



Mary Taylor, CPA  
Auditor of State



**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter .....	1
Independent Accountants' Report.....	3
Statement of Cash Receipts, Cash Disbursements, and Change in Cash Balance - For the Years Ended November 30, 2008 and 2007 .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

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Mary Taylor, CPA  
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 Society 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

March 23, 2009

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# Mary Taylor, CPA

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 Shelby County Agricultural Society, (the Society), as of and for the years ended November 30, 2008 and 2007. 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.

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, 2008 and 2007 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, 2008 and 2007, 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 Shelby County Agricultural Society, as of November 30, 2008 and 2007, 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 March 23, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 23, 2009



**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN CASH BALANCE  
FOR THE YEAR ENDED NOVEMBER 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Operating Receipts:</b>		
Admissions	\$206,519	\$211,399
Privilege Fees	36,338	39,115
Rentals	67,038	70,292
Sustaining and Entry Fees	21,275	34,785
Parimutuel Wagering Commission	172	396
Other Operating Receipts	23,522	28,244
Total Operating Receipts	354,864	384,231
<b>Operating Disbursements:</b>		
Wages and Benefits	19,449	16,332
Utilities	55,903	50,779
Professional Services	120,347	103,901
Equipment and Grounds Maintenance	60,580	50,731
Race Purse	45,364	67,489
Senior Fair	15,133	28,577
Junior Fair	20,588	18,596
Capital Outlay	250	1,105
Other Operating Disbursements	104,026	82,167
Total Operating Disbursements	441,640	419,677
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(86,776)	(35,446)
<b>Non-Operating Receipts (Disbursements):</b>		
State Support	26,148	29,044
County Support	3,200	3,200
Donations/Contributions	35,501	37,888
Investment Income	360	2
Debt Service		(32)
Net Non-Operating Receipts (Disbursements)	65,209	70,102
Excess (Deficiency) of Receipts Over (Under) Disbursements	(21,567)	34,656
Cash Balance, Beginning of Year	45,139	10,483
Cash Balance, End of Year	<u>\$23,572</u>	<u>\$45,139</u>

*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, 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.

**E. Restricted Support**

Restricted support includes amounts that donors restrict for specific uses.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

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

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

**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.

**G. 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.

**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 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 AND INVESTMENTS**

The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at November 30, 2008 and 2007 was as follows:

	<u>2008</u>	<u>2007</u>
Demand deposits	\$19,572	\$35,270
Certificates of deposit	4,000	9,869
Total deposits	<u>\$23,572</u>	<u>\$45,139</u>

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

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2008 AND 2007  
(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, 2008 and 2007 was \$17,848 and \$21,696, 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.

	<b>2008</b>	<b>2007</b>
Total Amount Bet (Handle)	\$4,524	\$9,897
Less: Payoff to Bettors	(3,610)	(7,893)
Parimutuel Wagering Commission	914	2,004
Tote Service Set Up Fee	(300)	(600)
Tote Service Commission	(319)	(736)
State Tax	(123)	(272)
Society Portion	\$ 172	\$ 396

**4. RETIREMENT SYSTEM**

All employees contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2008 and 2007, 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, 2008.

**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 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 2009.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
NOVEMBER 30, 2008 AND 2007  
(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 \$20,588 and \$18,596 for 2008 and 2007, 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 2008 and 2007 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, 2008 and 2007 follows:

	<b>2008</b>	<b>2007</b>
Beginning Cash Balance	\$1,033	\$1,747
Receipts	4,431	1,378
Disbursements	(4,010)	(2,092)
Ending Cash Balance	\$1,454	\$1,033

**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, 2008 and 2007 follows:

	<b>2008</b>	<b>2007</b>
Beginning Cash Balance	\$ 3,091	\$ 2,446
Receipts	363,289	310,630
Disbursements	(361,903)	(309,985)
Ending Cash Balance	\$ 4,477	\$ 3,091



# 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*

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, 2008 and 2007, and have issued our report thereon dated March 23, 2009, 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Society's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Society's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Society's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control over Financial Reporting  
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the Society's management in a separate letter dated March 23, 2009.

