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

May 10, 2011

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
NOVEMBER 30, 2010 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-001

Material Weakness – Industrial Day Wristband and Car Load Revenues

The Society had special admission prices during the Fair. A wristband could be purchased for \$6 from a local participating business and could be used to enter the Fair on particular days. Also, there was a day in which a car load of people would be admitted into the Fair for \$25. These sources of revenue were incorrectly booked as privilege fees revenue (rides) instead of admissions revenue. The financial statements have been adjusted to reflect the misstatement in the amount of \$40,305 for 2010 and \$43,199 for 2009. In addition, the wristbands sold for Industrial Days were not tracked as to the number of wristbands issued to or returned from the various businesses in either 2009 or 2010. Therefore, there was no support for these revenues in the amount of \$31,801 in 2010 and \$28,999 in 2009.

Failure to properly account for and classify Industrial Day and Car Load Day revenues led to inaccurate financial statement presentation. Failure to account for the number of wristbands issued to and returned from businesses for Industrial Day could lead to errors and irregularities occurring and a possible loss of revenue for the Society that could go undetected.

The Society should properly report Industrial Day and Car Load Day revenues as admissions revenue to avoid misstatements in financial reporting. In addition, the Society should implement procedures to require the various businesses selling Industrial Day wristbands to maintain an accounting of the number sold and returned. The Society should create a log to document how many wristbands are provided to each business and how many wristbands are returned to the Society. The Society then should determine that the proper amount has been collected for the sale of wristbands from each business.

Officials' Response:

Officials' Response: Wristband money and carload money are listed under ride money and not admission. We don't believe it is fair to state that this is an "inaccurate financial statement presentation". Prior auditors have discussed this area but it hasn't always been listed as a finding. We had made adjustments to our distribution of wrist bands by purchasing wrist bands that were numerical. Car load wristbands are also counted before they go out so that we have an accounting of how many people we have serviced.

We feel that as a board we are working to get rid of this finding but are frustrated because nothing seems to be right. Perhaps we will just do away with the two biggest moneymakers in order to stop this finding. That is not what we want but we can't seem to get this right.

Auditor of State Conclusion: Auditing standards require us to report if amounts are not classified correctly. We agree that classifying these as *privilege fees* rather than *admissions* is not the most important aspect of this finding. The Auditor of State is not recommending doing away with revenue generators, rather the recommendation is to track the number of wristbands purchased, provided to business and number not sold, to help assure that the Society is receiving all cash related to these items.

**AGRICULTURAL SOCIETY
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
NOVEMBER 30, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Material Weakness – Industrial Day Wristband and Car Load Revenues	No	Not Corrected - Repeat as Finding 2010-001
2008-002	Significant Deficiency – Processing of Expenditures	Yes	
2008-003	Significant Deficiency – Proper Classification of Expenditures	Yes	



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SHELBY COUNTY 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
JUNE 14, 2011**