



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.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

August 9, 2013

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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, 2012 and 2011. 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.

GAAP requires 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 Societies 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, 2012 and 2011 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, 2012 and 2011, 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 as of November 30, 2012 and 2011 of the Agricultural Society, Shelby County, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013, 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

Columbus, Ohio

August 9, 2013



**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEARS ENDED NOVEMBER 30, 2012 AND 2011**

	<b>2012</b>	<b>2011</b>
<b>Operating Receipts:</b>		
Admissions	\$223,511	\$198,228
Privilege Fees	39,014	36,829
Rentals	64,442	57,682
Sustaining and Entry Fees	10,769	23,600
Parimutuel Wagering Commission	84	122
Other Operating Receipts	23,920	24,892
<b>Total Operating Receipts</b>	<b>361,740</b>	<b>341,353</b>
<b>Operating Disbursements:</b>		
Wages and Benefits	25,054	26,335
Utilities	46,739	50,381
Professional Services	114,895	118,640
Equipment and Grounds Maintenance	69,678	80,554
Race Purse	24,784	36,558
Senior Fair	36,161	33,717
Junior Fair	19,082	18,197
Capital Outlay		5,000
Other Operating Disbursements	48,164	53,953
<b>Total Operating Disbursements</b>	<b>384,557</b>	<b>423,335</b>
(Deficiency) of Operating Receipts (Under) Operating Disbursements	<b>(22,817)</b>	<b>(81,982)</b>
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	18,729	19,524
County Support	3,048	3,048
Debt Proceeds	1,000	12,000
Donations/Contributions	51,347	44,849
Debt Service	(13,747)	
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>60,377</b>	<b>79,421</b>
Excess (Deficiency) of Receipts Over (Under) Disbursements	37,560	(2,561)
Cash Balance, Beginning of Year	7,173	9,734
Cash Balance, End of Year	<b>\$44,733</b>	<b>\$7,173</b>

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

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**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011**

**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 maintains a checking account and has no investments.

**D. Property, Plant, and Equipment**

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

**E. Income Tax Status**

The Society is a not-for-profit organization, exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The Society is not a private foundation within the meaning of Section 509 (a). Contributions to the Society are deductible per Section 170(b)(1)(A)(v1). Management is unaware of any actions or events that would jeopardize the Society's tax status.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

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

**F. Race Purse**

Super Stakes 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 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 statement 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 statement 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, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Demand deposits	<u>\$44,733</u>	<u>\$7,173</u>

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

**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, 2012 and 2011 was \$12,064 and \$12,776 respectively, as State Support.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(Continued)**

**3. HORSE RACING (Continued)**

**Pari-mutuel Wagering**

The Society does not record the Total Amount Bet or the Payoff to Bettors in the accompanying financial statement, 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.

	<b>2012</b>	<b>2011</b>
Total Amount Bet (Handle)	\$2,662	\$3,715
Less: Payoff to Bettors	(2,133)	(2,973)
Parimutuel Wagering Commission	529	742
Tote Service Set Up Fee	(300)	(300)
Tote Service Commission	(164)	(313)
State Tax	(65)	(94)
Society Portion	\$ 0	\$ 35

**4. DEBT**

The Society had no outstanding debt as of November 30, 2012, but did have an available line of credit in the amount of \$20,000 with assets pledged as collateral. The \$20,000 Line of Credit bears an interest rate of 5.75 percent due semi-annually and is due to the First National Bank in New Bremen. The line of credit was entered into on October 27, 2011 and has to be renewed annually. The Society borrowed \$13,000 prior to the Fair in 2012 for operating expenses. The line of credit was repaid after the Fair in 2012.

**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 through August 2013.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2012 AND 2011  
(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 \$19,082 and \$18,197 for 2012 and 2011, 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 to support Junior Club work. The Junior Fair Board accounts for its activities separately. The accompanying financial statement does not include this activity. The Junior Fair Board's financial activity for the years ended November 30, 2012 and 2011 follows:

	<b>2012</b>	<b>2011</b>
Beginning Cash Balance	\$969	\$1,229
Receipts	1,698	4,054
Disbursements	(1,772)	(4,314)
Ending Cash Balance	\$ 895	\$ 969

**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. A flat fee 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 years ended November 30, 2012 and 2011 follows:

	<b>2012</b>	<b>2011</b>
Beginning Cash Balance	\$ 8,107	\$ 7,531
Receipts	481,585	391,368
Disbursements	(484,582)	(390,792)
Ending Cash Balance	\$ 5,110	\$ 8,107



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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 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 the Agricultural Society, Shelby County, (the Society) as of and for the years ended November 30, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated August 9, 2013 wherein we noted the Society followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 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 opinion 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*.

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[www.ohioauditor.gov](http://www.ohioauditor.gov)

***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.

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**Dave Yost**  
Auditor of State

Columbus, Ohio

August 9, 2013



**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Material Weakness – Industrial Day Wristband and Car Load Revenues	No	Partially Corrected - Lack of documentation corrected; however, misclassification of admission revenue is included in Management Letter

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# Dave Yost • Auditor of State

**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  
SEPTEMBER 3, 2013**