**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*.

We did note certain noncompliance or other matters that we reported to the Society's management in a separate letter dated March 23, 2009.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

March 23, 2009



**SHELBY COUNTY AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
NOVEMBER 30, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Weakness - Industrial Day Wristband and Car Load Revenues**

The Society had special admission prices during the Fair. A wristband could be purchased for \$5 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 \$20. 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 \$41,397 for 2008 and \$47,787 for 2007. In addition, the wristbands sold for Industrial Days, were not numbered in any manner and the Society did not track how many wristbands were given to or returned by the various businesses for either 2007 or 2008. Therefore, there was no support for these revenues in the amount of \$34,997 in 2008 and \$39,827 in 2007.

Failure to properly account for and classify Industrial Day and Car Load Day revenues led to inaccurate financial statement presentation. Failure to utilize pre-numbered wristbands or 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 provide pre-numbered wristbands to the various businesses to sell for Industrial Days and maintain an accounting of the number sold and returned. If pre-numbered wristbands are not possible, 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.

**FINDING NUMBER 2008-002**

**Significant Deficiency - Processing of Expenditures**

Payment vouchers were used for expenditures and supporting documentation was required to be attached to the voucher. However, supporting documentation was not attached to the vouchers for approximately 8 and 13 percent of expenditures tested for 2008 and 2007, respectively. In addition, the Treasurer occasionally signed off on invoices as evidence of the invoice being approved for payment. However, an individual had not signed off on the invoices for approximately 95 percent and 46 percent of expenditures tested for 2008 and 2007, respectively to attest that the goods/services had been received.

Failure to maintain and attach original invoices, contracts, or other appropriate documentation to the voucher that would support an expenditure could lead to improper expenditures. Failure of an individual to sign off on invoices could lead to invoices being paid for goods/services that have not been received and/or making duplicate payments.

Payments should only be made from original invoices, contracts, or other supporting documentation which should be attached to the voucher. Also, the Board member or employee of the Society that is aware that the goods/services have been received should sign the invoice as evidence that the invoice is ready for payment. The Treasurer should then indicate on the invoice that the obligation has been paid.

**FINDING NUMBER 2008-003**

**Significant Deficiency - Proper Classification of Expenditures**

All expenditure transactions were posted to the expenditure ledger; however, not all transactions were posted to the correct line item account. In addition, expenditure classifications were not always posted consistently from one year to the next. The following expenditure items were not properly classified during the audit period:

- wages and benefits expenditures during 2008 in the amount of \$12,057 were posted incorrectly as other operating expenditures in the amount of \$4,310 and equipment and grounds maintenance expenditures in the amount of \$7,747;
- wages and benefits expenditures during 2007 in the amount of \$13,152 were posted incorrectly as other operating expenditures in the amount of \$8,420 and equipment and grounds maintenance expenditures in the amount of \$4,732
- professional services expenditures during 2007 in the amount of \$3,039 were posted incorrectly as equipment and grounds maintenance expenditures.

The failure to properly post these expenditures could result in the material misstatement of the expenditure line items for reporting and an inability to utilize the financial statements for comparability purposes. The accompanying financial statements do not include the above reclassifications for 2008 or 2007.

The Society should review expenditure activity to determine which account code best represents the transaction. All expenditures should be recorded in accordance with the Uniform Agricultural Society chart of accounts to ensure accurate financial statement presentation.

**Officials' Response:**

Officials did not respond to the findings above.

**AGRICULTURAL SOCIETY  
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
NOVEMBER 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2006-001	Rental Revenue Contracts	No	Partially Corrected – Reported in a separate letter to management of the Agricultural Society.





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  
MAY 19, 2009**